THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in G.A. Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

This circular is for information only. It does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market 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, (1) the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this circular misleading.

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)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITIONS OF THE ENTIRE EQUITY INTERESTS IN THE TARGET COMPANIES ENGAGING IN THE BUSINESSES OF AUTOMOBILES DEALERSHIP, SALES, PARTS SUPPLIES AND AFTER SALES SERVICE IN THE PRC

Financial Adviser

RHB Capital Hong Kong Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 6 to 51 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on Thursday, 17 November 2016, at Unit 1203, 12th Floor, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

This circular will remain on the GEM's website at **www.hkgem.com** and at **www.hkexnews.hk** on the "Latest Company Announcement" page for seven days from the date of its posting and on the Company's website at **www.ga-holdings.com.hk**.

26 October 2016

CHARACTERISTICS OF GEM

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

In this circular, unless the context otherwise requires, the following terms shall have the following meaning:

"Acquisition Agreement"	the conditional sale and purchase agreement dated 23 August 2016 entered into among the Purchaser, the Vendors and the Guarantor in relation to the Acquisitions
"Acquisitions"	collectively, the QZ Fubao Acquisition, the LY Zhongbao Acquisition and the FJ Xingdebao Acquisition, and each an Acquisition
"associate(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Board"	the board of Directors
"Business Day(s)"	any day other than a Saturday or Sunday or public holiday in the PRC
"CAGR"	Compound Annual Growth Rate, the term for interest rate at which a given Present Value (PV) would "grow" to a given Future Value (FV) in a given amount of time. The formula for calculating CAGR is: (FV/PV)^(1/number of years)
"Company"	G.A. Holdings Limited (Stock Code: 8126), a limited liability company incorporated in the Cayman Islands, the issued Shares of which are listed on GEM
"Completion"	in respect of each of the Acquisitions, completion of such Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"Completion Date"	in respect of each of the Acquisitions, the date on which Completion takes place of such Acquisition (i.e. the date on which the Purchaser becomes the registered shareholder of the respective Target Companies of such Acquisition at the relevant Administration for Industry and Commerce (工商行政管理局)
"connected person(s)"	has the meaning ascribed to it in the GEM Listing Rules
"controlling shareholder"	has the meaning ascribed to it in the GEM Listing Rules
"Director(s)"	director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be held at Unit 1203, 12th Floor, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong on Thursday, 17 November 2016 at 11:00 a.m. to consider and, if thought fit, to approve the Acquisition Agreement and the transactions contemplated therewith
"Enlarged Group"	the Group immediately after Completion
"Euro"	Euros, the lawful currency of the member states of the European Union
"FJ Xingdebao"	Fujian Xingdebao Automobiles Sales and Service Limited Company* (福建星德寶汽車銷售服務有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Vendor I, being one of the Target Companies in the Acquisition Agreement and the target company in FJ Xingdebao Acquisition
"FJ Xingdebao Acquisition"	the sale and purchase of the FJ Xingdebao Sale Shares from Vendor II to the Purchaser
"FJ Xingdebao Consideration"	a consideration of RMB6.0 million (equivalent to approximately HK$7.0 million) for the FJ Xingdebao Acquisition
"FJ Xingdebao Sale Shares"	the entire equity interests in FJ Xingdebao
"Fuzhou Xingbao"	Fuzhou Xingbao Automobiles Service Co., Limited* (福州星寶汽車服務有限公司) (formerly known as Fuzhou BMW Automobiles Service Co., Limited* (福州寶馬汽車服務有限公司)), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"GDP"	nominal gross domestic product, the total market value of all the goods and services produced within the borders of a nation during a specified period of time
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries from time to time
"Guarantor"	Mr. Zhao Guiming (趙貴明先生), an Independent Third Party, being a guarantor of the Acquisition Agreement
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	person(s) and their respective associates or, in the case of companies, their ultimate beneficial owner(s) and their respective associates, who are independent of and not connected with the Company and its subsidiaries and their respective connected persons
"Latest Practicable Date"	21 October 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Committee"	the listing committee of the Stock Exchange with responsibility for GEM
"Long Stop Date"	30 April 2017 or such later date as the Purchaser and the Vendors may agree in writing
"LY Zhongbao"	Longyan Zhongbao Automobiles Company Limited* (龍岩中寶汽車有限公司), a company established in the PRC with limited liability, being one of the Target Companies in the Acquisition Agreement and the target company in LY Zhongbao Acquisition
"LY Zhongbao Acquisition"	the sale and purchase of the LY Zhongbao Sale Shares from Vendor I and Vendor III to the Purchaser
"LY Zhongbao Consideration"	a consideration of RMB41.0 million (equivalent to approximately HK$47.6 million) for the LY Zhongbao Acquisition
"LY Zhongbao Sale Shares"	the entire equity interests in LY Zhongbao
"MOU"	a non-legally binding memorandum of understanding dated 3 February 2016 as supplemented on 28 July 2016 entered into between Vendor I and the Purchaser in relation to the Acquisitions
"PRC" or "China"	the People's Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan

"Purchaser" or "Xiamen BMW"	Xiamen BMW Automobiles Service Co., Ltd.* (廈門寶馬汽車維修有限公司), a wholly-owned subsidiary of German Automobiles Pte. Ltd. which in turn a direct wholly-owned subsidiary of the Company, being a purchaser to the QZ Fubao Acquisition, the LY Zhongbao Acquisition and the FJ Xingdebao Acquisition pursuant to the Acquisition Agreement
"QZ Fubao"	Quanzhou Fubao Automobiles Sales and Service Company Limited* (泉州福寶汽車銷售服務有限公司), a company established in the PRC with limited liability, being one of the Target Companies in the Acquisition Agreement and the target company in QZ Fubao Acquisition
"QZ Fubao Acquisition"	the sale and purchase of the QZ Fubao Sale Shares from Vendor I to the Purchaser
"QZ Fubao Consideration"	a consideration of RMB115.0 million (equivalent to approximately HK$133.4 million) for the QZ Fubao Acquisition
"QZ Fubao Sale Shares"	the entire equity interests in QZ Fubao
"Revised Guarantee Agreement"	the guarantee agreement dated 29 April 2016 entered into among the Purchaser, German Automobiles Pte. Ltd. and Vendor I
"RMB"	Renminbi, the lawful currency of the PRC
"RUF China"	RUF China Automobiles Trading Ltd.* (如虎中國汽車貿易有限公司), a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.1 each in the issued share capital of the Company
"Shareholder(s)"	the shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in the GEM Listing Rules
"Takeovers Code"	the Codes on Takeovers and Merger and Share Buy-backs, as amended, modified and supplemented form time to time

"Target Companies"	collectively, QZ Fubao, LY Zhongbao and FJ Xingdebao
"Total Consideration"	a total consideration of RMB162,000,000 (equivalent to approximately HK$187.9 million), being the aggregation of the QZ Fubao Consideration, the LY Zhongbao Consideration and the FJ Xingdebao Consideration
"Vendors"	collectively, Vendor I, Vendor II and Vendor III
"Vendor I"	Xiamen Zhong Bao Automobiles Co., Ltd.* (廈門中寶汽車有限公司), a company established in the PRC with limited liability, being the vendor to the QZ Fubao Acquisition and one of the vendors to the LY Zhongbao Acquisition pursuant to the Acquisition Agreement
"Vendor II"	Fuzhou Zhongbao Automobiles Sales Services Co., Ltd.* (福州中寶汽車銷售服務有限公司), a company established in the PRC with limited liability, being the vendor to the FJ Xingdebao Acquisition pursuant to the Acquisition Agreement
"Vendor III"	Xiamen Luohu Automobiles Sales Services Co., Ltd.* (廈門羅虎汽車銷售服務有限公司), a company established in the PRC with limited liability, being one of the vendors to the LY Zhongbao Acquisition pursuant to the Acquisition Agreement
"Zhong Bao Group"	collectively Vendor I, its subsidiaries and related companies (including Vendor II and Vendor III)
"4S"	a passenger vehicle dealership model that integrates four businesses elements, i.e., sales, spare parts, services and survey
"%"	per cent.

The English names of Chinese entities marked with "" are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

Unless the context requires otherwise, amounts denominated in RMB have been converted into HK$ at an exchange rate of RMB1: HK$1.16 for the purpose of illustration only. No representation is made that any amount in HK$ or RMB could have been or could be converted at the relevant dates at the above rate or at any other rates or at all.

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)

Executive Director:
Mr. Luo Wan Ju *(Chairman)*
Mr. Lin Ju Zheng
Mr. Choy Choong Yew
Mr. Zhang Xi
Mr. Ma Hang Kon, Louis
Mr. Xue Guo Qiang

Independent Non-executive Directors:
Mr. Zhou Ming
Mr. Yin Bin
Ms. Guan Xin

Registered Office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Unit 1203, 12th Floor, Eton Tower
No. 8 Hysan Avenue, Causeway Bay
Hong Kong

Head office in Singapore:
51 Goldhill Plaza #15–05
Singapore 308900

26 October 2016

To the Shareholders,

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITIONS OF THE ENTIRE EQUITY INTERESTS IN THE TARGET COMPANIES ENGAGING IN THE BUSINESSES OF AUTOMOBILES DEALERSHIP, SALES, PARTS SUPPLIES AND AFTER SALES SERVICE IN THE PRC

INTRODUCTION

Reference is made to the announcement of the Company dated 23 August 2016 in relation to, among other things, the Acquisitions. On 23 August 2016, the Purchaser, the Vendors and the Guarantor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and (i) Vendor I has conditionally agreed to sell the QZ Fubao Sale Shares at QZ Fubao Consideration; (ii) Vendor I and Vendor III have conditionally agreed to sell the LY Zhongbao Sale Shares at LY Zhongbao Consideration and (iii) Vendor II has conditionally agreed to sell the FJ Xingdebao Sale Shares at FJ Xingdebao Consideration. The Total Consideration shall be fully satisfied by the Purchaser in cash.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further details of the Acquisitions and the transactions contemplated thereunder; (ii) financial and other information of the Group; (iii) financial information of each of the Target Companies; (iv) management discussion and analysis of each of the Target Companies; (v) unaudited pro forma financial information of the Group; (vi) valuation reports of each of the Target Companies; (vi) valuation reports on the properties of the Target Companies; (vii) general information; and (viii) notice of the EGM.

Each of the QZ Fubao Acquisition, the LY Zhongbao Acquisition and the FJ Xingdebao Acquisition is not conditional to one another. Completion is subject to the fulfillment of the conditions precedent to each of the Acquisitions as set out in the Acquisition Agreement. The Acquisitions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

THE ACQUISITIONS

Details of the Acquisition Agreement are set out below.

Acquisition Agreement

Date

23 August 2016

Parties

(i) the Purchaser;

(ii) the Vendors; and

(iii) the Guarantor.

As at the Latest Practicable Date, (a) Vendor I owns 100% equity interests in QZ Fubao; (b) Vendor II owns 100% equity interests in FJ Xingdebao; and (c) Vendor I and Vendor III own as to 73.33% and 26.67% of the equity interests in LY Zhongbao respectively. The Guarantor is the ultimate beneficial owner of each of the Vendors.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Guarantor and the Vendors is an Independent Third Party.

For details of the Guarantor and the Vendors, please refer to the paragraph headed "Information on Guarantor and Vendors" in this letter.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire and:

(i) Vendor I has conditionally agreed to sell the QZ Fubao Sale Shares;

(ii) Vendor I and Vendor III have conditionally agreed to sell the LY Zhongbao Sale Shares; and

(iii) Vendor II has conditionally agreed to sell the FJ Xingdebao Sale Shares.

Each of the QZ Fubao Acquisition, the LY Zhongbao Acquisition and the FJ Xingdebao Acquisition is not conditional to one another.

For details of the Target Companies, please refer to the paragraph headed "Information on the Target Companies" in this letter.

Total Consideration

The Total Consideration of RMB162 million for the Acquisitions is comprised of:

(i) the QZ Fubao Consideration of RMB115 million to be paid in cash by the Purchaser to Vendor I in the following manner:

  (a) RMB1.0 million, being the earnest money paid by the Purchaser under the MOU, which has become a non-refundable deposit and be treated as partial payment towards the QZ Fubao Consideration upon signing of the Acquisition Agreement;

  (b) RMB38.0 million (equivalent to approximately HK$44.1 million) to be paid on the Completion Date;

  (c) RMB38.0 million (equivalent to approximately HK$44.1 million) to be paid within 90 days from the Completion Date; and

  (d) RMB38.0 million (equivalent to approximately HK$44.1 million) to be paid within 180 days from the Completion Date.

(ii) The LY Zhongbao Consideration of RMB41 million to be paid in cash by the Purchaser to Vendor I and Vendor III in the following manner:

  (a) RMB1.0 million, being the earnest money paid by the Purchaser under the MOU, which has become a non-refundable deposit and be treated as partial payment towards the LY Zhongbao Consideration upon signing of the Acquisition Agreement;

  (b) RMB13.0 million (equivalent to approximately HK$15.1 million) to be paid on the Completion Date;

(c) RMB13.0 million (equivalent to approximately HK$15.1 million) to be paid within 90 days from the Completion Date; and

(d) RMB14.0 million (equivalent to approximately HK$16.2 million) to be paid within 180 days from the Completion Date.

(iii) The FJ Xingdebao Consideration of RMB6 million to be paid in cash by the Purchaser to Vendor II in the following manner:

(a) RMB1.0 million, being the earnest money paid by the Purchaser under the MOU, which has become a non-refundable deposit and be treated as partial payment towards the FJ Xingdebao Consideration upon signing of the Acquisition Agreement;

(b) RMB2.0 million (equivalent to approximately HK$2.3 million) to be paid on the Completion Date;

(c) RMB2.0 million (equivalent to approximately HK$2.3 million) to be paid within 90 days from the Completion Date; and

(d) RMB1.0 million (equivalent to approximately HK$1.2 million) to be paid within 180 days from the Completion Date.

The Total Consideration shall be fully satisfied in cash by the internal resources of the Group and financing from financial institutions as may be sought by the Group. As at the Latest Practicable Date, the Company has obtained a banking facilities of approximately HK$156.0 million from a financial institution for the purpose of financing the Acquisitions.

Basis of determination of the Total Consideration

Each of the QZ Fubao Consideration, the LY Zhongbao Consideration and the FJ Xingdebao Consideration was determined after arm's length negotiations between the Purchaser and the respective Vendors based on normal commercial terms with reference to, inter alia:

(i) the unaudited net assets value of each of the Target Companies as at 30 June 2016;

(ii) the preliminary valuation on the QZ Fubao Sale Shares of approximately RMB124.0 million (equivalent to approximately HK$143.8 million) as at 30 June 2016;

(iii) the preliminary valuation on the LY Zhongbao Sale Shares of approximately RMB41.0 million (equivalent to approximately HK$47.6 million) as at 30 June 2016;

(iv) the preliminary valuation on the FJ Xingdebao Sale Shares of approximately RMB6.1 million (equivalent to approximately HK$7.1 million) as at 30 June 2016;

(v) the well-established relationship with the dealership suppliers and diversified customer bases of the Target Companies. Given that the Enlarged Group will have a balanced portfolio of one premium brand as well as two ultra-luxury brands which may expand the customer base and to capture a broader scope of customer in different demographic groups and income brackets;

(vi) the synergetic effect to be realised by the Group as a result of the Acquisitions. The Enlarged Group will further expand the strategic 4S dealer shop network with four 4S dealer shops, one showroom and two service centers in Xiamen, Fuzhou, Quanzhou and Longyan, Fujian Province, the PRC, and will also enhance the comprehensiveness and the diversity of the Group's services; and

(vii) the potential growth and prospect of the automobile industry in the PRC.

Please refer to the paragraph headed "Reasons for the Acquisitions" in this letter for further details of the benefits of and synergetic effect of the Acquisitions.

In addition, the Directors noted that LY Zhongbao and FJ Xingdebao have yet to obtain the building certificates for their respective 4S dealer shops. The Company has been advised by its PRC legal adviser that there is no material obstacle for obtaining the outstanding building certificates which is procedural and may take an uncertain timeframe to complete. As such, the Board considered that it is not commercially viable to set the obtaining of those outstanding building certificates as one of the conditions precedent for the LY Zhongbao Acquisition and the FJ Xingdebao Acquisition. The Board further considered that in the absence of material obstacle, the fact that LY Zhongbao and FJ Xingdebao have yet to obtain the building certificates for their respective 4S dealer shops would not have any material impact to the LY Zhongbao Acquisition and the FJ Xingdebao Acquisition respectively. Please refer to the section headed "Valuation certificate" in Appendix XII for further details.

The Company has engaged an independent valuer to carry out preliminary valuations on each of the Target Companies of which the determination of the consideration of the respective Target Companies was based on. The preliminary valuations may be subject to change and may or may not therefore be the same as the final valuations.

The followings sets forth a summary of the final valuation reports of each of QZ Fubao, LY Zhongbao and FJ Xingdebao as at 30 June 2016. Details of the assumptions, basis and methodology of the valuations as at 30 June 2016 are set out in Appendix IX, Appendix X and Appendix XI to this circular.

Valuation on QZ Fubao

The final valuation of QZ Fubao is approximately RMB124.0 million (equivalent to approximately HK$143.8 million) as at 30 June 2016.

Market approach is adopted as the valuation methodology in the valuation on QZ Fubao. In view of the fact that (i) income approach heavily relies on assumptions of uncertain future events and would inevitably cause discrepancies and the valuation could be largely influenced by any inappropriate assumptions made; (ii) asset-based approach could not capture the future earning potential of QZ Fubao therefore which is not appropriate; and (iii) the automobile business is not a rare industry in the PRC and sufficient comparables are available to evaluate the market value of QZ Fubao, the Directors consider that the adoption of market approach which derives from market value and financial data of listed comparables as QZ Fubao's valuation methodology is fair and reasonable. The Directors have also reviewed the comparable companies adopted in the valuation on QZ Fubao, compared with searched lists of listed companies engaged in similar business activities. Having further discussed with the valuer on the assumptions and methodology of the valuation on QZ Fubao, the Directors are in the opinion that the valuation on QZ Fubao is fair and reasonable to be taken as the basis of the determination of the QZ Fubao Consideration.

Details of the valuation report of QZ Fubao have been set out in Appendix IX to this circular.

Valuation on LY Zhongbao

The final valuation of LY Zhongbao is approximately RMB41.0 million (equivalent to approximately HK$47.6 million) as at 30 June 2016.

Asset-based approach is adopted as the valuation methodology in the valuation on LY Zhongbao. In view of the fact that (i) income approach heavily relies on assumptions of uncertain future events and would inevitably cause discrepancies and the valuation could be largely influenced by any inappropriate assumptions made; and (ii) the fluctuating profits of LY Zhongbao for the previous years may not represent a long term profit level, hence the market approach was not adopted, given the above the Directors consider that the adoption of asset-based approach which derives from adjusted net asset value of LY Zhongbao and adjusted by marketability discount as LY Zhongbao's valuation methodology is fair and reasonable. Having further discussed with the valuer on the assumptions and methodology of the valuation on LY Zhongbao, the Directors are in the opinion that the valuation on LY Zhongbao is fair and reasonable to be taken as the basis of the determination of the LY Zhongbao Consideration.

Details of the valuation report of LY Zhongbao have been set out in Appendix X to this circular.

Valuation on FJ Xingdebao

The final valuation of FJ Xingdebao is approximately RMB7.0 million (equivalent to approximately HK$8.1 million) as at 30 June 2016.

Asset-based approach is adopted as the valuation methodology in the valuation on FJ Xingdebao. In view of the fact that (i) income approach heavily relies on assumptions of uncertain future events and would inevitably cause discrepancies and the valuation could be largely influenced by any inappropriate assumptions made; and (ii) there was insufficient operating history of FJ Xingdebao which renders market approach inappropriate, the Directors consider that the adoption of asset-based approach which derives from adjusted net asset value of FJ Xingdebao and adjusted by marketability discount as FJ Xingdebao's valuation methodology is fair and reasonable. Having further discussed with the valuer on the assumptions and methodology of the valuation on FJ Xingdebao, the Directors are in the opinion that the valuation on FJ Xingdebao is fair and reasonable to be taken as the basis of the determination of the FJ Xingdebao Consideration.

Details of the valuation report of FJ Xingdebao have been set out in Appendix XI to this circular.

The Directors consider that each of the QZ Fubao Consideration, the LY Zhongbao Consideration and the FJ Xingdebao Consideration is fair and reasonable and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent to each of Acquisitions and Completion

Each of the Acquisitions is not conditional to one another. Completion is conditional upon the satisfaction of the respective conditions precedent to each of (i) the QZ Fubao Acquisition; (ii) the LY Zhongbao Acquisition; and (iii) the FJ Xingdebao Acquisition.

(i) QZ Fubao Acquisition

Conditions precedent to QZ Fubao Acquisition

Completion is conditional upon all of the following conditions being fulfilled or waived in writing (if applicable):

(a) the Purchaser having obtained a due diligence report/legal opinion (in such form and substance satisfactory to the Purchaser) from a qualified PRC legal adviser appointed by the Purchaser, confirming, among other things, the legality of Completion of QZ Fubao Acquisition pursuant to the Acquisition Agreement, the due incorporation of QZ Fubao and its operation under the PRC laws and regulations;

(b) the Purchaser having obtained an unqualified audit report of QZ Fubao issued by a qualified accounting firm appointed by the Purchaser (save and except the comment on the account of QZ Fubao for the year ended 31 December 2013);

(c) the Purchaser having obtained a valuation report issued by a qualified valuer (in such form and substance satisfactory to the Purchaser), stating, among other things, the valuation of QZ Fubao being not less than RMB124.0 million;

(d) QZ Fubao having obtained all relevant licences and consent or renewals thereof in relation to its business and such licenses being valid and subsisting;

(e) the senior management of QZ Fubao have executed and performed, the service agreements with QZ Fubao;

(f) the Purchaser, its agent or professional advisers being satisfied with the results of the due diligence review (in relation to legal, accounting, finance, operation or any other matters, which, in the Purchaser's opinion, are important) of the QZ Fubao and the results of such review being satisfactory to the Purchaser;

(g) Vendor I having obtained all necessary approvals, confirmations, waivers or consents in respect of the Acquisition Agreement and all transactions contemplated thereunder under applicable laws and regulations from the relevant authorities having jurisdiction over QZ Fubao or other relevant third parties (if so required by the relevant legislations);

(h) the Shareholders having approved at the EGM the QZ Fubao Acquisition and the transactions contemplated thereunder in accordance with the articles of associations of the Company and the GEM Listing Rules;

(i) all necessary approvals, and consents (whether with or without any condition attached) in respect of the QZ Fubao Acquisition and the transaction contemplated thereunder having been obtained from the Stock Exchange;

(j) the Purchaser being satisfied, from the date of signing the Acquisition Agreement and at any time before Completion, that the representations, warranties and undertakings given under the Acquisition Agreement by Vendor I in respect of QZ Fubao remain true, accurate, not misleading or being breached in any material changes;

(k) the Purchaser not having discovered or known that from the date of signing of the Acquisition Agreement and up to Completion, there being any abnormal operations or any material adverse change in the business circumstances (including assets, financial and legal status), operations, performance or assets, or any undisclosed material potential risks in QZ Fubao;

(l) Vendor I or QZ Fubao having obtained the consent from the parties to the dealership agreements stating their respective consent to the corresponding changes on shareholders, legal representatives, directors, supervisors and senior management in the QZ Fubao Acquisition;

(m) Vendor I or QZ Fubao having obtained the consent from those financial institutions, where applicable, which QZ Fubao has maintained banking facilities, stating their respective consent to the corresponding changes on shareholders, legal representatives, directors, supervisors and senior management in the QZ Fubao Acquisition;

(n) all outstanding guarantees made by QZ Fubao having been released; and

(o) there having been no material adverse change in respect of legal, regulation, policy or other applicable regulatory requirements on Vendor I and QZ Fubao.

The Purchaser shall have the right to waive in writing the conditions as mentioned above (save and except for conditions (d), (g), (h), (i), (l) and (m) as mentioned above). If any of the conditions precedent to QZ Fubao Acquisition have not been fulfilled (or, where applicable, waived by the Purchaser in writing) on or before the Long Stop Date, the Purchaser will be entitled to terminate the QZ Fubao Acquisition by giving notice in writing to Vendor I.

Set out below are the details of (1) all relevant licences and consent or renewals in relation to QZ Fubao's business under condition (d) above; (2) all necessary approvals, confirmations, waivers or consents to the QZ Fubao Acquisition under condition (g) above; and (3) all outstanding guarantees made by QZ Fubao as at 31 August 2016 under condition (n) above:

(1) All relevant licences and consent or renewals in relation to QZ Fubao's business	**(2) All necessary approvals, confirmations, waivers or consents to the QZ Fubao Acquisition**	**(3) All outstanding guarantees made by QZ Fubao as at 31 August 2016**
(i) Business License of Legal Entity (企業法人營業執照): valid period from 29 November 2005 to 28 November 2025; (ii) Renewal Notices for Distribution Agreements (經銷商協議的續約通知) with automobile suppliers: license periods expiring on 31 December 2016; (iii) Automobile Maintenance and Repair Operating License in Fujian Province (福建省機動車維修經營許可證): valid period expiring on 12 March 2018; and (iv) Sideline Insurance Agency Business License (保險兼業代理業務許可證): valid period expiring on 29 August 2019.	(i) Prior written consents from the premium brands automobile suppliers; (ii) Prior written consent(s) in accordance with relevant covenants from certain banks (amongst other financial institutions) which granted facility/loan to QZ Fubao; and (iii) Approval of the Shareholders of the Company at the EGM.	An aggregate principal amount of RMB88 million in favour of Fuzhou Zhongbao Automobiles Sales Services Co., Ltd. to two banks. Further details are set out in the paragraph headed "Material Contracts" in Appendix XIII of this circular.

As at the Latest Practicable Date, QZ Fubao has obtained all relevant licences and consents or renewals thereof in relation to its business and such licenses are valid and subsisting.

As at the Latest Practicable Date, the conditions ((d), (e) and (l)) as mentioned above have been fulfilled, and the parties to the QZ Fubao Acquisition are not aware of any facts or circumstances that will render the conditions ((a), (b), (c), (f), (g), (h), (i), (j), (k), (m), (n) and (o)) as mentioned above not to be fulfilled (or waived) upon Completion of QZ Fubao Acquisition.

Completion

Where all the conditions precedent to QZ Fubao Acquisition set out above have been satisfied or waived (where applicable), and Vendor I has repaid all outstanding intercompany balance among Zhong Bao Group within 15 Business Days after all the conditions precedent to QZ Fubao Acquisition have been satisfied or waived (where applicable) in order to allow QZ Fubao to have clean breaks with Zhong Bao Group after Completion, the Purchaser will issue to Vendor I written notice of Completion. Completion shall then take place within 5 Business Days (or such later date as agreed by the Purchaser and Vendor I in writing) from the date of written notice of Completion issued by the Purchaser. The QZ Fubao Acquisition shall be regarded as completed when the Purchaser has been registered as a shareholder of QZ Fubao at the relevant Administration for Industry and Commerce (工商行政管理局).

Upon Completion of QZ Fubao Acquisition, QZ Fubao will become an indirect wholly-owned subsidiary of the Company, and the financial results, assets and liabilities of QZ Fubao will be consolidated into the financial statements of the Group.

(ii) LY Zhongbao Acquisition

Conditions precedent to LY Zhongbao Acquisition

Completion is conditional upon all of the following conditions being fulfilled or waived in writing (if applicable):

(a) the Purchaser having obtained a due diligence report/legal opinion (in such form and substance satisfactory to the Purchaser) from a qualified PRC legal adviser appointed by the Purchaser, confirming, among other things, the legality of Completion of LY Zhongbao Acquisition pursuant to the Acquisition Agreement, the due incorporation of LY Zhongbao and its operation under the PRC laws and regulations;

(b) the Purchaser having obtained an unqualified audit report of LY Zhongbao issued by a qualified accounting firm appointed by the Purchaser;

(c) the Purchaser having obtained a valuation report issued by a qualified valuer (in such form and substance satisfactory to the Purchaser), stating, among other things, the valuation of LY Zhongbao being not less than RMB41.0 million;

(d) LY Zhongbao having obtained all relevant licences and consent or renewals thereof in relation to its business and such licenses being valid and subsisting;

(e) the senior management of LY Zhongbao, have executed and performed, the service agreements with LY Zhongbao;

(f) the Purchaser, its agent or professional advisers being satisfied with the results of the due diligence review (in relation to legal, accounting, finance, operation or any other matters, which, in the Purchaser's opinion, are important) of LY Zhongbao and the results of such review being satisfactory to the Purchaser;

(g) Vendor I and Vendor III having obtained all necessary approvals, confirmations, waivers or consents in respect of the Acquisition Agreement and all transactions contemplated thereunder under applicable laws and regulations from the relevant authorities having jurisdiction over LY Zhongbao or other relevant third parties (if so required by the relevant legislations);

(h) the Shareholders having approved at the EGM the LY Zhongbao Acquisition and the transactions contemplated thereunder in accordance with the articles of associations of the Company and the GEM Listing Rules;

(i) all necessary approvals, and consents (whether with or without any condition attached) in respect of the LY Zhongbao Acquisition and the transaction contemplated thereunder having been obtained from the Stock Exchange;

(j) the Purchaser being satisfied, from the date of signing the Acquisition Agreement and at any time before Completion, that the representations, warranties and undertakings given under the Acquisition Agreement by Vendor I and Vendor III in respect of LY Zhongbao remain true, accurate, not misleading or being breached in any material changes;

(k) the Purchaser not having discovered or known that from the date of signing of the Acquisition Agreement and up to Completion, there being any abnormal operations or any material adverse change in the business circumstances (including assets, financial and legal status), operations, performance or assets, or any undisclosed material potential risks in LY Zhongbao;

(l) Vendor I or Vendor III or LY Zhongbao having obtained the consent from the parties to the dealership agreements stating their respective consent to the corresponding changes on shareholders, legal representatives, directors, supervisors and senior management in the LY Zhongbao Acquisition;

(m) Vendor I or Vendor III or LY Zhongbao having obtained the consent from those financial institutions, where applicable, which LY Zhongbao has maintained banking facilities, stating their respective consent to the corresponding changes on shareholders, legal representatives, directors, supervisors and senior management in the LY Zhongbao Acquisition;

(n) all outstanding guarantees made by LY Zhongbao having been released; and

(o) there having been no material adverse change in respect of legal, regulation, policy or other applicable regulatory requirements on Vendor I, Vendor III and LY Zhongbao.

The Purchaser shall have the right to waive in writing the conditions as mentioned above (save and except for conditions (d), (g), (h), (i), (l) and (m) as mentioned above). If any of the conditions precedent to LY Zhongbao Acquisition have not been fulfilled (or, where applicable, waived by the Purchaser in writing) on or before the Long Stop Date, the Purchaser will be entitled to terminate the LY Zhongbao Acquisition by giving notice in writing to Vendor I and Vendor III.

Set out below are the details of (1) all relevant licences and consent or renewals in relation to LY Zhongbao's business under condition (d) above; (2) all necessary approvals, confirmations, waivers or consents to the LY Zhongbao Acquisition under condition (g) above; and (3) all outstanding guarantees made by LY Zhongbao as at 31 August 2016 under condition (n) above:

(1) All relevant licences and consent or renewals in relation to LY Zhongbao's business	**(2) All necessary approvals, confirmations, waivers or consents to the LY Zhongbao Acquisition**	**(3) All outstanding guarantees made by LY Zhongbao as at 31 August 2016**
(i) Business License of Legal Entity (企業法人營業執照): valid period from 20 January 2009 to 19 January 2029; (ii) Renewal Notices for Distribution Agreements (經銷商協議的續約通知) with automobile suppliers: license periods expiring on 31 December 2016; (iii) Automobile Maintenance and Repair Operating License in Fujian Province (福建省機動車維修經營許可證): valid period expiring on 7 June 2018; and (iv) Side-line Insurance Agency Business License (保險兼業代理業務許可證): valid period expiring on 16 November 2016.	(i) Prior written consent(s) from the premium brands automobile suppliers; (ii) Prior written consent(s) in accordance with relevant covenants from certain banks (amongst other financial institutions) which granted facility/loan to LY Zhongbao; and (iii) Approval of the Shareholders of the Company at the EGM.	No subsisting guarantee made to any other third parties.

As at the Latest Practicable Date, LY Zhongbao has obtained all relevant licences and consents or renewals thereof in relation to its business and such licenses are valid and subsisting.

As at the Latest Practicable Date, the conditions ((d), (e) and (l)) as mentioned above have been fulfilled, and the parties to the LY Zhongbao Acquisition are not aware of any facts or circumstances that will render the conditions ((a), (b), (c), (f), (g), (h), (i), (j), (k), (m), (n) and (o)) as mentioned above not to be fulfilled (or waived) upon Completion of LY Zhongbao Acquisition.

Completion

Where all the conditions precedent to LY Zhongbao Acquisition set out above have been satisfied or waived (where applicable), and Vendor I and Vendor III have repaid all outstanding intercompany balance among Zhong Bao Group within 15 Business Days after all the conditions precedent to LY Zhongbao Acquisition have been satisfied or waived (where applicable) in order to allow LY Zhongbao to have clean breaks with Zhong Bao Group after Completion, the Purchaser will issue to Vendor I and Vendor III a written notice of Completion. Completion shall then take place within 5 Business Days (or such later date as agreed by the Purchaser, Vendor I and Vendor III in writing) from the date of written notice of Completion issued by the Purchaser. The LY Zhongbao Acquisition shall be regarded as completed when the Purchaser has been registered as shareholder of LY Zhongbao at the relevant Administration for Industry and Commerce（工商行政管理局).

Upon Completion of LY Zhongbao Acquisition, LY Zhongbao will become an indirect wholly-owned subsidiary of the Company, and the financial results, assets and liabilities of LY Zhongbao will be consolidated into the financial statements of the Group.

(iii) FJ Xingdebao Acquisition

Conditions precedent to FJ Xingdebao Acquisition

Completion is conditional upon all of the following conditions being fulfilled or waived in writing (if applicable):

(a) the Purchaser having obtained a due diligence report/legal opinion (in such form and substance satisfactory to the Purchaser) from a qualified PRC legal adviser appointed by the Purchaser, confirming, among other things, the legality of Completion of FJ Xingdebao Acquisition pursuant to the Acquisition Agreement, the due incorporation of FJ Xingdebao and its operation under the PRC laws and regulations;

(b) the Purchaser having obtained an unqualified audit report of FJ Xingdebao issued by a qualified accounting firm appointed by the Purchaser;

(c) the Purchaser having obtained a valuation report issued by a qualified valuer (in such form and substance satisfactory to the Purchaser), stating, among other things, the valuation of FJ Xingdebao being not less than RMB6.1 million;

(d) FJ Xingdebao having obtained all relevant licences and consent or renewals thereof in relation to its business and such licenses, registrations being valid and subsisting;

(e) the senior management of FJ Xingdebao have executed, and performed, the service agreements with FJ Xingdebao;

(f) the Purchaser, its agent or professional advisers being satisfied with the results of the due diligence review (in relation to legal, accounting, finance, operation or any other matters, which, in the Purchaser's opinion, are important) of FJ Xingdebao and the results of such review being satisfactory to the Purchaser;

(g) Vendor II having obtained all necessary approvals, confirmations, waivers or consents in respect of the Acquisition Agreement and all transactions contemplated thereunder under applicable laws and regulations from the relevant authorities having jurisdiction over FJ Xingdebao or other relevant third parties (if so required by the relevant legislations);

(h) the Shareholders having approved at the EGM the FJ Xingdebao Acquisition and the transactions contemplated thereunder in accordance with the articles of associations of the Company and the GEM Listing Rules;

(i) all necessary approvals, and consents (whether with or without any condition attached) in respect of the FJ Xingdebao Acquisition and the transaction contemplated thereunder having been obtained from the Stock Exchange;

(j) the Purchaser being satisfied, from the date of signing the Acquisition Agreement and at any time before Completion, that the representations, warranties and undertakings given under the Acquisition Agreement by Vendor II in respect of FJ Xingdebao remain true, accurate, not misleading or being breached in any material changes;

(k) the Purchaser not having discovered or known that from the date of signing of the Acquisition Agreement and up to Completion, there being any abnormal operations or any material adverse change in the business circumstances (including assets, financial and legal status), operations, performance or assets, or any undisclosed material potential risks in FJ Xingdebao;

(l) Vendor II or FJ Xingdebao having obtained the consent from the parties to the dealership agreements stating their respective consent to the corresponding changes on shareholders, legal representatives, directors, supervisors and senior management in the FJ Xingdebao Acquisition; and

(m) there having been no material adverse change in respect of legal, regulation, policy or other applicable regulatory requirements on Vendor II and FJ Xingdebao.

The Purchaser shall have the right to waive in writing the conditions as mentioned above (save and except for conditions (d), (g), (h), (i) and (l) as mentioned above). If any of the conditions precedent to FJ Xingdebao Acquisition have not been fulfilled (or, where applicable, waived by the Purchaser in writing) on or before the Long Stop Date, the Purchaser will be entitled to terminate the FJ Xingdebao Acquisition by giving notice in writing to Vendor II.

Set out below are the details of (1) all relevant licences and consent or renewals in relation to FJ Xingdebao's business under condition (d) above; and (2) all necessary approvals, confirmations, waivers or consents to the FJ Xingdebao Acquisition under condition (g) above;

(1) All relevant licences and consent or renewals in relation to FJ Xingdebao's business	**(2) All necessary approvals, confirmations, waivers or consents to the FJ Xingdebao Acquisition**
(i) Business License of Legal Entity (企業法人營業執照): valid period from 24 April 2015 to 23 April 2065;	(i) Prior written consent(s) from the premium brands automobile suppliers;
(ii) Distribution Agreements (經銷商協議) with automobile suppliers: license periods expiring on 31 December 2018; and	(ii) Prior written consent(s) in accordance with relevant covenants from certain banks (amongst other financial institutions) which granted facility/loan to FJ Xingdebao; and
(iii) Automobile Maintenance and Repair Operating License in Fujian Province (福建省機動車維修經營許可證): not yet obtained.	(iii) Approval of the Shareholders of the Company at the EGM.

As at the Latest Practicable Date, save and except the Automobile Maintenance and Repair Operating License in Fujian Province*《福建省機動車維修經營許可證》as (1) (iii) above, FJ Xingdebao has obtained all relevant licences and consents or renewals thereof in relation to its business and such licenses are valid and subsisting.

As at the Latest Practicable Date, the conditions ((e) and (l)) as mentioned above have been fulfilled, and the parties to the FJ Xingdebao Acquisition are not aware of any facts or circumstances that will render the conditions ((a), (b), (c), (d), (f), (g), (h), (i), (j), (k) and (m)) as mentioned above not to be fulfilled (or waived) upon Completion of FJ Xingdebao Acquisition.

Completion

Where all the conditions precedent to FJ Xingdebao Acquisition set out above have been satisfied or waived (where applicable), and Vendor II has repaid all outstanding intercompany balance among Zhong Bao Group within 15 Business Days after all the conditions precedent to FJ Xingdebao Acquisition have been satisfied or waived (where applicable) in order to allow FJ Xingdebao to have clean breaks with Zhong Bao Group after Completion, the Purchaser will issue to Vendor II a written notice of Completion. Completion shall then take place within 5 Business Days (or such later date as agreed by the Purchaser and Vendor II in writing) from the date of written notice of Completion issued by the Purchaser.

The FJ Xingdebao Acquisition shall be regarded as completed when the Purchaser has been registered as a shareholder of FJ Xingdebao at the relevant Administration for Industry and Commerce (工商行政管理局).

Upon Completion of FJ Xingdebao Acquisition, FJ Xingdebao will become an indirect wholly-owned subsidiary of the Company, and the financial results, assets and liabilities of FJ Xingdebao will be consolidated into the financial statements of the Group.

Representations, warranties and undertakings

Each of the Vendors as the vendor for the QZ Fubao Acquisition, LY Zhongbao Acquisition and FJ Xingdebao Acquisition respectively has in the Acquisition Agreement provided to the Purchaser with the usual representations, warranties and undertakings relating to the affair and status of QZ Fubao, LY Zongbao and FJ Xingdebao respectively including but not limited to its respective incorporations, capitals, business licenses, assets, material contracts, related parties transactions, staff and managements, accounts, liabilities, account receivables, insurances, taxations, legal and regulatory compliances, litigations and disputes that are normally required by purchasers of similar acquisition transactions.

Guarantee

Under the Acquisition Agreement, the Guarantor has unconditionally and irrevocably guaranteed the Purchaser the due and punctual performance of the Vendors of their respective obligations under the Acquisition Agreement and to procure the Vendors to perform all their respective obligations under the Acquisition Agreement including but not limited to the representations, warranties and undertakings made by the respective Vendors.

The guarantee provided by the Guarantor under the Acquisition Agreement shall continue to be in full force and effect until all the obligations under the Acquisition Agreement have been fully performed or all compensations or all payments have been made satisfied, made or fulfilled.

Non-competition Undertakings

As per the Acquisition Agreement, the Vendors and the Guarantor will enter into an undertaking (the "**Non-competition Undertaking**") upon Completion of each of the Acquisitions pursuant to which each of the Vendors and the Guarantor severally undertakes to the Purchaser (for itself and on behalf of its subsidiaries and associates) that:

(i) Vendor II shall carry on its existing business operation in the coming 12 months after Completion of FJ Xingdebao Acquisition but shall cease those business operations which will constitute competition with the Target Companies thereafter;

(ii) Fujian Fubao Automotive Services Ltd.* (福建福寶汽車服務有限公司), a non wholly-owned subsidiary of Vendor I, as at the date of the Acquisition Agreement, shall only continue to carry on its businesses under the existing registered business scope and shall not expand its business scopes to the extent which will constitute competition with the Target Companies;

(iii) Vendor I, the Guarantor and their respective subsidiaries and associates shall not, after Completion of QZ Fubao Acquisition, engage in any business, or being the senior management or key technical staffs in any business operations, entities, organizations which may directly or indirectly compete with the QZ Fubao in the geographical location of Quanzhou, Fujian Province, the PRC;

(iv) Vendor I, Vendor III, the Guarantor and their respective subsidiaries and associates shall not, after Completion of LY Zhongbao Acquisition, engage in any business, or its respective staff shall not being the senior management or key technical staffs in any business operations, entities, organizations which may directly or indirectly in competition with LY Zhongbao in the geographical location of Longyan, Fujian Province, the PRC; and

(v) Vendor II, the Guarantor and their respective subsidiaries and associates shall not, after Completion of FJ Xingdebao Acquisition, engage in any business, or its respective staff being the senior management or key technical staffs in any business operations, entities, organizations which may directly or indirectly compete with FJ Xingdebao in the geographical location of Fuzhou, Fujian Province, the PRC.

Set out below are the details of (1) the registered business scopes of the Vendors; (2) the existing business carried out by the Vendors; (3) the business operation of the Vendors covered under the Non-competition Undertaking and the undertaking treatment; and (4) the business operation of the Vendor not covered under the Non-competition Undertaking:

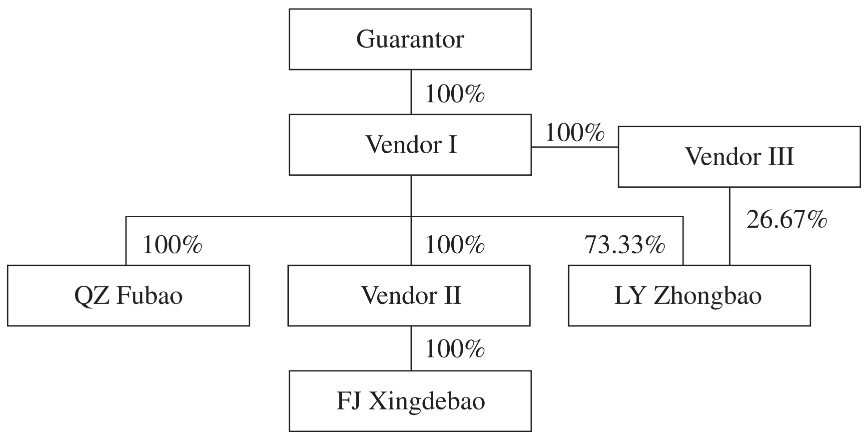
	Vendor I	**Vendor II**	**Vendor III**
(1) Registered business scope	(a) Two premium brands automobile sales and related support services; (b) the wholesale and retail sales of vehicles and spare parts, motorcycles and spare parts, computers and software, machinery and electronic equipment, garments, daily, daily sundries; metal materials, building materials; (c) real estate development, operation and management; (d) organize science, technology and cultural exchanges activities and develop and transfer on technology; (e) economic information consulting services, motor information consulting services; (f) import and export of various commodities and technologies (except the state prohibited business operation or the import and export of goods and technology); (g) second hand car trading; (h) passenger car fast repair (for qualified legally established operating subsidiaries only); (i) car rental services; and (j) other operating business not required pre-approval permit.	Two premium brands automobile sales and display (display only operating subsidiaries); second-hand car sales and display (operating subsidiaries only); vehicle information and technical advice, auto parts, machinery wholesale equipment, chemical products (excluding hazardous chemicals, precursor chemicals), wholesale of storage equipment, purchasing consignment; logistics management; sales and as agent to import and export all kinds of goods and technology (except the state prohibited business operation or the import and export of goods and technology); provide service on auto loan, car license, second-hand car transfer procedures; car rental services; provide services on mortgage registration services; vehicle information consulting services; electronic products sales and information consulting services; clothing and footwear sales. Passenger car service. (subject to approval by the relevant department before carrying out business activities)	Sales of motor vehicles (excluding passenger cars), auto parts and accessories, lubricants, building materials; car display; and car maintenance, beauty and service.
(2) Existing business	Business of dealership, sales, exhibitions, parts supplies, provision of automobiles after-sales service in Xiamen, Fujian Province, the PRC for two premium brands automobile.	Business of dealership, sales, exhibitions, parts supplies, provision of automobiles after-sales service in Fuzhou, Fujian Province, the PRC for two premium brands automobile.	Investment holding company

	Vendor I	Vendor II	Vendor III
(3) Business operation(s) of the Vendors covered under the Non-competition Undertaking and the undertaking treatment	(a) Fujian Fubao Automotive Services Ltd., a non- wholly owned subsidiary of Vendor I, as at the date of the Acquisition Agreement, shall only continue to carry on its business under the existing registered business scope and shall not expand its business scope to the extent which will constitute competition with the Target Companies; (b) Vendor I together with the Guarantor and their respective subsidiaries and associates shall not, after Completion of QZ Fubao Acquisition, engage in any business, or being the senior management or key technical staffs in any business operations, entities, organizations which may directly or indirectly compete with the QZ Fubao in the geographical location of Quanzhou, Fujian Province, the PRC; and (c) Vendor I together with Vendor III and the Guarantor and their respective subsidiaries and associates shall not, after Completion of LY Zhongbao Acquisition, engage in any business, or being the senior management or key technical staffs in any business operations, entities, organizations which may directly or indirectly in competition with LY Zhongbao in the geographical location of Longyan, Fujian Province, the PRC.	(a) Vendor II shall carry on its existing business operation in the coming 12 months after Completion of FJ Xingdebao Acquisition but shall cease those business operation which will constitute competition with the Target Companies thereafter; and (b) Vendor II, the Guarantor and their respective subsidiaries and associates shall not, after Completion of FJ Xingdebao Acquisition, engage in any business, or being the senior management or key technical staffs in any business operations, entities, organizations which may directly or indirectly compete with FJ Xingdebao in the geographical location of Fuzhou, Fujian Province, the PRC.	Vendor III together with Vendor I and the Guarantor and their respective subsidiaries and associates shall not, after Completion of LY Zhongbao Acquisition, engage in any business, or being the senior management or key technical staffs in any business operations, entities, organizations which may directly or indirectly in competition with LY Zhongbao in the geographical location of Longyan, Fujian Province, the PRC.
(4) Business operation(s) of the Vendors not covered under the Non-competition Undertaking	Existing Business of Vendor I located in Xiamen Fujian Province, the PRC.	None	Not applicable as Vendor III does not carry any business other than investment holding.

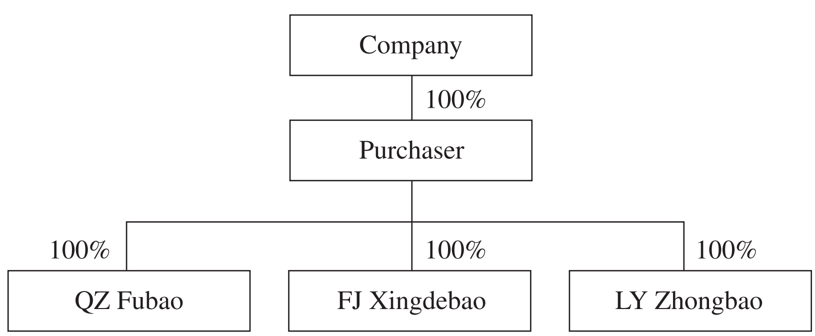
SHAREHOLDING STRUCTURE OF THE TARGET COMPANIES

Set out below are the simplified shareholding structures of the Target Companies (i) as at the Latest Practicable Date and (ii) immediately after Completion:

(i) Simplified shareholding structure of the Target Companies as at the Latest Practicable Date



(ii) Simplified shareholding structure of the Target Companies after Completion



Upon Completion, each of the Target Companies will become an indirect wholly-owned subsidiary of the Company.

INFORMATION ON THE TARGET COMPANIES

Information on QZ Fubao

QZ Fubao is a company established in the PRC with limited liability on 29 November 2005. As at the Latest Practicable Date, it has a registered capital of RMB50 million and is a wholly-owned subsidiary of Vendor I.

QZ Fubao has a 4S dealer shop and a showroom in operation principally engaging in the businesses of automobile sales and services, including (i) the sale of a comprehensive range of automobiles of a premium brand under the dealership agreements; and (ii) after sales services, including maintenance and repair services, sales of spare parts, automobile detailing services and other value-added services in Quanzhou, Fujian Province, the PRC.

Since the appointment of QZ Fubao as an authorised dealer, none of the dealership agreements has been terminated by the automobile suppliers and QZ Fubao has been able to renew all dealership agreements upon expiration. QZ Fubao (i) does not expect any of the dealership agreements to be terminated in the next 12 months; and (ii) does not expect to have any difficulties having the dealership agreements renewed in the next 12 months.

Management of QZ Fubao

Mr. Liu Min Quan* (劉敏權), aged 44, is currently the general manager of QZ Fubao. Mr. Liu joined Dongguan Huabao Automobiles Sales and Service Limited Company* (東莞市驊寶汽車銷售服務有限公司), a subsidiary of Vendor I, in July 2014. He has over 22 years of experience in automobile industry. Mr. Liu obtained Land Rover General Manager Certificate, Ferrari Sales Certificate and Maserati Sales Certificate. Mr. Liu holds a bachelors degree in business Administration from National Chengchi University.

Ms. Ye Wen* (葉文), aged 31, is currently the sales manager of QZ Fubao. Ms. Ye joined QZ Fubao as sales consultant and account manager in February 2006. She was promoted as sales manager of Quanzhou Xingdebao Automobiles Sales and Service Limited Company* (泉州星德寶汽車銷售服務有限責任公司) which was a subsidiary of Vendor I, in October 2012. In January 2014, Ms. Ye was redesignated as sales manager of QZ Fubao. Ms. Ye holds a bachelor degree in transport management from Beijing Jiaotong University and obtained BMW Sale Consultant Certificate, BMW Fleet Sales Manager Certificate and BMW Sales Manager Certificate.

Financial information of QZ Fubao

The audited financial information of QZ Fubao for years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, as extracted from Appendix II of this circular, is as follows:

	Year ended/ as at 31 December			**Six months ended/as at 30 June**
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	995,619	1,083,715	919,263	381,761
Profit before taxation	45,024	5,086	25,942	10,491
Profit after taxation	32,125	2,998	18,848	6,377
Net assets	143,696	146,694	165,542	91,919

Please refer to Appendix II for the audited financial statements of QZ Fubao and Appendix VI for the management discussion and analysis of QZ Fubao.

Information on LY Zhongbao

LY Zhongbao is a company established in the PRC with limited liability on 20 January 2009. As at the Latest Practicable Date, it has a registered capital of RMB30 million and is a wholly-owned subsidiary of Vendor I. As at the Latest Practicable Date, LY Zhongbao is owned as to 73.33% and 26.67% of equity interests by Vendor I and Vendor III respectively. Vendor III is a wholly-owned subsidiary of Vendor I.

LY Zhongbao has a 4S dealer shop in operation principally engaging in the businesses of automobile sales and services, including (i) the sale of comprehensive range of automobiles of a premium brand under the dealership agreements; and (ii) after sales services, including maintenance and repair services, sales of spare parts, automobiles detailing services and other value-added services in Longyan, Fujian Province, the PRC.

Since the appointment of LY Zhongbao as an authorised dealer, none of the dealership agreements has been terminated by the automobile suppliers and LY Zhongbao has been able to renew all dealership agreements upon expiration. LY Zhongbao (i) does not expect any of the dealership agreements to be terminated in the next 12 months; and (ii) does not expect to have any difficulties having the dealership agreements renewed in the next 12 months.

Management of LY Zhongbao

Mr. Zhang Wei Xian* (張偉先), aged 41, is currently the general manager of LY Zhongbao. Mr. Zhang holds a bachelor degree in general automobile industry from Fujian Agriculture and Forestry University. Mr. Zhang has over 15 years of experience in automotive industry. Mr. Zhang obtained BMW after sale service manager certificate. In March 2001, Mr. Zhang joined Xiamen Zhongbao as accessories manager. In October 2009, Mr. Zhang was promoted as deputy general manager in after sales service division of QZ Fubao. In April 2014, Mr. Zhang was redesignated as general manager of LY Zhongbao.

Financial information of LY Zhongbao

The audited financial information of LY Zhongbao for years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, as extracted from Appendix III of this circular, is as follows:

	Year ended/ as at 31 December			**Six months ended/as at 30 June**
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	268,206	275,211	220,583	88,225
Profit before taxation	9,169	9	2,914	4,440
Profit/(loss) after taxation	9,091	(506)	1,917	3,330
Net assets	28,670	28,164	30,081	33,411

Please refer to Appendix III for the audited financial statements of LY Zhongbao and Appendix VII for the management discussion and analysis of LY Zhongbao respectively.

Information on FJ Xingdebao

FJ Xingdebao is a company established in the PRC with limited liability on 24 April 2015. As at the Latest Practicable Date, it has a registered capital of RMB10 million and is a wholly-owned subsidiary of Vendor II.

FJ Xingdebao has a 4S dealer shop in operation principally engaging in the businesses of automobile sales and services, including (i) the sale of a comprehensive range of automobiles of a premium brand under the dealership agreements; and (ii) after sales services, including maintenance and repair services, sales of spare parts, automobiles detailing services and other value-added services in Fuzhou, Fujian Province, the PRC.

Since the appointment of FJ Xingdebao as an authorised dealer, none of the dealership agreements has been terminated by the automobile suppliers and FJ Xingdebao has been able to renew all dealership agreements upon expiration. FJ Xingdebao (i) does not expect any of the dealership agreements to be terminated in the next 12 months; and (ii) does not expect to have any difficulties having the dealership agreements renewed in the next 12 months.

Management of FJ Xingdebao

Mr. Ma Rong Hui* (馬榮輝), aged 35, is currently the general manager of FJ Xingdebao. Mr. Ma holds a bachelor degree in business administration from Beijing Foreign Studies University. Mr. Ma joined FJ Xingdebao as general manager since July 2016. Prior to becoming the general manager of FJ Xingdebao, Mr. Ma held several positions in other automobile companies with over 10 years of experience in automobile industry.

Financial information of FJ Xingdebao

The audited financial information of FJ Xingdebao for the period from its incorporation to 31 December 2015 and the six months ended 30 June 2016, as extracted from Appendix IV of this circular, is as follows:

	Period from its incorporation to/as at 31 December 2015	**Six months ended/as at 30 June 2016**
	RMB'000	*RMB'000*
Revenue	4,526	91,204
Loss before taxation	(1,365)	(1,779)
Loss after taxation	(1,365)	(1,779)
Net assets	8,635	6,856

Please refer to Appendix IV for the audited financial statements of FJ Xingdebao and Appendix VIII for the management discussion and analysis of FJ Xingdebao respectively.

Business model of the Target Companies

As at the Latest Practicable Date, the Target Companies, namely QZ Fubao, LY Zhongbao and FJ Xingdebao, have a total of three 4S dealer shops and one showroom in operation and principally engaged in the businesses of automobile sales and services, including (i) the sale of comprehensive range of automobiles of two premium brands under the dealership agreements; and (ii) after sales services, including maintenance and repair services, sales of spare parts, automobiles detailing services and other value-added services in Quanzhou, Longyan and Fuzhou, Fujian Province, the PRC, respectively.

The businesses of the 4S dealer shops are bound by the non-exclusive dealership authorisation arrangements with the premium brand automobile suppliers which offer the products and services provided by the brands of the automobile suppliers. Each of the Target Companies has entered into the respective dealership agreements with the premium brand automobile suppliers as an authorised automobile dealer. The dealership agreements are usually valid for one year and can be renewable upon expiration.

Under the dealership agreements, the automobile suppliers approve the locations of the dealer shops and require the Target Companies to observe the automobile suppliers' recommended pricing guidelines from time to time. The dealership agreements allow the 4S dealer shops to use the automobile suppliers' trademarks, trade names and other marketing and branding contents designed and used by the automobile suppliers in order to promote the sales of the automobile suppliers' brands in the 4S dealer shops.

Sales of new automobiles

The Target Companies offer customers the premium brand passenger vehicles. The Target Companies derive a majority of their revenue from automobile sales. The automobile suppliers set sales targets for the Target Companies, evaluate the performance and customer satisfaction levels, and conduct audits regularly.

The retail prices of the new automobiles are mainly determined with reference to the automobile supplier's wholesale prices and retail pricing guidelines.

The overall purchase costs of new automobiles can be affected by the rebates the Target Companies received from the automobile suppliers which is calculated by the number of units of new automobiles that the Target Companies purchase or sell. Automobile suppliers typically grant rebates in accordance with their internal policies and guidelines, which are generally determined with reference to the number of units of new automobiles which automobile dealer's purchase or sell, and are further adjusted based on the automobile dealer's performance relative to the sales targets set by automobile suppliers. Automobile suppliers may also grant the Target Companies additional rebates based on the evaluation of the overall performance, customer satisfaction, sales performance and marketing efforts.

As confirmed by the Vendors, the Target Companies have fulfilled the sales targets set by the automotive suppliers during the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 (where applicable). If the Target Companies failed to meet their sales targets, the automotive supplier may consider reducing the incentive rebate to be given to the Target Companies at the end of the year.

After-sales services

The Target Companies offer after-sales services to customers, including (i) maintenance and repair services and sales of spare parts, (ii) detailing services, and (iii) other value-add services. All of the 4S dealer shops are equipped with comprehensive automobile repair and maintenance facilities and each of them is fully staffed with a team of experienced technicians, and strictly follows the standard service processes set up in accordance with requirement of the automobile supplier.

The after-sales services are generally charged based on the labour hours spent by respective technicians and the spare parts used, both of which are determined with reference to automobile supplier's pricing guidelines.

As a result of its recurrent and ongoing business nature, the Target Companies generated more stable revenue from after-sales services than automobile sales. In addition, the gross margin of after-sales services is much higher than that of automobile sales.

The Target Companies are devoted to cultivating long-term customer relationships and delivering high-quality services. Due to the retail nature of the business of sales of new automobiles, the customers are mainly individual automobile buyers and owners with a limited number of corporations. Customers of after-sales services are usually owners of the automobiles, including customers who purchase new automobiles from the Target Companies or from other automobile dealership stores.

The Company has no intention to change the management of the Target Companies after the Completion of the Acquisitions.

INFORMATION ON GUARANTOR AND VENDORS

Information on Guarantor

The Guarantor is the ultimate beneficial owner of each of the Vendors.

Information on Vendor I

Vendor I is a company established in the PRC with limited liability, which is principally engaged in the business of dealership, sales, exhibitions, parts supplies, provision of automobiles after-sales service in Xiamen, Fujian Province, the PRC. As at the Latest Practicable Date, Vendor I owns (i) directly 100% equity interests in QZ Fubao, Vendor II and Vendor III; and (ii) indirectly owns 100% equity interests in LY Zhongbao and FJ Xingdebao.

Information on Vendor II

Vendor II is a company established in the PRC with limited liability, which is principally engaged in the business of dealership, sales, exhibitions, parts supplies, provision of automobiles after-sales service in Fuzhou, Fujian Province, the PRC and a wholly-owned subsidiary of Vendor I. As at the Latest Practicable Date, Vendor II owns 100% equity interests in FJ Xingdebao.

Information on Vendor III

Vendor III is a company established in the PRC with limited liability, an investment holding company and a wholly-owned subsidiary of Vendor I. As at the Latest Practicable Date, Vendor III owns 26.67% equity interests in LY Zhongbao.

Relationship between the Group and Zhong Bao Group

The Group has established a long term business relationship with Zhong Bao Group prior to its listing on GEM in 2002. As part of the business model of the Group, the Group has entered into (i) a series of technical and cooperation agreements with Zhong Bao Group; and (ii) a series of guarantee agreements including the Revised Guarantee Agreement with Zhong Bao Group, which is currently the only cooperating partner with the Group under such arrangements.

Pursuant to the technical and cooperation agreements between the Group and certain Zhong Bao Group companies ("**Zhong Bao Group companies**"), since 2003, the Group shall provide technical expertise, financial assistance and management service to Zhong Bao Group companies and Zhong Bao Group companies shall pay technical fee to the Group for its motor vehicles trading business. Pursuant to the technical and cooperation agreements, the Company, through its subsidiaries in the PRC, provides technical expertise in the area of servicing and maintenance of motor vehicles, and marketing support to the Zhong Bao Group companies in support of their sales and after sales services for their customers who are car owners. The Company also provides financial assistance in the form of guarantees for banking facilities and advances to Zhong Bao Group companies under the technical and cooperation agreements. In return, Zhong Bao Group companies pays technical fee to the Group based on the actual number of premium branded motor vehicles sold by the Zhong Bao Group companies with usually a credit term of three months. The abovementioned technical and cooperation agreements are subsequently amended from time to time mainly to adjust the rate of technical fee charged. Advances have been made by the Group pursuant to the technical and cooperation agreements for the operations of Zhong Bao Group companies related to sales of a premium branded motor vehicles in the PRC.

During the year ended 31 December 2015, the income recognised by the Group from Zhong Bao Group was approximately HK$72.7 million, representing approximately 14.7% of the Group's total revenue, of which (i) the income from car servicing and sales of auto parts received by the Group from Zhong Bao Group companies was approximately HK$46.3 million, representing approximately 9.4% of the Group's total revenue; and (ii) the technical fee income recognised by the Group from Zhong Bao Group was approximately HK$26.4 million, representing approximately 5.3 % of the Group's total revenue. The Group generated income approximately HK$32.0 million from (i) income from car servicing and sale of auto parts of approximately HK$26.4 million and (ii) technical fee income of approximately HK$5.6 million, from Vendor I for the year ended 31 December 2015. As at 31 December 2015, the net balance due from Zhong Bao Group amounted to HK$335.8 million of which approximately HK$244.4 million represented advances made under the technical and cooperation agreements; and the guarantee for banking facilities provided to Zhong Bao Group amounted to HK$143.2 million.

Since 2007, the Group and QZ Fubao has entered into the technical and cooperation agreement which has been supplemented for three times for renewal purpose. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the Group's revenue generated from the technical fees amounted to approximately HK$4.8 million, HK$3.8 million and HK$3.0 million from QZ Fubao, respectively. In addition, for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the Group's revenue generated from the sale of auto parts (i) amounted to approximately HK$0.4 million, HK$0.5 million and HK$0.1 million from QZ Fubao respectively; (ii) amounted to approximately HK$0.3 million, HK$0.3 million and HK$0.4 million from LY Zhongbao respectively; and (iii) amounted to nil, approximately HK$2.1 million and HK$0.6 million from FJ Xingdebao respectively.

Upon Completion, the technical and cooperation agreement between the Group and QZ Fubao will be terminated. Given that Zhong Bao Group gradually built up its technical and servicing capabilities in the new dealer shops including LY Zhongbao or FJ Xingdebao which were incorporated in 2009 and 2015, respectively, there is no technical and cooperation agreement between the Group and LY Zhongbao or FJ Xingdebao.

Based on the business model as mentioned above, it is part of the arrangements under the technical and cooperation agreements with Zhong Bao Group to provide the facility guarantees to Zhong Bao Group. As at the Latest Practicable Date, the Revised Guarantee Agreement remains valid. For further details of the Revised Guarantee Agreement, please refer to the announcements of the Company dated 29 April 2016, 20 May 2016 and 5 July 2016 and the circular of the Company dated 25 May 2016.

References are also made to the announcements of the Company dated 14 March 2016, 15 March 2016, 21 March 2016 and 27 September 2016 (the "**Clarification Announcements**") in relation to, among other things, clarification of the relationships among Zhong Bao Group, the Guarantor and the Group. As stated in the Clarification Announcements, the Guarantor was a connected person of the Company, given that (i) the Guarantor was the beneficial owner of 99% of the equity interests in Beijing Zhong Bao Excellent International Trading Co., Ltd.* (北京中寶卓越國際貿易有限公司) ("**Beijing Zhong Bao**"), which is the holding company of Vendor I, for the period between 21 August 2008 and 31 May 2011 and the beneficial owner of 100% of the equity interests in Beijing Zhong Bao for the period between 1 June 2011 and up to the Latest Practicable Date; and (ii) the Guarantor was (a) a director of Fuzhou Xingbao for the period from 1 November 2009 to 26 April 2015; (b) a director of the Purchaser for the period between 19 October 2008 and 10 April 2013; and (c) a director of RUF China for the period between 28 September 2011 and 1 April 2015. Accordingly, the Guarantor was a connected person of the Company at the subsidiary level, under the GEM Listing Rules, for the period between 19 October 2008 and 25 April 2016. Subsequently, the Guarantor has ceased to be a connected person of the Company under the GEM Listing Rule 20.07(1) on 26 April 2016 following his resignation as a director of Fuzhou Xingbao on 26 April 2015. Therefore, as at the Latest Practicable Date, the Guarantor is not a connected person pursuant to the GEM Listing Rules. For details of the connected transaction and related parties transactions, please refer to the annual report of the Company for the year ended 31 December 2015.

In addition, pursuant to the undertaking provided by the Guarantor as mentioned above, the Guarantor has agreed to procure Zhong Bao Group to settle the amount due to the Group in the sum of not less than RMB120 million on or before 30 April 2017.

Save for the Acquisitions, to the best of the knowledge, information and belief of the Directors, as at the Latest Practicable Date, the Company and its connected persons have no present intention, arrangement, agreement, understanding and negotiation (concluded or otherwise) with Zhong Bao Group or its ultimate beneficial owners regarding asset acquisition(s) or disposal(s) of the Company or disposal or acquisition of Shares.

The Vendors and the Guarantor are third parties independent of the Company and its connected persons. As at the Latest Practicable Date, the Guarantor and his associates holds only approximately 4.8% of the issued share capital of the Company and there is no issue of any Shares pursuant to the Acquisitions to the Vendors, hence the Guarantor and his associates will not become a substantial or controlling shareholder of the Company. Upon Completion of the Acquisitions, it is not proposed that any of the Vendors, the Guarantor or any of their nominees will have any management involvement in the Company or the Target Companies or be appointed as directors to the Board. The existing Board will remain and will continue to oversee the operations of the Group and the Target Companies (if the Acquisitions are completed).

INFORMATION ON THE GROUP

The Company is an investment holding company. The Purchaser is a wholly-owned subsidiary of the Company and is established as a wholly foreign owned enterprise with limited liability in the PRC. Its principally business is the provision of repair and maintenance and car-related technical services for high-end automobiles.

REASONS FOR THE ACQUISITIONS

The Group is principally engaged in the distribution of motor vehicles, provision of car related technical services, servicing of motor vehicles and sales of auto parts.

The history of the Group can be traced back to 1993. In January 1994, the Group was appointed by a premium brand as a non-exclusive distributor of passenger vehicles, auto parts and accessories in Fujian Province. In the same year, the Group opened its first authorised premium brand service center in Xiamen, Fujian Province, the PRC, which provides maintenance and repair services for the premium brand passenger vehicles in the PRC. Due to certain PRC laws and regulations, foreign companies were not allowed to engage in the business of trading motor vehicles directly in the PRC. Since the listing of the Company on the GEM in 2002, and prior to the lifting of restriction for foreigner companies to trade in the PRC in motor vehicles, its principal business has been in the sale of motor vehicles to importers in the PRC, sale of auto parts, servicing of automobiles and the provision of technical services through certain co-operation agreements with distributors in the PRC. Subsequently, in 2012, after the removal of the said foreign restriction over motor vehicles trading in the PRC, the Group has begun to sell motor vehicles directly to its end customers. For further details of the relevant PRC laws, please refer to the paragraph headed "Regulatory overview of the Target Companies" in this letter.

As at the Latest Practicable Date, the Group operates one 4S dealer shop for the ultra-luxury brands in Fuzhou which was in full operation since the mid of 2014 and two service centers for the provision of after-sales services including the repair and sale of auto parts for a premium brand in Fuzhou and Xiamen, Fujian Province, the PRC.

The Group will continue to dedicate itself to promote the sale and servicing of the premium brand and ultra-luxury brands automobiles in Fujian Province, the PRC. The Acquisitions are in line with the Group's long term development plan and provide an opportunity for the Group to further expand its market share and to enhance its strategic position in the automobile market in the PRC. It is estimated that the Acquisitions will generate diversified income and additional cash flow for the Group's continuous development. The Company is of the view that the Acquisitions present a favourable opportunity as:

(i) The Group will further expand the strategic 4S dealer shop network in Fujian Province with strong potential growth in premium and ultra-luxury brands automobile. Upon Completion of the Acquisitions, the operations of the Enlarged Group will be further strengthened in Fujian Province with four 4S dealer shops, one showroom and two service centers in Xiamen, Fuzhou, Quanzhou and Longyan, Fujian Province, the PRC. Fujian Province has been experiencing a rapid growth in GDP in recent years giving rise to an increasing number of high net worth individuals who in turn become the major purchasers of premium brand automobiles and ultra-luxury brands automobiles. Please refer to the paragraph headed "Industry overview" in this letter for further details of the automobiles industry in Fujian Province. By leveraging on the Enlarged Group's strong foothold and comprehensive experience and knowledge in Fujian Province, the Directors believe that the Enlarged Group will be able to further strengthen its market position in Fujian Province and replicate the success in new markets in the PRC.

(ii) Upon Completion, the Enlarged Group will have a balanced portfolio of one premium brand as well as two ultra-luxury brands. The Directors believe that the wide variety of brand offerings allows the Enlarged Group to expand the customer base and to capture a broad scope of customers in different demographic groups and income brackets. The wide brand coverage also increases the chance to secure vehicle upgrade demand from the existing customers, especially customers upgrading from premium brand to ultra-luxury brands. As the economy continues to develop and the per capita disposable income continues to increase in the PRC, the Directors expect a fast growing demand for vehicle upgrade.

(iii) The Acquisitions will enhance the comprehensiveness and the diversity of the Group's services, as well as enhancing the Group's operational capabilities. The Directors believe that, upon Completion, the Enlarged Group will offer a comprehensive service, particularly in the premium brand automobile market, in which customers generally are willing to place more value on comprehensive and high quality services. The Enlarged Group will diversify the revenue sources by providing the sales of new automobiles and a broad range of automobile-related value-added services, including the provision of consulting services for automobile purchase financing, automobile insurance agency services and financial lease and related consulting services, as well as facilitating the trading of pre-owned automobiles. The Directors expect that the strong operating capabilities will result in the significant growth of the revenue and commission income to the Group after Completion.

(iv) The Board and the current senior management of the Group have extensive knowledge and management experience in the automobile industry in Hong Kong and the PRC since 1993. It is intended that the existing management team in the Target Companies will be retained for daily operation upon Completion and the executive Directors and the senior management of the Group will monitor the businesses of the Target Companies closely in the event that the Acquisitions are completed. Under the leadership of the Group's current management team, together with the existing management of the Target Companies, the Board expects that the Target Companies will continue to deliver sustainable growth in the future.

(v) The Directors considered that due to the keen competition of the PRC's automobile dealership industry, the automobile suppliers have preference to work with sizeable dealership groups and that the Acquisitions will strengthen the Group's competitiveness in the field.

Upon Completion, the Group has no intention to change its Directors and will continue to maintain its existing businesses. The Acquisitions merely serve to further expand and develop the Group's existing businesses. The Group aims to strengthen its market position in Fujian Province and to provide full-scale services of automobiles of premium brand and ultra-luxury brands. The Acquisitions will provide significant expansion in terms of brand and product mix as well as geographical coverage of the Group's existing businesses, which are the Group's future development objectives and focuses adopted by the Board.

Based on the above, the Directors are of the view that the Acquisitions are on normal commercial terms, and the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Each of the QZ Fubao Acquisition, the LY Zhongbao Acquisition and the FJ Xingdebao Acquisition is not conditional to one another. Completion is subject to the fulfillment of the conditions precedent to each of the Acquisitions as set out in the Acquisition Agreement. The Acquisitions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

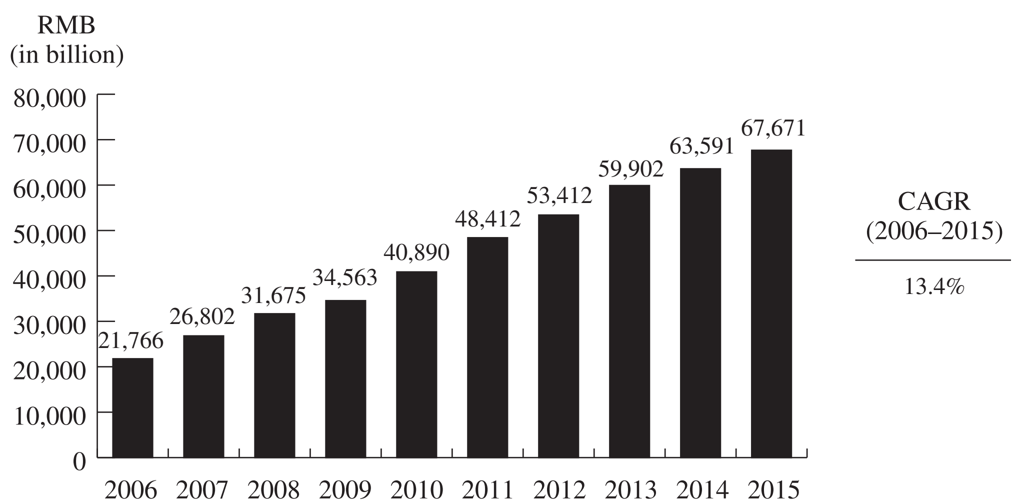
INDUSTRY OVERVIEW

Major economic indicators

Over the past few years, the PRC's economy was affected by the worldwide economic turmoil. However, under the influence of various macro-economic policies, the PRC's GDP growth has remained strong, with a GDP growth from approximately RMB21,766 billion in 2006 to approximately RMB67,671 billion in 2015, representing a CAGR of approximately 13.4%. According to the information from the National Bureau of Statistics of China, the PRC has been the world's second largest economy in terms of GDP since 2010.

The following chart sets forth the GDP in the PRC from 2006–2015:

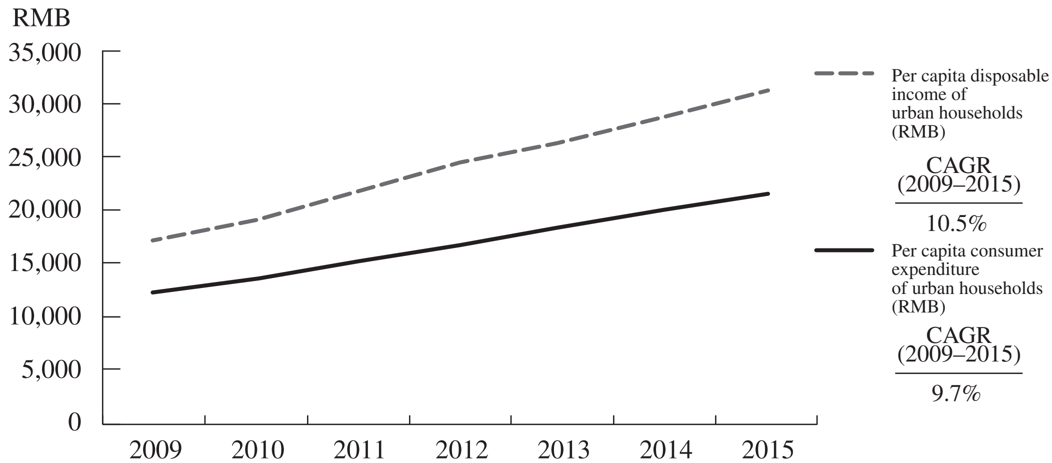
Nominal gross domestic product in the PRC (2006–2015)



Source: National Bureau of Statistic of China

Continuous rapid economic growth has accelerated the urbanization process, which in turn has led to an improvement on living standards and an increase in purchasing power. The following chart sets forth the per capita disposable income of urban households and the per capita consumer expenditures of urban households from in the PRC from 2009–2015:

Key economic indicators in the PRC (2009–2015)



Source: National Bureau of Statistic of China

Improvement on living standards

The living standard of the citizens was improved. According the statistic released from National Bureau of Statistic of China, the PRC's national per capital disposable income of residents recorded to RMB21,966 in 2015 up to approximately 7.4% from 2014 in real terms, outpacing the PRC's GDP growth rate of approximately 6.8% in the same period. According to the information released by National Bureau of Statistic of China, the employment situation kept stable in general with an increase in employed population in urban areas of 13.12 million in 2015, marking a significant breakthrough in the construction of new urbanization.

Increase in purchasing power

The per capita disposable income of urban households in the PRC grew significantly to approximately RMB31,195 in 2015 from RMB17,175 in 2009, representing a CAGR of approximately 10.5%, according to the National Bureau of Statistics of China. Strong growth of disposable income indicates the increasing willingness to spend and the significant increase in purchasing power of urban residents.

Per capita consumer expenditure of urban households in the PRC grew from approximately RMB12,265 in 2009 to RMB21,392 in 2015, representing a CAGR of approximately 9.7%, according to the National Bureau of Statistics of China. Such growth was mainly attributable to the change in the perception of consumption and the steady increase in income of urban residents.

Overview of the PRC automobile market

Total vehicle sales

The PRC remains the world's largest automotive market and automotive manufacturing country since 2009. According to China Association of Automobile Manufactures, the overall automobile industry achieved healthy development in 2015. In 2015, the total output and sales of vehicle units both exceed 20 million, representing an increase of approximately 3.3% and approximately 4.7% year on year respectively.

The world's largest passenger vehicle market

As a major component of Chinese automobile products, the sales volume of passenger vehicles as a percentage of total sales volume of vehicles further increased to approximately 85.9% in the year of 2015, totalling 21,109 thousand passenger vehicles in 2015. According to the statistics from CEIC, the sales volume of passenger vehicles in the PRC increased by approximately 7.2% from approximately 19.7 million in 2014 to approximately 21.1 million in 2015; and the total vehicle sales units in PRC increased by approximately 4.6% from approximately 23.5 million in 2014 to approximately 24.6 million in 2015.

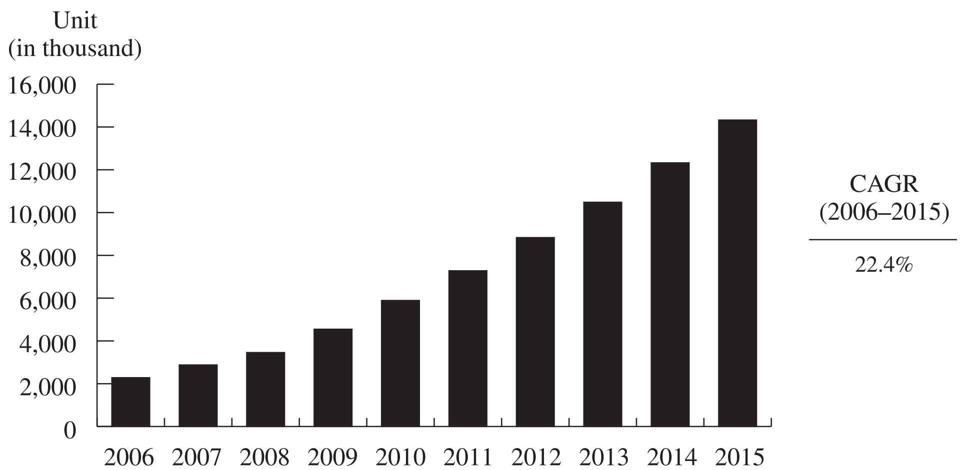
	2014	**2015**	**Year to year growth**
Total vehicle sales *('000 units)*	**23,490**	**24,563**	**4.56%**
Passenger vehicles sales *('000 units)*	19,700	21,109	7.15%
Commercial vehicles sales *('000 units)*	3,790	3,454	-8.80%

Source: CEIC

Private vehicles in the PRC

The PRC automobile market is expected to maintain its strong growth. According to the National Bureau of Statistics of China, the unit of the PRC private vehicles grew from approximately 23.3 million in 2006 to approximately 143.9 million in 2015, representing a CAGR 22.4% for the ten years between 2006 and 2015.

Passenger vehicle in the PRC (2006–2015)

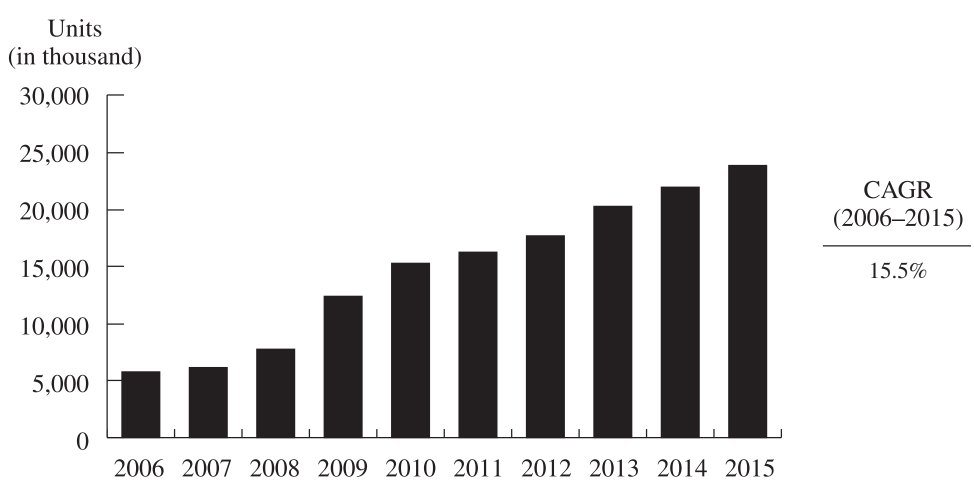


Source: National Bureau of Statistics of China

New registrations of private vehicles in the PRC

According to National Bureau of Statistics of China, 23.9 million new private vehicles were registered in China in 2015, representing an increase of 8.5% from 2014. The newly registered private vehicle grew from approximately 5.7 million in 2006 to approximately 23.9 million in 2015, representing a CAGR 15.5% for the ten years between 2006 and 2015.

New registrations of private vehicles in the PRC (2006–2015)



Source: National Bureau of Statistics of China

Auto-dealer market in the PRC

A "4S dealership" is a passenger vehicle dealership model that integrates four businesses elements initialled with "S": sales, spare parts, services and survey.

According to a latest statistics from the Ministry of Commerce and the China Automobile Dealers Association ("**CADA**"), there are over 90,000 automotive distributors in China, including 24,000 4S stores.

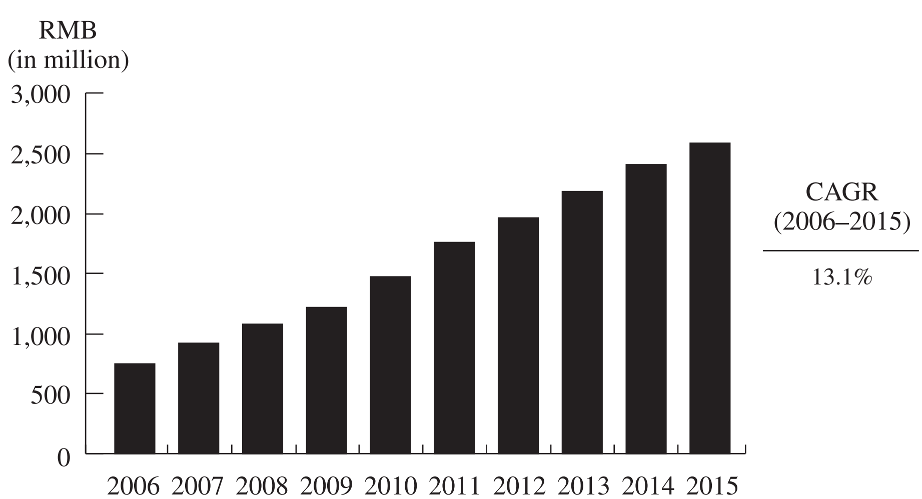
Overview of economic development of Fujian Province

Fujian Province is one of the strongest growing regions in the PRC and ranked eleventh by GDP in the PRC, accounting for approximately 3.8% of total GDP in the PRC.

During the past five years (2011–2015), Fujian Province maintained steady development. In 2015, Fujian's GDP topped approximately RMB2,592.3 billion, a year-on-year increase of 9.3 percent. In 2016 which is the beginning of China's 13th Five-year Plan (2016–2020), and the province forecasts approximately 8.5 percent growth in GDP in 2016. In the first half of 2016, the GDP in Fujian Province is approximately RMB1,181.2 billion.

According to the National Bureau of Statistics of China, the GDP in Fujian Province increased from approximately RMB758.4 billion in 2006 to approximately RMB2,592.3 billion in 2015, representing a CAGR 13.1% for the ten years between 2006 and 2015.

Nominal gross domestic product in Fujian Province (2006–2015)



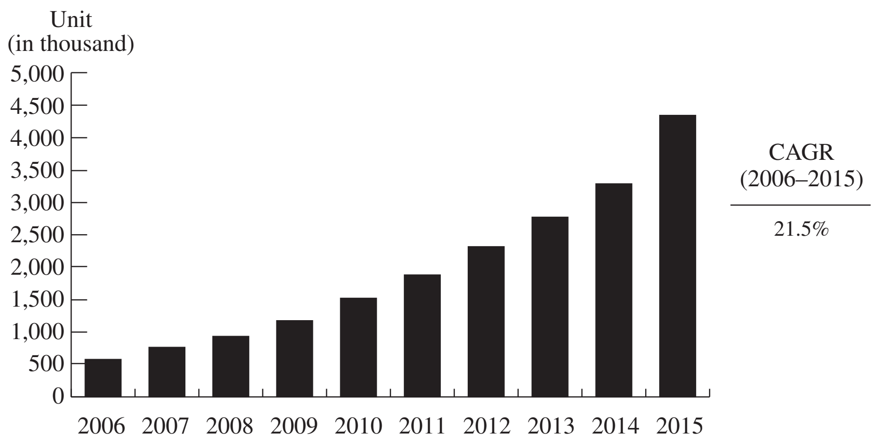
Source: National Bureau of Statistics of China

Private car ownership in Fujian Province

With the rapid growth of the economy, the increase in disposable income, the increasing number of wealthy individuals and the expansion of highway infrastructure, combined with other factors such as favorable government policies, the entry of foreign automobile brands and the increasing availability of financing, the PRC passenger automobile market have been propelled to become the largest and one of the fastest growing markets in the world.

According to National Bureau of Statistics of China, the private car ownership in Fujian Province increased from approximately 0.57 million units in 2006 to approximately 4.4 million units in 2015, representing a CAGR 21.5% for the ten years between 2006 and 2015.

Private car ownership in Fujian Province (2006–2015)



Source: National Bureau of Statistics of China

Overview of the economy in the regions where the Target Companies focus

The operations focused on an affluent region, Fujian Province. The Target Companies have operations in three major cities, Fuzhou, Quanzhou and Longyan in Fujian Province.

According Nanping Bureau of Statistics, Quanzhou ranked number one in GDP in 2015 among the nine multi-district cities of Fujian Province. Right behind Quanzhou, Fuzhou had the second highest GDP, accounted for 21.7% of total GDP of Fujian Province. Longyan had the fifth highest GDP among the nine multi-district cities of Fujian Province, accounted for 6.7% of total GDP of Fujian Province.

GDP in nine multi-district cities of Fujian Province

Rank	City	2015 *(RMB in billion)*	2014 *(RMB in billion)*
1	Quanzhou	613.8	573.3
2	Fuzhou	561.8	516.9
3	Xiamen	346.6	327.4
4	Zhangzhou	276.7	250.6
5	Longyan	173.8	162.1
6	Sanming	171.3	162.1
7	Ningde	148.8	137.8
8	Nanping	134.0	123.3
9	Putian	165.5	150.2
Total GDP of Fujian Province		2,592.3	2,403.7

Source: Nanping Bureau of Statistics

Fuzhou

Fuzhou is the capital and an important port city in Fujian province on the southeast coast of China. With a population of 7.3 million, the Fuzhou's GDP grew 8.7% to RMB561.8 billion in 2015, according to Nanping Bureau of Statistics. It ranked the second highest GDP city in Fujian Province. Fuzhou is a provincial magnet for foreign investments and production base of chemicals, timber, textiles, paper and packaged snacks. It is also a tourist city with a number of historical and cultural attractions.

Quanzhou

Quanzhou is a third-tier city located in the southeastern part of Fujian Province of the PRC. According to the Nanping Bureau of Statistics, Quanzhou's regional GDP in 2015 was approximately RMB613.8 billion, with an increase of approximately 7.1% over the preceding year. GDP per capita reached approximately RMB75,613.7 with an increase of approximately 8.7% over last year. The city ranked second in GDP per capita in Fujian Province.

Longyan

Longyan is in the western part of Fujian Province. According to Longyan Statistical Bureau, Longyan's GDP reached to approximately RMB173.8 billion in 2015, with an increase of approximately 7.2% over the preceding year, and accounted for approximately 6.7% of total GDP of Fujian Province. In 2015, Longyan ranked fifth in GDP per capita in Fujian Province.

REGULATORY OVERVIEW OF THE TARGET COMPANIES

The following sets forth a summary of the most significant PRC laws and regulations that affect the automobile industry in which the Target Companies operate.

PRC automobile industry

On 12 May 2004, NDRC promulgated the Policy on Development of Automotive Industry (汽車產業發展政策) (the "**Policy**"), which became effective on 21 May 2004, and was further amended jointly by the NDRC and Ministry of Industry and Information Technology on 15 August 2009. The Policy contains provisions relating to, amongst other things, the PRC automobile industry's technology policies, structural adjustments, market access administration, trademarks, product development, spare parts sales and other relevant sub-industries, distribution networks, investment administration, import administration, and automobile consumption.

On 22 December 2011, the Ministry of Commerce (the "**MOFCOM**") promulgated the Guidance Opinions on Promoting the Development of Automobile Circulation Industry under Twelfth Five-Year Plan (關於促進汽車流通業「十二五」發展的指導意見) (the "Guidance Opinions"), which set forth the overall objectives and major tasks for the automobile circulation industry. The Guidance Opinions encourage, among other things, the nurturing of large-scale new automobile and used automobile dealers, and foreign investment in the automobile distribution network in middle and western China.

On 22 January 2013, 12 central government agencies, including Ministry of Industry and Information Technology, NDRC, MOFCOM and CSRC, jointly promulgated the Guidance Opinions on Further Promoting the Acquisitions and Restructuring of Enterprises in the Key Industries (關於加快推進重點行業企業兼併重組的指導意見), which sets forth guidelines for nine key industries, including the automobile sector, encouraging domestic and outbound acquisitions and restructuring.

Under the Provisional Measures on the Administration of the Verification of Foreign-Invested Projects (外商投資項目核准暫行管理辦法), promulgated by NDRC on 9 October 2004, which apply to the verification of sino-foreign equity and cooperative joint venture enterprises, wholly foreign-owned enterprises and domestic enterprises acquired by foreign investors, increases in registered capital of foreign-invested enterprises and other types of foreign-invested projects, projects with total investment below US$100 million that are within the encouraged or permitted categories of foreign investment and projects with total investment below US$50 million that are within the restricted category of foreign investment are subject to the verification of local NDRC authorities. Authorities in charge of land, urban planning, quality control, production safety supervision, industrial and commercial administration, customs, taxation and foreign exchange administration, among others, may not handle the formalities in respect of foreign-invested projects that have not passed the verification. According to the State Council Opinions on Further Improving the Use of Foreign Investment (國務院關於進一步做好利用外資工作的若干意見), issued by the State Council on 6 April 2010, certain "encouraged and permitted foreign investment" projects with a total investment (including capital increase) of US$300 million or less are subject to verification by local governments, unless approval by the relevant State Council departments is required under the List of the Government approved Investment Projects (政府核准的投資項目目錄). Under the relevant laws, regulations and approvals, departments of the State Council may delegate approval of the establishment of certain foreign invested enterprises to local governments.

Prior to 30 January 2012, automobile distribution fell within the restricted category of foreign investment. According to the 2011 Edition of the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄(2011年修訂)) (the "**2011 Catalogue**") jointly issued by the NDRC and the MOFCOM on 24 December 2011, effective as of 30 January 2012, which abolishes the 2007 Edition of the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄(2007年修訂)), automobile distribution, maintenance and repair shall fall into the permitted category of foreign investment. According to the latest 2015 Edition of the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄(2015年修訂)) (the "**2015 Catalogue**"), automobile distribution, maintenance and repair are still in the permitted category.

New automobile sales

The sales of new automobile are subject to the Measures for the Implementation of the Administration of Branded Automobile Sales (汽車品牌銷售管理實施辦法) (the "**Automobile Sales Measures**"), promulgated by the MOFCOM, the NDRC and SAIC on 21 February 2005, which became effective on 1 April 2005.

The Automobile Sales Measures provide for two categories of automobile distributors, namely general automobile distributors and automobile brand dealers. Foreign automobile manufacturers are required to establish general automobile distributors in the PRC to distribute their automobiles and parts. Automobile brand dealers are defined under the Automobile Sales Measures as enterprises authorized by automobile suppliers (either automobile manufacturers or their general automobile distributors) to engage in automobile sales and services. Under the Automobile Sales Measures, the Group and the Target Companies is classified as an automobile brand dealer.

An automobile brand dealer shall be a legal person, authorized by an automobile supplier to sell the supplier' s brand of automobiles. An automobile brand dealer shall comply with the supplier's requirements relating to the intellectual property rights associated with the automobile brands, such as trademarks, labels and store names, and is also subject to regulation by local municipal and commercial development authorities.

According to the Automobile Sales Measures, automobile brand dealers shall file with the relevant local branch of the MOFCOM upon obtaining a business license. Further, according to a notice issued by the SAIC on 10 November 2005, automobile brand dealers shall also file registrations with the SAIC prior to commencing business operations. However, on 31 July 2014, Announcement of the State Administration for Industry and Commerce on Stopping the Implementation of Filing of General Automobile Dealers and Authorized Brand Automobile Dealers was promulgated by SAIC and was effective on the same day, which stopped the implementation of the filing. For automobile dealers (including general dealers) engaging in the brand automobile sales, their business scope set forth in business license shall be registered as "automobile sales". Filing for registrations with the SAIC was no longer required. However, the Announcement taking effective on 2014 was abolished by SAIC on 31 May 2016.

Automobile maintenance and repair services

The automobile maintenance and repair business is subject to the Regulations on the Administration of Automobile Maintenance and Repair (機動車維修管理規定) (the "**Automobile Repair Regulations**"), promulgated by the Ministry of Transport on 24 June 2005, which became effective on 1 August 2005 and was revised respectively on 8 August 2015 and 19 April 2016.

Under the Automobile Repair Regulations, an operator shall have suitable facilities, equipment and technical personnel to operate an automobile maintenance and repair business. In addition, an operator shall implement quality management systems and safety procedures, provide training to its technical personnel, maintain proper automobile repair and maintenance records and archives, and ensure that there are sufficient safeguards for environmental protection.

Under the Road Transportation Regulations (道路運輸條例), promulgated by the State Council on 30 April 2004, which became effective on 1 July 2004 and as amended on 9 November 2012, an operator shall file an application with the local department of the Ministry of Transport and obtain a road transport license (the "**Road Transport License**") prior to providing automobile maintenance and repair services. Violation of the Road Transportation Regulations may result in fines and suspension of business operations against the operator, and criminal liability may be imposed upon a person who is held directly responsible for the violation, with a sentence of imprisonment for a term up to five years, criminal detention, and/ or fines of two to ten times the amount of the illegal gains. To successfully renew the Road Transport License, an applicant shall: (i) have the necessary site to repair automobiles; (ii) possess necessary equipment, facilities and employees; (iii) have adopted sound administrative rules on repairing automobiles; and (iv) have adopted necessary environmental protection measures. The automobile maintenance and repair business conducted by the Group which are foreign-invested enterprises is also subject to the Regulations on the Administration of Foreign-Invested Road Transportation Services (外商投資道路運輸業管理規定) (the "**Foreign-Invested Road Transportation Services Regulations**"), which was promulgated by Ministry of Transport and the MOFCOM on 20 November 2001, and became effective on 20 November 2001 and was revised on 11 January 2014. According to the Foreign-Invested Road Transportation Services Regulations, a foreign-invested road transportation services enterprise shall comply with the policies on road transportation development and the requirements for enterprise qualifications formulated by the department in charge of transportation under the State Council, and shall meet the requirements for the development planning of road transportation services formulated by the department in charge of transportation at the place where the foreign-invested road transportation enterprise is to be established.

Under the Foreign-Invested Road Transportation Services Regulations, all application documents received by the local transportation bureaus should be forwarded to the Ministry of Transport, which is the ultimate authority for granting the project initiation approval (the "**Project Initiation Approval**"), and a Project Initiation Approval should be granted by the Ministry of Transport prior to the issuance of a Road Transport License by the relevant local transportation bureau. On 8 November 2013, the State Council promulgated the Decision on Cancelling and Delegating A Batch of Administrative Approval Items (關於取消和下放一批行政審批項目的決定), and the authority to examine and approve the project initiation for a foreign investor to invest in the road transportation business has been delegated to the road transportation department at the provincial level. On 11 January 2014, Ministry of Transport and the MOFCOM issued a decision to amend the Foreign-Invested Road Transportation Services Regulations accordingly. Under applicable PRC laws, regulations and rules, the establishment of a foreign-invested operator shall be approved by the provincial branch of the MOFCOM, and such foreign-invested operator shall submit its Certificate of Approval for Foreign-Invested Enterprises and apply to the local branch of the Ministry of Transport for a Road Transport License prior to commencing its automobile maintenance and repair business.

Automobile insurance

The Target Companies earn commissions from insurance companies, which provide policies to the customers on the premises of most of the outlets. As such, the business operations are subject to the Regulations on Administration of Concurrent-Business Insurance Agents (保險兼業代理管理暫行辦法) (the "**Insurance Regulations**") promulgated by the China Insurance Regulatory Commission (the "**CIRC**") on 4 August 2000, which became effective on 4 August 2000. The Insurance Regulations require, among other things, a business, which facilitates insurance coverage that directly relates to its main business to apply for a license from the CIRC, and to obtain authorization documentation, subject to the CIRC's supervision, from the insurance agencies. Under the Insurance Regulations, each business can only have agency arrangements with one insurance company.

As at the Latest Practicable Date, save and except FJ Xingdebao has not yet obtained Automobile Maintenance and Repair Operating License in Fujian Province*《福建省機動車維修經營許可證》which is not in compliance with Automobile Repair Regulations, the Target Companies have complied with all the PRC laws and regulations stated in this paragraph headed "Regulatory Overview of the Target Companies" in this letter. The absence of the Automobile Maintenance and Repair Operating License in Fujian Province*《福建省機動車維修經營許可證》in the operations may potentially give rise to the following maximum consequence and penalty: (i) the suspension of business ordered by Government department; and/or (ii) the penalties of 2 to 10 times of the income (including the principal income) generated from the maintenance and repair services under the said license. Given that the Guarantor has undertaken to indemnity the Purchaser in respect of any losses and/or the resulting penalty or surcharge due to the absence of the Automobile Maintenance and Repair Operating License in Fujian Province*《福建省機動車維修經營許可證》of FJ Xingdebao, the Directors consider that it would not have any material adverse effects on the business and results of operations of FJ Xingdebao.

RISK FACTORS IN RELATION TO THE ACQUISITIONS

Set out below are certain risk factors in relation to the Acquisitions:

Risks relating to the businesses

The Target Companies derive all their revenue from sales of automobiles of two premium brands

The Target Companies derive all their revenue from sales of two premium automobile brands. The business relationship with such premium brand automobile suppliers has lasted for approximately 10 years and there can be no assurance that the Target Companies will continue to maintain the relationship with this automobile supplier in the future. If the automobile suppliers decide to terminate, not to renew, or to limit or reduce their dealership arrangements with the Target Companies, or to add or amend any terms or conditions in a way that would adversely affect the Target Companies, or if there is any adverse change in the financial position of the automobile suppliers or their ability to design, manufacture or market new automobiles, or if the premium automobile brands become less attractive to customers due to automobile recalls or any other problems out of control, the business, financial condition, results of operations and growth prospects of the Target Companies may be materially and adversely affected.

The Target Companies have not yet obtained valid titles or rights to use certain properties occupied by them

The Target Companies operate their stores on properties that the Target Companies either own or that the Target Companies lease from third parties; there are title defects with certain portions of these properties. For the owned properties, these problems include the use of the property for purposes other than the land's designated use and the lack of proper title or building certificates. For the leased properties, these problems include one property to which the landlord did not have the land use right, and one property for which the landlord failed to provide relevant title certificates.

The Company refers to these properties collectively as the properties with title defects, the details of which are set out in the Appendix XIII to this circular. The PRC legal adviser has advised that the Target Companies may be exposed to a fine of 3% to 6% of the construction consideration in respect of the properties with title defects.

Any dispute or claim in relation to the titles of the properties that the Target Companies occupy, including any litigation involving allegations of illegal or unauthorised use of these properties, could require the Target Companies to relocate their business operations occupying these properties. If any of these leases are terminated or voided as a result of challenges from third parties or the government or if the lease is otherwise not renewed by the landlords upon expiration, the Target Companies would need to seek alternative premises and incur relocation costs. Any relocation could disrupt the operations and adversely affect the Enlarged Group's business, financial condition, results of operations and growth prospects. The Target Companies may require to relocate their operations that are located on the properties with title defects. In addition, there is no assurance that the Target Companies will not locate the stores on properties with title defects in the future. Furthermore, there can be no assurance that the PRC Government will not amend or revise existing property laws, rules or regulations to require additional approvals, licenses or permits, or impose stricter requirements on the Target Companies to obtain or maintain relevant title certificates for the properties that the Target Companies use.

External factors could affect the financial condition and results of the Target Companies

Financial condition and results of the Target Companies can be impacted by external factors such as the economic growth rate or interest rate. During periods of lagging economy growth or rising interest rates, the automobile industry will likely underperform in general. It is impracticable to predict the future economy or interest rate fluctuations, any of which could materially and adversely affect the financial condition and results of the Target Companies.

A significant decrease in liquidity of the Target Companies could negatively affect its business

Although the Company does not expect that significant fund injection is required by the Target Companies, maintaining adequate liquidity remains essential to a smooth operation of the Target Companies as sales of new automobiles and related services are not predictable. When cash generated from the Target Companies are not sufficient to meet their daily operation and liquidity requirements, its business, financial condition and results of operation could be materially and adversely affected.

The Company may encounter difficulties in effectively implementing management control and supervision of its investment in the Target Companies

Each of the Target Companies is self-contained and independently operated in the PRC. The Company as an investor may encounter difficulties in ensuring that the Target Companies are effectively and consistently managed. The Company needs to be able to effectively detect or prevent on a timely basis operational or management problems, including fraud, bribery and other misconduct, or ensure that information received is accurate, timely or sufficient. If the Company is unable to effectively implement management control and supervision of its investment in the Target Companies, its business, results of operations, financial condition and prospects could be materially and adversely affected.

Failure to retain or secure senior management and key qualified personnel could adversely impact the Target Companies

As 4S dealer shop operators, the Target Companies depend, to a large extent, on the experience and skills of its current senior management and key qualified personnel. However, there is no assurance that these persons will continue to work in the Target Companies. If it is unable to retain and recruit such key qualified personnel, operation of the Target Companies could be materially and adversely affected.

Risks relating to the automobile industry in the PRC

The performance and growth prospects may be materially and adversely affected by the increasingly competitive nature of the PRC automobile dealership industry

The PRC automobile dealership industry is competitive. The business is affected by competition among automobile suppliers in terms of quality, design and price. The Target Companies compete with independent repair shops and auto parts retail centers in after-sales services and spare part sales. The Directors believe that outlets in the PRC compete for customers in terms of customer services, inventory of automobiles, capabilities of sales personnel, management personnel, automotive technicians and on the prices of their automobiles. Increased competition among automobile suppliers and dealerships in the PRC automobile industry could impact the Target Companies' market share and result in a decrease in the revenue and profit of the Target Companies and could adversely affect the growth prospects of the Target Companies. Any changes in the regulation of the automobile dealership industry could allow new market participants to enter the dealership business, which may intensify competition and could materially and adversely affect the business and results of operations of the Target Companies.

Changes in PRC laws and regulations with respect to automobile industry may materially and adversely affect business performance of the Target Companies

There is no assurance that the PRC Government will maintain the existing laws and regulations with respect to automobile industry. Any changes in the relevant laws or regulations may materially and adversely affect the business or financial positions of the Target Companies.

Higher fuel prices, stricter fuel economy and emission standards and higher fuel-related taxes on automobile consumption may reduce the demand for automobiles

The price of gasoline in the PRC has been rising steadily in recent years. Continued increases in fuel prices may induce cost-sensitive customers to switch to more fuel efficient vehicles or opt for alternatives to automobiles, such as public transportation or bicycles. Such shifts in customer preferences may materially and adversely affect the sales of certain types of automobiles, particularly in the middle market. Reduced automobile usage may decrease the demand for and frequency of maintenance and repair services for such automobiles, which may have a material and adverse effect on the after-sales business.

In addition, the PRC Government may implement stricter fuel economy and emission standards for automobiles sold in the PRC, which may raise manufacturing and distribution costs for automobile suppliers and lead to higher pricing guidelines on their automobiles that negatively impact demand. These standards tend to have a greater impact on more expensive, luxury brand automobiles, which tend to be less fuel efficient. Moreover, the PRC Government adopted an automobile consumption tax on 1 January 1994. The increase of applicable tax rates on automobiles with large cylinder capacities took effect on 1 September 2008 pursuant to the Notice on Adjusting the Policy of the Consumption Tax on Passenger Vehicles (關於調整乘用車消費稅政策的通知) as released by the PRC Ministry of Finance and the State Administration of Taxation (the "**SAT**"). The new policy lowered the personal automobile consumption tax rate for vehicles with the smallest engine displacement capacity, under 1.0 liter, from 3% to 1%, but increased the tax rate on vehicles with larger engine displacements. In particular, the tax rate on vehicles with engine displacement between 3.0 and 4.0 liters was increased from 15% to 25%, and the tax rate on vehicles with engine displacement above 4.0 liters was increased from 20% to 40%. According to the PRC Vehicle and Vessel Tax Law (中華人民共和國車船稅法) promulgated by the Standing Committee of The National People's Congress and its implementation regulations effective as of January 1, 2012, tax on passenger cars is calculated and imposed based on the engine displacement capacity. The annual benchmark tax on passenger cars with engine displacement capacity of 1.0 liter and below ranges from RMB60 to RMB360, while that on vehicles with engine displacement between 3.0 and 4.0 liters ranges from RMB2,400 to RMB3,600, and that on vehicles with engine displacement above 4.0 liters ranges from RMB3,600 to RMB5,400. Certain of the automobiles sold by the Target Companies have larger engine displacement capacity and are subject to the higher automobile consumption taxes, which make those automobiles purchases more expensive for buyers. There can be no assurance that the PRC Government will not implement stricter fuel economy and emission standards, higher automobile consumption tax rates for automobiles with larger engine displacement capacity, or impose additional restrictions or taxes. Any such measures may cause the sales to decline and materially and adversely affect the revenue.

Completion of the Acquisitions is subject to the fulfillment of the conditions precedent as set out in the Acquisition Agreement and there is no assurance that all of the conditions precedent will be fulfilled

Certain conditions involve third parties other than the Company and the Vendors, and the fulfillment of which is not under the control of the parties to the Acquisitions. Such conditions precedent include, among other things, obtaining all necessary consents, licenses and approvals. Since fulfillment of such conditions precedent is beyond the control of the parties involved in the Acquisitions, there is no assurance that the Acquisitions will be completed as intended.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more applicable percentage ratios in respect of the Acquisitions exceed 100%, the entering into of the Acquisition Agreement and the transactions contemplated thereunder constitute a very substantial acquisition of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the knowledge, information and belief of the Directors, as at the Latest Practicable Date, the ultimate beneficial owner of each of the Vendors is the Guarantor. Although Ms. Yang Liying, the spouse of the Guarantor, is interested in 23,000,000 Shares, representing approximately 4.8% of the issued share capital of the Company, as at the Latest Practicable Date, the Guarantor is not a connected person pursuant to the GEM Listing Rules. The Acquisition Agreement and the transactions contemplated thereunder is not subject to Chapter 20 of the GEM Listing Rules, the details of which are set out in the paragraph headed "Relationship between the Group and Zhong Bao Group" in this letter.

EGM

The EGM will be held at 11:00 a.m. on Thursday, 17 November 2016, at Unit 1203, 12th Floor, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong to consider and, if thought fit, approve, among other things, the entering into of the Acquisition Agreement and the transactions contemplated thereunder. A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

Save as disclosed above, the Guarantor and his associate, Ms. Yang Liying, is interested in 23,000,000 Shares, representing approximately 4.8% of the issued share capital of the Company, hence, Ms. Yang Liying and her associates shall abstain from voting at the EGM. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save and except for Ms. Yang Liying and her associates, no Shareholder is required to abstain from voting in favour of the resolution(s) to approve the Acquisition Agreement and the transactions contemplated thereunder at the EGM.

A proxy form is enclosed herewith for use at the EGM. Whether or not you intend to be present at the EGM, you are advised to complete the form of proxy and return it to the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM or any adjournment thereof. Completion and delivery of a form of proxy will not preclude you from attending and voting at the EGM or any adjournment in person should you so wish.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Tuesday, 15 November 2016 to Wednesday, 16 November 2016 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the EGM, all instruments of transfer must be delivered to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, 14 November 2016.

VOTING BY WAY OF POLL

According to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, the resolution proposed at the EGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under the Rule 17.47(5) of the GEM Listing Rules. The results of the poll will be published on the websites of the Company and GEM as soon as practicable following the conclusion of the EGM.

RECOMMENDATION

Having considered the reasons for and benefits of the Acquisitions as discussed above, the Directors consider that the terms of the Acquisition Agreement and transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM approving the Acquisitions.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

OTHER INFORMATION

Your attention is also drawn to the information set forth in the appendices to this circular.

Yours faithfully,
By order of the Board
G.A. HOLDINGS LIMITED
Luo Wan Ju
Chairman

FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 respectively are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.ga-holdings.com.hk):

- annual report of the Company for the year ended 31 December 2013 published on 28 March 2014 (pages 30–99) (http://www.hkexnews.hk/listedco/listconews/GEM/2014/0328/GLN20140328011.pdf);

- annual report of the Company for the year ended 31 December 2014 published on 27 March 2015 (pages 32–101) (http://www.hkexnews.hk/listedco/listconews/GEM/2015/0327/GLN20150327055.pdf);

- annual report of the Company for the year ended 31 December 2015 published on 30 March 2016 (pages 36–95) (http://www.hkexnews.hk/listedco/listconews/GEM/2016/0330/GLN20160330065.pdf); and

- interim report of the Company for the six months ended 30 June 2016 published on 11 August 2016 (pages 4–26) (http://www.hkexnews.hk/listedco/listconews/GEM/2016/0811/GLN20160811091.pdf).

INDEBTEDNESS STATEMENT

As at the close of business on 31 August 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had borrowings amounting to approximately HK$508.9 million, details of which are as follows:

Borrowings

The following table illustrates the unaudited financial information of the Enlarged Group's bank and other borrowings as at 31 August 2016:

	HK$'000
Obligations under finance leases	13,332
Bank loans	293,198
Bills payables	84,478
Other borrowings	117,921
	508,929

Analysed as:

	Secured	Unsecured	Total secured and unsecured	Guaranteed	Unguaranteed	Total guaranteed and unguaranteed
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Obligations under finance leases	13,332	—	13,332	11,743	1,589	13,332
Bank loans	104,866	188,332	293,198	272,336	20,862	293,198
Bills payables	84,478	—	84,478	84,478	—	84,478
Other borrowings	117,921	—	117,921	117,921	—	117,921
	320,597	188,332	508,929	486,478	22,451	508,929

Certain motor vehicles of the Enlarged Group are held under finance leases. Finance lease liabilities are effectively secured as the rights to the leased assets will revert to the lessor in the event of default.

As at 31 August 2016, the Enlarged Group's obligations under finance lease of approximately HK$11.7 million are guaranteed by the Company.

As at 31 August 2016, the Enlarged Group's bank loans of approximately HK$34.1 million are secured by the Enlarged Group's bank deposit of approximately HK$5.8 million and Zhong Bao Group's certain assets and guaranteed by Zhong Bao Group companies.

As at 31 August 2016, the Enlarged Group's bank loans of approximately HK$23.2 million are secured by the Enlarged Group's bank deposit of approximately HK$7.0 million and guaranteed by a group company and a former director of the Company.

As at 31 August 2016, the Enlarged Group's bank loans of approximately HK$14.5 million are secured by the Enlarged Group's bank deposit of approximately HK$4.3 million and guaranteed by Zhong Bao Group companies and a former director of the Zhong Bao Group companies.

As at 31 August 2016, the Enlarged Group's bank loans of approximately HK$27.3 million are secured by the Enlarged Group's leasehold lands and guaranteed by Zhong Bao Group companies and a former director of the Zhong Bao Group companies.

As at 31 August 2016, the Enlarged Group's bank loans of approximately HK$5.8 million are secured by the Enlarged Group's leasehold land and guaranteed by Zhong Bao Group companies.

As at 31 August 2016, the Enlarged Group's bank loans of approximately HK$31.8 million are guaranteed by the Zhong Bao Group companies and a former director of the Zhong Bao Group companies.

As at 31 August 2016, the Enlarged Group's bank loans of approximately HK$83.4 million are guaranteed by Zhong Bao Group companies.

As at 31 August 2016, the Enlarged Group's bank loans of approximately HK$52.2 million are guaranteed by a former director of the Zhong Bao Group companies.

As at 31 August 2016, the Enlarged Group's bills payables of approximately HK$49.3 million are secured by the Enlarged Group's bank deposit of approximately HK$14.8 million, the leasehold lands of QZ Fubao and guaranteed by Zhong Bao Group companies and a former director of Zhong Bao Group companies.

As at 31 August 2016, the Enlarged Group's bills payables of approximately HK$35.2 million are secured by the Enlarged Group's bank deposit of approximately HK$10.6 million and guaranteed by Zhong Bao Group companies.

As at 31 August 2016, the Enlarged Group's other borrowings of approximately HK$117.9 million are secured by the Enlarged Group's deposit of approximately HK$10.8 million and the inventories of motor vehicles of approximately HK$117.9 million and guaranteed by Zhong Bao Group companies and a former director of Zhong Bao Group company.

Pledge of assets

As at 31 August 2016, the Enlarged Group's bank deposits of approximately HK$17.1 million were pledged in respect of providing security to suppliers.

As at 31 August 2016, the Enlarged Group's bank deposit of approximately HK$43.2 million, the building of carrying amount approximately HK$19.9 million, the leasehold lands of carrying amount approximately HK$28.2 million and prepaid rental expense of carrying amount approximately HK$14.6 million were pledged to banks in respect of banking facilities granted to the Enlarged Group.

As at 31 August 2016, the Enlarged Group's deposit of approximately HK$10.8 million and inventories of approximately HK$117.9 million were pledged for other borrowings.

Contingent liabilities and guarantees

As at 31 August 2016, the Enlarged Group had the following contingent liabilities and guarantees in the ordinary course of business:

Guarantees for bank loans to Xiamen Zhong Bao:	RMB228 million (equivalent to approximately HK$264 million)

Save as disclosed above, no member of the Enlarged Group is engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any members of the Enlarged Group.

Save as aforesaid or as otherwise disclosed herein and apart from inter-group liabilities, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, any bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on the Latest Practicable Date.

WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the present internal resources and available bank loan facilities of the Enlarged Group, and the effect of the entering into of the Acquisition Agreement in the absence of any unforeseen circumstances, the Enlarged Group has sufficient working capital for at least the next twelve months from the date of publication of this circular.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change to the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Company were made up.

FINANCIAL EFFECTS OF THE ACQUISITIONS

The principal business of the Group will remain the same after Completion. Following Completion, each of the Target Companies will become an indirect wholly-owned subsidiary of the Company, and the financial results, assets and liabilities of the Target Companies will be consolidated into the financial statements of the Group.

The Board expects that the completion of the Acquisitions will have the following financial effects on the Enlarged Group:

Earnings

For the six months ended 30 June 2016, the Group recorded unaudited net profit for the period of approximately HK$10.2 million. For the year ended 31 December 2015, the Group recorded audited net profit for the year of approximately HK$85.0 million.

As stated in the unaudited pro forma financial information of the Enlarged Group as contained in Appendix V to this circular, the consolidated net profit before and after taxation of the Enlarged Group for the year ended 31 December 2015 amounted to approximately HK$127.8 million and HK$93.2 million. After Completion, the financial results of each of the Target Companies will be consolidated into the Group's consolidated financial statements. In view of the profitable track record and the prospect of the Target Companies, the Directors are of the view that the earnings of the Group will be enhanced as a result of the Acquisitions.

Assets and liabilities

The unaudited consolidated total assets and total liabilities of the Group as at 30 June 2016 as extracted from the published interim report of the Company for the six months ended 30 June 2016 were approximately HK$773.7 million and approximately

HK$237.1 million respectively. The audited consolidated total assets and total liabilities of the Group as at 31 December 2015 as extracted from the annual report of the Company for the year ended 31 December 2015 were approximately HK$775.5 million and approximately HK$239.9 million respectively.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to this circular, assuming Completion had taken place on 30 June 2016, the unaudited pro forma total assets and total liabilities of the Enlarged Group would have been approximately HK$1,800.3 million and approximately HK$1,270.8 million respectively.

In view of the above figures and with reference to the financial results of the Target Companies in the past, the Directors believe that the Enlarged Group's revenue will be increased, and the financial results will then be enhanced from the Acquisitions. In addition, the Enlarged Group's net assets value will be increased and the financial position will be strengthened as well.

Please refer to Appendix V to this circular for further details about the unaudited pro forma financial information of the Enlarged Group.

It should be noted that the above financial effects of the Acquisitions are for illustration purpose only. The actual financial effects of the Acquisitions on the Enlarged Group may be different from the amounts presented in this paragraph.

FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

According to the interim report of the Company for the six months ended 30 June 2016, the revenue of the Group amounted to HK$230.5 million and the gross profit and net profit of the Group amounted to HK$87.7 million and HK$10.2 million respectively. Total assets and total equity of the Group amounted to approximately HK$773.7 million and HK$536.6 million as at 30 June 2016 respectively. In addition, as referred to the annual report of the Company for the year ended 31 December 2015, the revenue of the Group amounted to HK$495.5 million and the gross profit and net profit of the Group amounted to HK$206.3 million and HK$85.0 million respectively. Total assets and total equity of the Group amounted to approximately HK$775.5 million and HK$535.6 million as at 31 December 2015 respectively.

Upon Completion, the Enlarged Group will be receiving stable income stream from the Target Companies which is expected to enhance the financial performance of the Enlarged Group going forward. The Enlarged Group is a comprehensive automobiles sales and service provider in the PRC of premium and ultra-luxury brands. As at the Latest Practicable Date, the Enlarged Group is in operation with a total of four 4S dealer shops, one showroom and two service centers. The Enlarged Group has established long-term relationships with leading automobile suppliers of premium and ultra-luxury brands.

In light of the competitive automobile market, the Group will continue to explore suitable business opportunities to expand the Group's existing business stream to enhance the long term benefits of the Company and its shareholders as a whole. As such, it is the Group's business strategies to seek both organic growth and possible acquisition like the Acquisitions to further expand its automobile business in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Management discussion and analysis of the Group for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 respectively are disclosed in the annual report of the Group for the years ended 31 December 2013, 2014 and 2015 and the interim report of the Group for the six months ended 30 June 2016.

For the six month ended 30 June 2016

Set out below is a reproduction of the text contained in the section headed "Management discussion and analysis" of the Group as set out in the interim report of the Group for the six months ended 30 June 2016.

Business review

For the six months ended 30 June 2016, the Group recorded a slight decrease in total revenue. It was mainly due to the decrease in both technical fee income and revenue from servicing of motor vehicles and sales of auto parts offset by the continuous growth in sales of motor vehicles following the full operation of a dealership store for ultra-luxury automobile brands in the middle of 2014.

Profit for the period ended 30 June 2016 was HK$10,164,000 compared to HK$69,553,000 in the corresponding period in 2015. The decrease in profit was mainly resulted from i) the decrease in total revenue and gross profit margin during the current period; and ii) the absence of one-off income from waiver of interest payable of HK$45,626,000 from a creditor in 2015. Total comprehensive income was HK$974,000 in the period under review compared to HK$56,328,000 last year after adjusting for exchange difference on translation of financial statements of foreign operations.

1. Sales of motor vehicles

For the six months ended 30 June 2016, revenue generated from the sales of motor vehicles was approximately HK$58,826,000, increased by 2.5% compared to corresponding period in 2015. The increase reflected improved customer awareness and recognition of our 4S store for luxury brands in Fuzhou.

2. Servicing of motor vehicles and sales of auto parts

Revenue generated from servicing of motor vehicles and sales of auto parts decreased by 9.1% to HK$158,902,000 compared to corresponding period in 2015. With the slowing growth in China's macro-economy and automobile industry, there is a corresponding effect on aftersales services and as a result, the revenue from our after-sales business decreased accordingly.

3. Technical fee income

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

Technical fee income for the six months ended 30 June 2016 was approximately HK$12,811,000, decreased by approximately 8.7% as compared to the corresponding period in 2015. The decrease was mainly due to the decrease in sales of locally assembled BMW sold by Zhong Bao Group during the period.

4. Car rental business

The operation of car rental business in Hong Kong for the six months ended 30 June 2016 was HK$13,077,000 which was stable compared to the corresponding period in 2015.

Financial review

Revenue

The unaudited consolidated revenue for the six months ended 30 June 2016 decreased by 6.4% from approximately HK$246,277,000 in the corresponding period in 2015 to approximately HK$230,539,000 for the six months ended 30 June 2016. The decrease was the net result of the declines in revenue from servicing of motor vehicles, sales of auto parts and technical fee income and the growth in sales of motor vehicles.

Gross profit

The gross profit for the six months ended 30 June 2016 was HK$87,724,000, decreased by approximately 10.9% as compared to the corresponding period in 2015 and the gross profit margin for the six months ended 30 June 2016 decreased from approximately 40.0% in the corresponding period in 2015 to approximately 38.1% for the six months ended 30 June 2016.

The decrease in gross profit margin was mainly attributable to (i) continued price pressure on both new cars and certain value-added services as a result of the changing supply and demand; and (ii) the increased share of sales contribution from sales of motor vehicles, which yields relatively lower profit.

Employee benefit expenses

The Group recorded employee benefit expenses of approximately HK$31,829,000 for the six months ended 30 June 2016, representing a 12.6% increase as compared to approximately HK$28,276,000 in the corresponding period in 2015. This was driven by a one-time discretionary bonus and the increase in sales commission to salesmen.

Operating lease charges

The operating lease charges for the six months ended 30 June 2016 decreased by approximately 15.6% from approximately HK$9,964,000 in the corresponding period in 2015 to approximately HK$8,408,000 in 2016. This was mainly attributable to the removal of a showroom from downtown to uptown of Fuzhou during the current period, thus lowering the monthly rental expense.

Foreign exchange exposure

As at 30 June 2016, the cash and bank balances was approximately HK$60,328,000, of which approximately HK$45,986,000 was denominated in RMB and approximately HK$1,530,000 was denominated in Euro.

For the six months ended 30 June 2016, the exchange loss of the Group was approximately HK$1,972,000, as compared to the loss of approximately HK$1,394,000 in the corresponding period in 2015. The exchange loss was the net result of the translation of accounts receivables, accounts payables and inter-company balances from Renminbi to Hong Kong dollars.

The Group did not use any financial instruments for hedging purposes for the year ended 30 June 2016. No foreign currency net investment was hedged by any currency borrowings and other hedging instruments for the six months ended 30 June 2016.

Other expenses

For the six months ended 30 June 2016, other expenses were approximately HK$33,401,000, representing an increase of 5.7% as compared to the corresponding period in 2015. The increase was the net result of an increase in promotional and other marketing expenses and a decrease in provision for financial guarantee expense.

Income tax expense

Income tax expense during the six months ended 30 June 2016 was approximately HK$9,656,000 representing a decrease of approximately HK$2,203,000 as compared with approximately HK$11,859,000 in the corresponding period in 2015. The amount of income tax expense represented the current tax expenses of approximately HK$8,449,000 and deferred tax of approximately HK$1,207,000 arising from the provision for withholding tax upon distribution of profits earned by a PRC subsidiary.

Profit attributable to owners of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2016 was approximately HK$12,813,000 while approximately HK$74,536,000 was recorded in the corresponding period in 2015. The decrease was a net result of (i) the decrease in both total revenue and gross profit margin during the six months ended 30 June 2016; (ii) the absence of one-off income from waiver of interest payable of approximately HK$45,626,000 from a creditor recognised in 2015; and (iii) the absence of impairments made on goodwill and inventories in 2015.

Financial resources and liquidity

As at 30 June 2016, shareholders' fund of the Group amounted to approximately HK$536,599,000 (31 December 2015: HK$535,625,000). Current assets amounted to approximately HK$642,762,000 (31 December 2015: HK$641,291,000). Of which, approximately HK$83,430,000 (31 December 2015: HK$110,358,000) were cash and bank deposits. Current liabilities, amounted to approximately HK$226,975,000 (31 December 2015: HK$229,446,000), were mainly trade payables, borrowings, accruals and other payables and amounts due to directors. The Group had non-current liabilities amounted to approximately HK$10,112,000 (31 December 2015: HK$10,395,000). The net asset value per share as at 30 June 2016 was at approximately HK$1.13 (31 December 2015: HK$1.12).

Borrowings

As at 30 June 2016, the borrowings was approximately HK$96,295,000, of which (i) the bank loans was approximately HK$82,456,000 and the finance lease liabilities was approximately HK$13,839,000; and (ii) approximately HK$91,454,000 will be due within one year and approximately HK$4,841,000 will be due over one year but less than five years.

As at 30 June 2016, the borrowings carried at fixed interest rates was approximately HK$13,839,000 and the borrowings carried at floating interest rates was approximately HK$82,456,000.

Gearing ratio

The Group expresses its gearing ratio as a percentage of total borrowings less cash and cash equivalents (net debt), divided by total equity plus net debt. As at 30 June 2016, the gearing ratio of the Group was approximately 0.06 (31 December 2015: 0.05).

Capital commitment

As at 30 June 2016, the Group had commitment contracted but not provided for the purchase of property, plant and equipment of approximately HK$2,768,000 (31 December 2015: HK$7,306,000).

Charges on Group assets

As at 30 June 2016, fixed deposits of approximately HK$12,455,000 (31 December 2015: HK$13,784,000) were pledged to banks to secure banking facilities of the Group while amounts of HK$10,647,000 (31 December 2015: HK$10,161,000) were pledged to banks as security to one of our suppliers.

Contingent liabilities

As at 30 June 2016, the Group also provided bank guarantees with an aggregate principal amount of HK$175,500,000 (31 December 2015: HK$143,280,000) in respect of banking facilities to Zhong Bao Group.

Employee information

As at 30 June 2016, the total number of employee of the Group was 431 (30 June 2015: 431). For the six months ended 30 June 2016, the staff costs including Directors' remuneration of the Group, comprises of approximately 13.8% of the revenue of the Group and was approximately HK$31,829,000, increased by 12.6% as compared to the corresponding period in 2015. It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.

Retirement benefits

During the six months ended 30 June 2016, the aggregate amount of the employer's contribution of the Group under Central Provident Fund in Singapore and Mandatory Provident Fund in Hong Kong was amounted to approximately HK$1,704,000 (six months ended 30 June 2015: HK$1,076,000).

Capital structure of the Group in debt securities

During the six months ended 30 June 2016 and the corresponding period in 2015, the Group has no debt securities in issue.

Materials acquisitions and disposals of subsidiaries and affiliated companies

On 3 February 2016, Xiamen BMW, a wholly-owned subsidiary of the Company, has entered into a non-legally binding MOU (as supplemented by a supplemental memorandum of understanding dated 28 July 2016) with Xiamen Zhong Bao in relation to the potential acquisition of three PRC incorporated companies by Xiamen BMW. Details of the MOU are set out in the announcements of the Company dated 3 February 2016, 14 March 2016 and 28 July 2016. No formal agreement has been entered into between the parties as at 30 June 2016.

Save for the potential acquisition which may be contemplated pursuant to the MOU, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development. If materialised, the potential acquisition is expected to be financed by the Group's internal resources and/or debt financing.

Material investments or capital assets

As at 30 June 2016, the Group had commitment contracted but not provided for the purchase of property, plant and equipment of approximately HK$2,768,000 (31 December 2015: HK$7,306,000) as extracted from note 11(b) of the condensed consolidated interim financial statements for details of capital commitments in the interim report of the Company for the six months ended 30 June 2016.

Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

Prospects

With the general slowdown of growth of the economy and various reforms of policies and regulations in the automobile industry in China effective this year, it is believed that the market has stepped into a new era with more intensified competition and more rational spending by the consumers. The selling prices of most of the premium cars and after-sales services will continue to be under pressure. Nevertheless, China is still the largest automobile market in the world and the car sales performance of the Group is expected to improve following the recent launch of new models of luxury brands. The Group will, on one hand, exert a greater control over operating cost and on the other hand, continue to strengthen its value-added business sector in addition to traditional after-sales service to customers to boost the revenue for the rest of the year. The Company is confident in balancing the risks and opportunities in this challenging year through its experienced management team with focus on service excellence.

The Group strives for growth through sustaining the developments of our core and car rental businesses as well as seeking dynamic expansion through organic growth, acquisitions or joint ventures.

For the year ended 31 December 2015

Set out below is a reproduction of the text contained in the section headed "Management discussion and analysis" of the Group as set out in the annual report for the year ended 31 December 2015.

Business review

For the year ended 31 December 2015, the Group recorded a total revenue of HK$495,526,000, representing an increase of 17.2% compared to HK$422,862,000 of last year. Total comprehensive income attributable to owners of the Company increased by 13.7% to HK$57,035,000 as compared to HK$50,178,000 in year 2014.

The increase in total revenue was mainly attributable to the sharp increase in the segment of sales of motor vehicles and steady growth in servicing of motor vehicles and sales of auto parts.

The increase in total comprehensive income in year 2015 was mainly resulted from (i) the increase in total revenue; (ii) the waiver of interest payable of HK$45,626,000 from a creditor; offset by (iii) impairment loss on goodwill and inventories and (iv) exchange difference on translation of financial statements of foreign operations during the year.

Sales of motor vehicles

Segment of sales of motor vehicles contributed 22.9% (2014: 12.1%) of the total revenue of the Group in year 2015, amounted to HK$113,464,000. As our new dealership store in Fuzhou entered into full operations, the sales in this segment increased sharply compared to last 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 2015 increased by 3.0% to HK$355,675,000. Servicing income contributed 71.8% (2014: 81.6%) of the total revenue. The increase was consistent with the continuous increase in demand for after-sales support for luxurious vehicles.

Technical fee income

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

During the current year, the Group recorded technical fee income of HK$26,387,000 which remained stable compared to year 2014.

Car rental business

The car rental business marked a year of steady growth during 2015. The rental income increased to 9.2% to HK$27,075,000 from HK$24,791,000 in 2014.

Financial review

Gross profit

The gross profit for the year 2015 was HK$206,306,000 as compared to HK$190,547,000 in 2014. The gross profit margin decreased from 45.1% in year 2014 to 41.6% in year 2015. The decrease in gross profit margin was mainly resulted from the increased share of contribution generated from the sales of motor vehicles, which yields relatively lower profit.

Financial resources and liquidity

As at 31 December 2015, shareholders' fund of the Group amounted to HK$535,625,000 (2014: HK$492,590,000). Current assets amounted to HK$641,291,000 (2014: HK$610,694,000) of which HK$110,358,000 (2014: HK$55,207,000) were cash and pledged deposits. Current liabilities amounted to HK$229,446,000 (2014: HK$258,871,000) and mainly represents trade payables, borrowings, accruals and other payables and amounts due to directors and related companies. The Group had non-current liabilities amounted to approximately HK$10,395,000 (2014: HK$9,101,000). The net asset value per share as at 31 December 2015 was HK$1.12 (2014: HK$1.03).

Borrowings

As at 31 December 2015, the borrowings was approximately HK$112,019,000, of which (i) the bank loans was approximately HK$94,606,000 and the finance lease liabilities was approximately HK$17,413,000; and (ii) approximately HK$105,707,000 will be due within one year and approximately HK$6,312,000 will be due over one year but less than five years.

As at 31 December 2015, the borrowings carried at fixed interest rates was approximately HK$17,413,000 and the borrowings carried at floating interest rates was approximately HK$94,606,000.

Capital structure of the Group

During the year ended 31 December 2015, the Group had no debt securities in issue (2014: Nil).

The Group obtained funding mainly from bank borrowing. They are mainly denominated in Hong Kong dollars and Renminbi. As at 31 December 2015, the Group has available unutilised banking facilities of approximately HK$111,106,000 (2014: HK$42,478,000).

Significant investment or capital assets

As at 31 December 2015, the Group had no significant investment held (2014: Nil).

Material acquisitions and disposals of subsidiaries or affiliated companies

On 29 December 2015, the Group disposed of its subsidiaries, China Automobiles Asia Pte Ltd and its subsidiary, at a consideration of Singapore Dollar 2 (approximately HK$11). For the details, please refer to the note 40 to the consolidated financial statement in the annual report of the Company for the year ended 31 December 2015. Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or affiliated companies during the year ended 31 December 2015.

Employees

As at 31 December 2015, the total number of employees of the Group was approximately 384. For the year ended 31 December 2015, the staff costs including directors' remuneration of the Group amounted to HK$59,306,000 (2014: HK$59,716,000), representing 12.0% of the revenue of the Group. Staff costs for the year 2015 was stable as compared to year 2014. Appropriate staff force is maintained cautiously in accordance with the operational needs and activities of the Group.

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

Charges on Group assets

As at 31 December 2015, fixed deposits of approximately HK$13,784,000 (2014: HK$10,144,000) were pledged to banks to secure banking facilities of the Group while amounts of approximately of HK$10,161,000 (2014: HK$10,791,000) were pledged to banks as security to one of our supplies.

Gearing ratio

The Group expresses its gearing ratio as a percentage of total borrowings (including short-term and long term bank borrowings, as shown in the consolidated statement of financial position), less cash and bank balances, divided by total equity, plus net debt. As at 31 December 2015, the Group had a gearing ratio of 0.05 (2014: 0.11).

Foreign exchange exposure

As at 31 December 2015, the cash and bank balances was approximately HK$86,413,000, of which approximately HK$71,907,000 was denominated in RMB and approximately HK$742,000 was denominated in Euro.

During the year ended 31 December 2015, the Group had an exchange loss of approximately HK$7,913,000 (2014: HK$3,489,000), mainly resulted from the continuous devaluation of Renminbi during the year.

The Group did not use any financial instruments for hedging purposes for the year ended 31 December 2015. No foreign currency net investments was hedged by any currency borrowings and other hedging instruments for the year ended 31 December 2015.

Contingent liabilities

As at 31 December 2015, the Group provided bank guarantee with aggregate principal amounts of approximately HK$143,280,000 in respect of banking facilities to the Zhong Bao Group (2014: HK$215,560,000).

Dividend

The Directors do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

Prospect

The Group will continue to dedicate themselves to servicing luxury cars in Fujian Province and will further strengthen our sales team for service excellence. Looking ahead, we believe that the China's automobile market will become more mature and consumption will be more rational that the steady growth in demand for high-quality after-sales service will be sustained. As the competition in the PRC automobile industry intensifies, the Company is confident that its experienced management and skilled service team can continue to grow its business in sales of motor vehicles and after-sales service.

The Group strives for growth through sustaining the developments of our core and car rental businesses as well as seeking dynamic expansion through both organic growth and acquisitions or joint ventures with existing business partners.

Future plan

On 3 February 2016, Xiamen Zhong Bao and Xiamen BMW, an indirect wholly-owned subsidiary of the Company entered into a non-legally binding memorandum of understanding regarding the proposed acquisitions of the entire equity interests of three direct or indirect wholly-owned subsidiaries of Xiamen Zhong Bao established in the PRC. Further details are set out in the announcements of the Company dated 3 February 2016 and 14 March 2016.

The Company intends to finance by its internal resources and/or raise fund by way of debt financing from financial institutions for any significant investment or acquisition.

For the year ended 31 December 2014

Set out below is a reproduction of the text contained in the section headed "Management discussion and analysis" of the Group as set out in the annual report for the year ended 31 December 2014.

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.

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 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 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).

Borrowings

As at 31 December 2014, the borrowings was approximately HK$97,611,000, of which (i) the bank loans was approximately HK$74,432,000 and the finance lease liabilities was approximately HK$23,179,000; and (ii) approximately HK$90,718,000 will be due within one year and approximately HK$6,893,000 will be due over one year but less than five years.

As at 31 December 2014, the borrowings carried at fixed interest rates was approximately HK$92,285,000 and the borrowings carried at floating interest rates was approximately HK$5,326,000.

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% equity interest in Fuzhou Euro Motors Sales & Service Co. Limited* (福州歐利行汽車銷售服務有限公司) ("**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 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 and 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 and buildings 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

As at 31 December 2014, the cash and bank balances was approximately HK$34,272,000, of which approximately HK$15,576,000 was denominated in RMB and approximately HK$119,000 was denominated in Euro.

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.

The Group did not use any financial instruments for hedging purposes for the year ended 31 December 2014. No foreign currency net investments hedge by any currency borrowings and other hedging instruments for the year ended 31 December 2014.

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 global economic 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.

Future plan

As disclosed above, 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.

The Company intends to finance by its internal resources and/or raise fund by way of debt financing from financial institutions for any significant investment or acquisition.

For the year ended 31 December 2013

Set out below is a reproduction of the text contained in the section headed "Management discussion and analysis" of the Group as set out in the annual report for the year ended 31 December 2013.

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 luxurious automobiles under the anti-extravagance campaign in China during the year.

For the year ended 31 December 2013, the total revenue of the Group 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 luxurious 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 HK$83,472,000, representing a sharp 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 reflects 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 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).

Borrowings

As at 31 December 2013, the borrowings was approximately HK$49,021,000, of which (i) the bank loans was approximately HK$31,624,000 and the finance lease liabilities was approximately HK$17,397,000; and (ii) approximately HK$42,449,000 will be due within one year and approximately HK$6,572,000 will be due over one year but less than five years.

As at 31 December 2013, the borrowings was only carried at fixed interest rates of approximately HK$49,021,000.

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 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.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or affiliated companies during the year ended 31 December 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% 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 of the Group (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 North Anhua Group Corporation ("**NAGC Group**") as disclosed in note 21 to the financial statements.

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

As at 31 December 2013, the cash and bank balances was approximately HK$54,036,000, of which approximately HK$45,642,000 was denominated in RMB and approximately HK$134,000 was denominated in Euro.

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 intercompany 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.

The Group did not use any financial instruments for hedging purposes for the year ended 31 December 2013. No foreign currency net investments was hedged by any currency borrowings and other hedging instruments for the year ended 31 December 2013.

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

On 14 March 2014, the Company obtained approval from its shareholders in the extraordinary general meeting of the Company that the Group has entered into a major transaction involving the provision of the facilities guarantees by the Group, in an aggregate amount of approximately RMB112 million (equivalent to approximately HK$143 million) to banks in favour of Zhong Bao Group under facilities guarantee agreements entered into with the respective banks and 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 ten new models of BMW, including the electric BMWi3 series in April 2014, a wider range of luxurious 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.

The following is the text of a report received from the reporting accountant, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

10th Floor,
8 Observatory Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

26 October 2016

The Board of Directors
G.A. Holdings Limited
Unit 1203, 12th Floor, Eton Tower,
No. 8 Hysan Avenue,
Causeway Bay, Hong Kong

Dear Sirs/Madams,

We set out below our report on the financial information relating to 泉州福寶汽車銷售服務有限公司 (the "**QZ Target Company**") comprising the statements of financial position of the QZ Target Company as at 31 December 2013, 2014 and 2015 and 30 June 2016, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the QZ Target Company for the year ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 (the "**Relevant Periods**"), together with the explanatory notes thereto (the "**Financial Information**"). This Financial Information has been prepared by the director of the QZ Target Company for inclusion in Appendix II to the circular issued by G.A. Holdings Limited (the "**Company**") dated 26 October 2016 (the "**Circular**") in connection with the proposed acquisition of 100% equity interests of the QZ Target Company by the Company.

The QZ Target Company was established in the People's Republic of China (the "**PRC**") on 29 November 2005 with limited liability. The QZ Target Company principally engaged in automobile dealership, exhibitions of automobiles, provision of automotive parts and after-sales services in the PRC.

The statutory financial statements of the QZ Target Company were prepared in accordance with relevant accounting principles applicable to enterprises established in PRC. The statutory financial statements for the year ended 31 December 2013 were audited by Quanzhou Dong Nan Certified Public Accountants (泉州東南有限責任會計師事務所) and the statutory financial statements for the years ended 31 December 2014 and 2015 were audited by Quanzhou Quan Lian Certified Public Accountants (泉州泉聯有限責任會計師事務所).

For the purpose of this report, the director of the QZ Target Company has prepared the Financial Information for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountant (the "**HKICPA**") (the "**Underlying Financial Statements**"). The Financial Information for the Relevant Periods is prepared based on the Underlying Financial Statements, with no adjustments made thereto, and in accordance with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

Directors' Responsibilities

The director of the QZ Target Company is responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provision of the GEM Listing Rules, and for such internal control as the director of the QZ Target Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which this report is included.

Reporting Accountants' Responsibilities

It is our responsibility to form an independent opinion on the Financial Information for the Relevant Periods based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing and the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Basis for Qualified Opinion

As disclose in Note 15 of the Financial Information, as at 31 December 2013, the QZ Target Company has a non-wholly owned subsidiary which has been subsequently disposed on 4 March 2014 ("**Disposal**"). Due to the effect of the Disposal, the director of the QZ Target Company was unable to obtain complete set of books and records together with the necessary supporting documents for the purpose of the audit. In view of the significance of the subsidiary's assets, liabilities and operating results in the context of the consolidated financial statements as a whole, we are of the opinion that non-preparation of consolidated financial statements do not comply with the requirements of Section 379(2) of the Hong Kong Companies Ordinance and HKFRS 10 Consolidated Financial Statements issued by the HKICPA. Had the subsidiary been consolidated, substantially all the items included in the QZ Target Company's statements of financial position as at 31 December 2013 and statements of profit or loss and other comprehensive income for the year then ended would have been materially affected. The effects on the financial statements of the failure to consolidate have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, for the purpose of this report, the Financial Information give a true and fair view of the financial position of the QZ Target Company as at 31 December 2013, 2014 and 2015 and 30 June 2016 and of their financial performance and cash flows for the Relevant Periods then ended in accordance with HKFRSs.

Corresponding Financial Information

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the QZ Target Company comprising the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 June 2015, together with the notes thereon (the "**Corresponding Financial Information**"), for which the director of the QZ Target Company is responsible, in accordance with Hong Kong Standard on Review Engagement 2400 "Engagements to Review Historical Financial Statement" issued by the HKICPA.

The director of the QZ Target Company is responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION OF THE QZ TARGET COMPANY

Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December			Six months ended 30 June	
		2013	**2014**	**2015**	**2015**	**2016**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*6*	995,679	1,083,715	919,263	479,041	381,761
Other income	*8*	13,701	13,022	17,572	9,883	6,274
Changes in inventories	*9.1*	16,798	18,032	(46,374)	(44,134)	5,711
Auto parts and accessories and motor vehicles purchased	*9.2*	(903,464)	(1,027,648)	(790,541)	(392,121)	(343,618)
Employee benefit expenses	*11*	(20,966)	(23,696)	(25,989)	(12,968)	(12,389)
Depreciation and amortisation		(5,000)	(5,317)	(5,494)	(2,278)	(2,945)
Operating lease charges		(1,272)	(1,680)	(1,561)	(650)	(768)
Other expenses		(26,230)	(25,346)	(23,526)	(9,473)	(16,686)
Profit from operation		69,246	31,082	43,350	27,300	17,340
Finance costs	*9.3*	(24,222)	(25,996)	(17,408)	(10,262)	(6,849)
Profit before income tax	*9*	45,024	5,086	25,942	17,038	10,491
Income tax expenses	*10*	(12,899)	(2,088)	(7,094)	(4,885)	(4,114)
Profit and total comprehensive income for the year/ period		**32,125**	**2,998**	**18,848**	**12,153**	**6,377**

Statements of Financial Position

		As at 31 December			As at 30 June
		2013	2014	2015	2016
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*13*	44,942	44,379	41,267	38,256
Leasehold land	*14*	15,618	15,208	14,798	14,559
Investment in a subsidiary	*15*	5,100	—	—	—
		65,660	59,587	56,065	52,815
Current assets					
Inventories	*16*	146,124	164,156	117,782	123,493
Trade receivables	*17*	206,055	208,306	220,469	89,297
Prepayments and other receivables	*18*	191,184	195,731	212,648	287,137
Pledged deposits	*19*	48,805	72,448	39,799	39,043
Cash and bank balances	*19*	52,295	55,512	21,549	23,253
		644,463	696,153	612,247	562,223
Current liabilities					
Trade and bills payables	*20*	167,255	249,366	152,802	197,019
Other payables	*21*	78,163	67,206	99,395	109,468
Receipt in advance	*21*	39,934	50,982	30,689	35,541
Bank and other borrowings	*22*	268,217	228,671	201,702	161,409
Tax payables		12,858	12,821	18,182	19,682
		566,427	609,046	502,770	523,119
Net current assets		**78,036**	**87,107**	**109,477**	**39,104**
Net assets		**143,696**	**146,694**	**165,542**	**91,919**
EQUITY					
Equity attributable to owners of the QZ Target Company					
Paid in capital	*23*	50,000	50,000	50,000	50,000
Reserves	*23*	93,696	96,694	115,542	41,919
Total equity		**143,696**	**146,694**	**165,542**	**91,919**

Statements of Changes in Equity

	Paid in capital *RMB'000*	Statutory reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2013	50,000	7,114	54,457	111,571
Profit and total comprehensive income for the year	—	—	32,125	32,125
Transfer to statutory reserve	—	749	(749)	—
At 31 December 2013 and 1 January 2014	50,000	7,863	85,833	143,696
Profit and total comprehensive income for the year	—	—	2,998	2,998
Transfer to statutory reserve	—	319	(319)	—
At 31 December 2014 and 1 January 2015	50,000	8,182	88,512	146,694
Profit and total comprehensive income for the year	—	—	18,848	18,848
Transfer to statutory reserve	—	2,879	(2,879)	—
At 31 December 2015 and 1 January 2016	50,000	11,061	104,481	165,542
Profit and total comprehensive income for the period	—	—	6,377	6,377
Dividend paid	—	—	(80,000)	(80,000)
Transfer to statutory reserve	—	—	—	—
At 30 June 2016	**50,000**	**11,061**	**30,858**	**91,919**
At 1 January 2015	50,000	8,182	88,512	146,694
Profit and total comprehensive income for the period	—	—	12,153	12,153
At 30 June 2015 (Unaudited)	**50,000**	**8,182**	**100,665**	**158,847**

Statements of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cash flows from operating activities					
Profit before income tax	45,024	5,086	25,942	17,038	10,491
Adjustments for:					
Amortisation of leasehold land	410	410	410	205	239
Amortisation of financial guarantee contracts	(1,573)	(2,224)	(626)	(313)	(1,509)
Depreciation of property, plant and equipment	4,590	4,907	5,084	2,073	2,706
Gain on disposal of property, plant and equipment	(502)	(168)	(696)	(159)	(427)
Financial guarantee contracts recognised	2,384	1,878	—	—	4,070
Interest expense	24,222	25,996	17,408	10,262	6,849
Interest income	(1,050)	(1,216)	(1,185)	(978)	(823)
Operating profit before working capital changes	73,505	34,669	46,337	28,128	21,596
(Increase)/Decrease in inventories	(16,798)	(18,032)	46,374	44,134	(5,711)
Increase in trade receivables	(4,530)	(2,251)	(12,163)	(12,526)	51,172
(Increase)/Decrease in prepayments and other receivables	(19,201)	553	(16,917)	15,854	(74,489)
(Decrease)/Increase in trade and bills payables	(75,179)	82,111	(96,564)	(55,512)	44,217
Increase/(Decrease) in other payables	14,692	(10,611)	32,815	9,377	7,512
(Decrease)/Increase in receipt in advance	(6,005)	11,048	(20,293)	(24,960)	4,852
Cash (used in)/generated from operation	(33,516)	97,487	(20,411)	4,495	49,149
Income tax paid	(2,215)	(2,125)	(1,733)	(1,433)	(2,614)
Interest paid	(24,222)	(25,996)	(17,408)	(10,262)	(6,849)
Interest received	1,050	1,216	1,185	978	823
Net cash (used in)/generated from operating activities	**(58,903)**	**70,582**	**(38,367)**	**(6,222)**	**40,509**

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment	6,148	2,575	6,650	1,337	2,303
Purchase of property, plant and equipment	(6,713)	(6,751)	(7,926)	(1,494)	(1,571)
Placement of pledged deposits	(132,731)	(231,478)	(153,695)	(94,676)	(61,231)
Withdrawal of pledged deposits	150,000	207,835	186,344	117,424	61,987
Net cash generated from/(used in) investing activities	**16,704**	**(27,819)**	**31,373**	**22,591**	**1,488**
Cash flow from financing activities					
New bank and other borrowings raised	450,078	460,422	474,148	172,786	214,377
Repayment of bank and other borrowings	(400,135)	(499,968)	(501,117)	(204,124)	(254,670)
Net cash generated from/(used in) financing activities	**49,943**	**(39,546)**	**(26,969)**	**(31,338)**	**(40,293)**
Net increase/(decrease) in cash and cash equivalents	**7,744**	**3,217**	**(33,963)**	**(14,969)**	**1,704**
Cash and cash equivalents at the beginning of the year/period	44,551	52,295	55,512	55,512	21,549
Cash and cash equivalents at the end of the year/period, **Represented by cash and bank balances**	**52,295**	**55,512**	**21,549**	**40,543**	**23,253**

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

泉州福寶汽車銷售服務有限公司 (the "**QZ Target Company**") was established in the People's Republic of China (the "**PRC**") on 29 November 2005 as a limited liability company. The address of its registered office and its principal place of business is 福建泉州鯉城區常泰路3號. The QZ Target Company is engaged in automobile dealership, exhibitions of motor vehicles, provision of auto parts and after-sales services.

The QZ Target Company's immediate holding company is 廈門中寶汽車銷售有限公司 (established in the PRC) and the director of the QZ Target Company consider its ultimate holding company is iAuto International Limited (incorporated in British Virgin Islands).

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

(a) Adoption of new or revised HKFRSs — effective on 1 January 2016

In the Relevant Periods, the QZ Target Company has applied all HKFRSs issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are effective for annual period beginning on 1 January 2016.

(b) New and revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Financial Information have been issued but are not yet effective and have not been early adopted by the QZ Target Company.

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its and Associate or Joint Venture[3]

(1) Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
(2) Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
(3) Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets; and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principle and interest on the principle outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principle amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to changes in the financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires and expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 9 (2014) Financial Instruments

The director of the QZ Target Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the QZ Target Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the QZ Target Company undertakes a detailed review.

HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 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 or services. Specifically, the standard introduces a 5-step 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 the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The director of the QZ Target Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the QZ Target Company's Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the QZ Target Company performs a detailed review.

3. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Information have been prepared in accordance with HKFRSs, Hong Kong Accounting Standards (the "**HKASs**") and Interpretations (hereinafter collectively referred to as "**HKFRSs**") issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance (the "**CO**"). In addition, the Financial Information include applicable disclosures required by the GEM Listing Rules.

The provision of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' report and audits became effective for the QZ Target Company for the financial year ended 31 December 2015. Further, the disclosure requirements the GEM Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the Relevant Periods have been changed to comply with these new requirements. Comparative information in respect of the Relevant Periods are presented and disclosed in the financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or GEM Listing Rules but not under the new CO or amended GEM Listing Rules are not disclosed in theses Financial Information.

(b) Basis of measurement

The Financial Information have been prepared on the historical cost basis.

(c) Functional and presentation currency

The Financial Information are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the QZ Target Company.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the Financial Information are summarised below. These policies have been consistently applied to the Relevant Periods unless otherwise stated. The adoption of new or revised HKFRSs and the impacts on the Financial Information, if any, are disclosed in Note 2.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 5.

4.1 Subsidiary

A subsidiary is an entity in which the QZ Target Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the QZ Target Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiary are not included in the QZ Target Company's income statements to the extent of dividends received and receivable. The QZ Target Company's investment a subsidiary is classified as non-current assets and are stated at cost less any impairment losses.

4.2 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

The gain or loss arising on the retirement of disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the QZ Target Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the costs over the estimated useful lives, as follows:

Buildings	5% per annum
Plant and machinery	10% per annum
Motor vehicles	20% per annum
Furniture and equipment	20% per annum

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

4.3 Leasehold land

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in below. Amortisation is calculated on a straight line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the QZ Target Company from use of the land.

4.4 Impairment of non-financial assets

The QZ Target Company's property, plant and equipment, leasehold land and the QZ Target Company's interest in associates are subject to impairment testing.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level.

All individual assets or CGUs with an indefinite useful life and those not yet available for use are tested for impairment at least annually. All other individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions, less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the assets.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.5 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the QZ Target Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the QZ Target Company

Assets that are held by the QZ Target Company under leases which transfer to the QZ Target Company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the QZ Target Company are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the QZ Target Company has the right to use the assets held under operating leases, payments made under the leases are charged to the statement of profit or loss and other comprehensive income on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

4.6 Inventories

Inventories are carried at the lower of cost and net realisable value. Inventories comprise fully-assembled motor vehicles and auto parts. Cost includes purchase and other costs incurred in bringing the inventories to their present location and condition using weighted average basis and specific basis as appropriate.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4.7 Financial assets

The QZ Target Company's financial assets include trade and other receivables, pledged deposits and cash and bank balances.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

Financial assets are classified as loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables are recognised when, and only when, the QZ Target Company becomes a party to the contractual provisions of the instrument. Derecognition occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Company about one or more of the following loss events:

— Significant financial difficulty of the debtor;

— A breach of contract, such as a default or delinquency in interest or principal payments;

— It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the QZ Target Company of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the QZ Target Company.

If any such evidence exists, the impairment loss is measured and recognised. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss in the period in which the reversal occurs.

4.8 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

4.9 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

4.10 Retirement benefit costs

The employees of the QZ Target Company are required to participate in a central pension scheme operated by the local municipal government. The QZ Target Company is required to contribute a certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The QZ Target Company's obligations under these plans are limited to the fixed percentage contributions payable.

4.11 Financial liabilities

The QZ Target Company's financial liabilities include bank and other borrowings, trade and bills payables, trade and other payables, and amounts due to related companies.

Financial liabilities are recognised when the QZ Target Company becomes a party to the contractual provisions of the instrument. All interest related charges are recognised with the QZ Target Company's accounting policy for borrowing costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the QZ Target Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Financial guarantee contracts

A financial guarantee contracts is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the QZ Target Company are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

(i) The amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

(ii) The amount initially recognised less, where appropriate, cumulative amortization recognised in accordance with the revenue recognition policies.

4.12 Provisions and contingent liabilities

Provisions are recognised when the QZ Target Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provision are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the QZ Target Company is also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the QZ Target Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

(i) From sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods;

(ii) From services fees are recognised when the relevant services are rendered; and

(iii) Interest income is recognised on a time proportion basis using the effective interest method.

4.14 Vendor rebates

Volume-related vendor rebates are recognised as a deduction from cost of sales on an accrual basis according to the expected entitlement earned up to the reporting date for each relevant supplier contract.

Rebates relating to items purchased but still held at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

4.15 Taxation

Income tax comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior Relevant Periods, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in the profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the QZ Target Company has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The QZ Target Company presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either: (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.16 Related parties

A party is considered to be related to the QZ Target Company if:

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control of the QZ Target Company;

  (ii) has significant influence over the QZ Target Company; or

  (iii) is a member of the key management personnel of the Company or of a parent of the QZ Target Company; or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the QZ Target Company are members of the same group; or

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity); or

  (iii) the entity and the QZ Target Company are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the QZ Target Company or an entity related to the QZ Target Company;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the QZ Target Company or to the QZ Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4.17 Segment reporting

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

The QZ Target Company has identified the following reportable segments:

- Motor vehicles segment — Sales of motor vehicles

- Servicing segment — Servicing of motor vehicles and sales of auto parts

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

The measurement policies the QZ Target Company uses for reporting segment results under HKFRS 8 are the same as those used in its Financial Information 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 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 LY Target Company'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 allocations have been applied to reportable segments.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATIONS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The QZ Target Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

Impairment of receivables

Assessment for impairment of receivables of the QZ Target Company is based on the evaluation of collectibility and ageing analysis of accounts and on management's judgement. A considerable amount of judgement and estimates are required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer and debtor. If the financial condition of the debtors was to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Depreciation and amortisation

The QZ Target Company depreciated the property, plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets are available for productive use. The estimated useful lives reflect the director' estimate of the periods that the QZ Target Company intends to derive future economic benefits from the use of the QZ Target Company's property, plant and equipment.

Income taxes

The QZ Target Company is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The QZ Target Company recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

6. REVENUE

The QZ Target Company is principally engaged in (i) sales of motor vehicles and (ii) servicing of motor vehicles and sale of auto parts. Revenue generated from these principal activities, recognised during the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sale of motor vehicles	892,380	951,984	780,032	410,221	308,797
Servicing of motor vehicles and sales of auto parts	103,299	131,731	139,231	68,820	72,964
	995,679	1,083,715	919,263	479,041	381,761

7. SEGMENT INFORMATION

The following is an analysis of the QZ Target Company's revenue and results by reportable and operating segments.

(a) Segment revenue, segment results and other segment information

	Year ended 31 December 2013		
	Motor vehicles	**Servicing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
From external customers	768,108	100,140	868,248
From related parties	124,272	3,159	127,431
Reportable segment revenue	892,380	103,299	995,679
Reportable segment profits	66,087	42,926	109,013

	Year ended 31 December 2014		
	Motor vehicles	Servicing	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
From external customers	886,470	129,385	1,015,855
From related parties	65,514	2,346	67,860
Reportable segment revenue	951,984	131,731	1,083,715
Reportable segment profits	8,413	65,686	74,099

	Year ended 31 December 2015		
	Motor vehicles	Servicing	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
From external customers	744,042	138,402	882,444
From related parties	35,990	829	36,819
Reportable segment revenue	780,032	139,231	919,263
Reportable segment profits	10,966	71,382	82,348

	(Unaudited) Six months ended 30 June 2015		
	Motor vehicles	Servicing	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
From external customers	391,288	68,364	459,652
From related parties	18,933	456	19,389
Reportable segment revenue	410,221	68,820	479,041
Reportable segment profits	12,125	30,661	42,786

	Six months ended 30 June 2016		
	Motor vehicles	Servicing	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
From external customers	287,851	72,420	360,271
From related parties	20,946	544	21,490
Reportable segment revenue	308,797	72,964	381,761
Reportable segment profits	5,454	38,400	43,854

(b) Segment assets and liabilities

	As at 31 December 2013		
	Motor vehicles	**Servicing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment assets	540,007	22,015	562,022
Reportable segment liabilities	360,584	2,564	363,148

	As at 31 December 2014		
	Motor vehicles	**Servicing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment assets	516,251	20,153	536,404
Reportable segment liabilities	343,684	5,963	349,647

	As at 31 December 2015		
	Motor vehicles	**Servicing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment assets	424,893	37,180	462,073
Reportable segment liabilities	359,481	25,403	384,884

	As at 30 June 2016		
	Motor vehicles	**Servicing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment assets	384,707	151,514	536,221
Reportable segment liabilities	286,140	86,374	372,514

(c) Reconciliation of segment information to the QZ Target Company's key financial figures as presented in the Financial Information as follows:

	31 December			30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Reportable segment revenue	995,679	1,083,715	919,263	479,041	381,761
Reportable segment profits	109,013	74,099	82,348	42,786	43,854
Unallocated income	13,701	13,022	17,572	9,883	6,274
Unallocated expenses	(53,468)	(56,039)	(56,570)	(25,369)	(32,788)
Finance costs	(24,222)	(25,996)	(17,408)	(10,262)	(6,849)
Profit before income tax	45,024	5,086	25,942	17,038	10,491

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment assets	562,022	536,404	462,073	536,221
Unallocated non-current assets *(Note (i))*	52,592	45,486	43,012	28,600
Unallocated current assets *(Note (ii))*	95,509	173,850	163,227	50,217
Total assets	710,123	755,740	668,312	615,038
Reportable segment liabilities	363,148	349,647	384,884	372,514
Unallocated current liabilities *(Note (iii))*	203,279	259,399	117,886	150,605
Total liabilities	566,427	609,046	502,770	523,119

Notes:

(i) Non-current assets mainly include property, plant and equipment, leasehold land and investment in a subsidiary that are not directly attributable to the business activities of the operating segments.

(ii) Current assets mainly includes other receivables, prepayments and cash and bank balances that are not directly attributable to the business activities of the operating segments.

(iii) Current liabilities include tax liabilities, bank and other borrowings, other payables that are not directly attributable to the business activities of the operating segments.

(d) Geographical segments

The QZ Target Company's revenue is substantially derived from the PRC, and the QZ Target Company's operations and operating assets are substantially located in the PRC. Accordingly, no geographical analysis of revenue and non-current assets is presented.

(e) Information about major customers

During the year ended 31 December 2013, 2014, 2015 and 30 June 2016, no single customer contributed 10% or more of the total sales of the QZ Target Company.

8. OTHER INCOME

An analysis of other income is as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Amortisation of financial guarantee	1,573	2,224	626	313	1,509
Advertisement support received from motor vehicle manufactures	4,766	2,570	2,526	1,265	922
Commission income	2,548	2,801	7,225	3,183	2,313
Consultant service income	2,969	3,724	5,173	3,952	33
Gain on disposal of property, plant and equipment	502	168	696	159	427
Interest income	1,050	1,216	1,185	978	823
Sundry income	293	319	141	33	247
	13,701	13,022	17,572	9,883	6,274

9. PROFIT BEFORE INCOME TAX

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

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
9.1 Changes in inventories					
— Motor vehicles	(23,040)	(16,560)	49,188	45,070	(10,144)
— Auto parts and accessories	6,242	(1,472)	(2,814)	(936)	4,433
	(16,798)	(18,032)	46,374	44,134	(5,711)
9.2 Auto parts and accessories used, and motor vehicles purchased					
— Motor vehicles	849,333	960,131	719,878	353,026	313,487
— Auto parts and accessories	54,131	67,517	70,663	39,095	30,131
	903,464	1,027,648	790,541	392,121	343,618
	886,666	1,009,616	836,915	436,255	337,907
9.3 Finance costs on financial liabilities stated at amortised costs					
Bank borrowings interest expenses	17,501	17,577	12,788	7,015	5,402
Bills interest expenses	6,721	8,419	4,620	3,247	1,447
	24,222	25,996	17,408	10,262	6,849

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
9.4 Other items					
Auditor's remuneration	49	64	75	—	—
Amortisation of prepaid rental expenses	410	410	410	205	239
Amortisation of financial guarantee contracts	(1,573)	(2,224)	(626)	(313)	(1,509)
Depreciation of property, plant and equipment	4,590	4,907	5,084	2,073	2,706
Financial guarantee contracts recognised	2,384	1,878	—	—	4,070
Gain on disposal of property, plant and equipment	(502)	(168)	(696)	(159)	(427)

10. INCOME TAX EXPENSE

The QZ Target Company is subject to income tax on an entity basis on profit arising in or derived from the PRC. The provision for China current income tax is based on the statutory rate of 25% of the assessable profits of the QZ Target Company as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax					
— Charge for the year	12,251	1,546	6,821	4,885	4,114
— Under-provision of tax	648	542	273	—	—
	12,899	2,088	7,094	4,885	4,114

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

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before income tax	45,024	5,086	25,942	17,038	10,491
At the PRC's statutory income tax rate of 25%	11,256	1,271	6,485	4,260	2,623
Expenses not deductible for tax	1,388	831	493	703	1,881
Income not taxable for tax	(393)	(556)	(157)	(78)	(390)
Under-provision in prior years	648	542	273	—	—
Income tax expenses	12,899	2,088	7,094	4,885	4,114

No deferred tax has been provided in the Financial Information as there were no temporary difference at the year ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016.

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S EMOLUMENTS)

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salary and wages	20,113	22,894	25,117	12,655	11,842
Social insurance and housing fund	853	802	872	313	547
	20,966	23,696	25,989	12,968	12,389

11.1 Director's emoluments

The director did not receive any remuneration from the QZ Target Company during the Relevant Periods.

11.2 Five highest paid individual

The director considers the presentation of the five highest paid employees information is not meaningful for the purpose of this report.

12. DIVIDEND

A dividend of RMB80,000,000 declared by QZ Target Company was approved by its then equity holder on 15 June 2016.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Furniture and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
As at 1 January 2013	33,812	10,731	9,968	4,368	58,879
Additions	110	958	5,194	451	6,713
Disposals	—	—	(7,636)	—	(7,636)
As at 31 December 2013 and 1 January 2014	33,922	11,689	7,526	4,819	57,956
Additions	2,900	133	3,522	196	6,751
Disposals	—	(63)	(3,106)	—	(3,169)
As at 31 December 2014 and 1 January 2015	36,822	11,759	7,942	5,015	61,538
Additions	—	2	7,916	8	7,926
Disposals	—	—	(7,466)	—	(7,466)
At 31 December 2015 and 1 January 2016	36,822	11,761	8,392	5,023	61,998
Additions	—	61	1,510	—	1,571
Disposals	—	—	(2,774)	—	(2,774)
At 30 June 2016	36,822	11,822	7,128	5,023	60,795

	Buildings	Plant and machinery	Motor vehicles	Furniture and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:					
As at 1 January 2013	1,553	3,544	2,175	3,142	10,414
Provided for the year	1,634	1,162	1,256	538	4,590
Written back of disposal	—	—	(1,990)	—	(1,990)
As at 31 December 2013 and 1 January 2014	3,187	4,706	1,441	3,680	13,014
Provided for the year	2,022	1,069	1,504	312	4,907
Written back of disposal	—	—	(762)	—	(762)
As at 31 December 2014 and 1 January 2015	5,209	5,775	2,183	3,992	17,159
Provided for the year	2,028	1,084	1,535	437	5,084
Written back of disposal	—	—	(1,512)	—	(1,512)
At 31 December 2015 and 1 January 2016	7,237	6,859	2,206	4,429	20,731
Provided for the period	981	529	1,000	196	2,706
Written back of disposal	—	—	(898)	—	(898)
At 30 June 2016	8,218	7,388	2,308	4,625	22,539
Net carrying amounts:					
At 31 December 2013	**30,735**	**6,983**	**6,085**	**1,139**	**44,942**
At 31 December 2014	**31,613**	**5,984**	**5,759**	**1,023**	**44,379**
At 31 December 2015	**29,585**	**4,902**	**6,186**	**594**	**41,267**
At 30 June 2016	**28,604**	**4,434**	**4,820**	**398**	**38,256**

Plant and machinery of RMB6,983,000, RMB5,984,000 and RMB4,902,000 as at 31 December 2013, 2014 and 2015 respectively at carrying amount were pledged for bank borrowings of an inter-group company.

14. LEASEHOLD LAND

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening net carrying amount at 1 January	16,028	15,618	15,208	14,798
Amortisation for the year/period	(410)	(410)	(410)	(239)
Closing net carrying amount at 31 December/ 30 June	15,618	15,208	14,798	14,559

Leasehold land represent cost of land use rights in respect of land located in the PRC with a lease period of forty years which granted. The leasehold land was pledged for bank borrowings of QZ Target Company during the Relevant Periods.

15. INVESTMENT IN A SUBSIDIARY

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	5,100	—	—	—

Particulars of subsidiary as at 31 December 2013 are as follows:

Name of the company	Place of incorporation/ business	Particular of issued and paid up capital	Percentage of ownership interest held by the Company	Principal activities
泉州星德寶汽車銷售服務有限公司	PRC	RMB10,000,000	51%	Trading of motor vehicles and servicing services

16. INVENTORIES

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Motor vehicles	136,487	153,047	103,859	114,003
Auto parts and accessories	9,637	11,109	13,923	9,490
	146,124	164,156	117,782	123,493

The inventories of motor vehicles with amount of RMB19,273,000, RMB25,564,000, RMB45,602,000 and RMB25,309,000 as at 31 December 2013, 2014 and 2015, and 30 June 2016 were pledged for the other borrowings.

17. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the Relevant Periods, based on the invoice, is as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–90 days	46,566	19,936	15,821	4,161
91–180 days	50,308	19,800	9,134	10,595
181–365 days	43,548	20,120	7,431	4,926
Over 1 year	65,633	148,450	188,083	69,615
	206,055	208,306	220,469	89,297

As at 31 December 2013, 2014, 2015 and 30 June 2016, QZ Target Company's trade receivables included trade debts of RMB188,796,000, RMB192,774,000 and RMB205,588,000 and RMB77,973,000 respectively due from related companies which have the same ultimate shareholder of QZ Target Company ("**Inter-group companies**"). The balances due over 1 year were mainly due from the Inter-group companies.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the QZ Target Company is satisfied that recovery of the amounts are remote, in which case the impairment losses are written off against trade receivables directly.

The QZ Target Company requires individual customers to pay cash for any service rendered and goods sold while it allows a credit period of three months to its major customers with long business relationship.

At each reporting date, the QZ Target Company's trade receivables were individually and collectively determined to assess if they are impaired. 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 QZ Target Company did not hold any collateral in respect of trade receivables past due but not impaired. An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired:	46,566	19,936	15,821	4,161
1–90 days past due	50,308	19,800	9,134	10,595
91–270 days past due	43,548	20,120	7,431	4,926
271 days past due	65,633	148,450	188,083	69,615
	206,055	208,306	220,469	89,297

Although most of the trade receivables aged more than one year, most of them are resulted from Inter-group companies transactions and the management believed that the Inter-group companies will settle the debt upon request.

18. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	120,255	143,001	146,258	171,353
Prepayments	70,929	52,730	66,390	115,784
	191,184	195,731	212,648	287,137

The QZ Target Company's other receivables included amounts of RMB46,464,000, RMB73,407,000 and RMB79,008,000 and RMB92,100,000 due from Inter-group companies as at 31 December 2013, 2014, 2015 and 30 June 2016 respectively.

The QZ Target Company's prepayments included amounts of RMB44,208,000, RMB43,459,000 and RMB52,954,000 and RMB28,442,000 due from Inter-group companies as at 31 December 2013, 2014, 2015 and 30 June 2016 respectively.

The amounts due from Inter-group companies are unsecured, interest free and recoverable on demand.

19. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	52,295	55,512	21,549	23,253
Guarantee money in respect of security of supplier	3,500	3,500	4,000	—
Pledged deposits	45,305	68,948	35,799	39,043
	101,100	127,960	61,348	62,296

At the year ended date 31 December 2013, 2014, 2015 and six months ended 30 June 2016, all the cash and bank balances and pledged bank deposits of the QZ Target Company denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances is deposited with creditworthy banks with no recent history of default.

Pledged deposits with amount of RMB3,000,000, RMB4,200,000 and RMB4,200,000 were pledged for other borrowings as at 31 December 2014 and 2015, and 30 June 2016. The rest deposits were pledged for bills payables as at 31 December 2013, 2014 and 2015, and 30 June 2016.

20. TRADE AND BILLS PAYABLES

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	26,950	58,472	81,853	80,924
Bills payables	140,305	190,894	70,949	116,095
	167,255	249,366	152,802	197,019

An ageing analysis of the trade and bills payables as at the end of the Relevant Periods, based on the invoice, is as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–90 days	162,785	222,188	110,003	180,091
91–180 days	455	10,924	12,283	673
181–365 days	119	13,904	22,206	3,189
Over 1 year	3,896	2,350	8,310	13,066
	167,255	249,366	152,802	197,019

The trade and bills payables are generally with credit terms of three months.

As at 31 December 2013, 2014, 2015 and 30 June 2016, QZ Target Company's trade payables included trade credits of RMB19,608,000, RMB51,628,000 and RMB68,651,000 and RMB12,526,000 respectively due to Inter-group companies.

Certain bills payable were secured by bank deposits of the QZ Target Company of RMB45,305,000, RMB65,949,000, RMB31,599,000 and RMB34,843,000 as at 31 December 2013, 2014, 2015 and 30 June 2016 respectively.

21. OTHER PAYABLES AND RECEIPT IN ADVANCE

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	76,044	65,433	98,248	105,760
Receipt in advance	39,934	50,982	30,689	35,541
Financial guarantee liabilities	2,119	1,773	1,147	3,708
	118,097	118,188	130,084	145,009

The QZ Target Company's other payables included amounts of RMB22,448,000, RMB19,347,000 and RMB28,292,000 and RMB29,529,000 due to Inter-group companies as at 31 December 2013, 2014, 2015 and 30 June 2016 respectively.

The QZ Target Company's receipt in advance included amounts of RMB4,227,000, RMB2,541,000 and RMB1,263,000 and RMB2,964,000 due to Inter-group companies as at 31 December 2013, 2014, 2015 and 30 June 2016 respectively.

22. BANK AND OTHER BORROWINGS

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings				
— Secured	32,000	13,607	13,600	13,600
— Unsecured	216,944	189,500	142,500	122,500
Other borrowings	19,273	25,564	45,602	25,309
	268,217	228,671	201,702	161,409

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount repayable*				
Within one year	268,217	228,671	201,702	161,409

* The amounts above due are based on scheduled repayment dates set out in the loan agreements.

The QZ Target Company's bank borrowings amounting to RMB32,000,000, RMB13,607,000, RMB13,600,000,and RMB13,600,000 at 31 December 2013, 2014 and 2015, and 30 June 2016 respectively were secured by the leasehold land under QZ Target Company. Other bank borrowings were unsecured and guaranteed by Inter-group companies of QZ Target Company.

The QZ Target Company's bank borrowings as at 31 December 2013, 2014 and 2015, and 30 June 2016 were subject to variable-rate interest at RMB Benchmark Loan Rates offered by the People's Bank of China. The interest rates on the QZ Target Company's bank borrowings ranged from 3% to 4.5% per annum in above Relevant Periods.

The other borrowings were secured by deposits and inventories of motor vehicles which disclosed in the notes 16 and 19 to the Financial Information with an interest rate at 7.5% per annum. It was guaranteed by Inter-group companies and a former director of the immediate holding company.

23. PAID IN CAPITAL AND RESERVE

(a) Paid in capital

For the purpose of this Financial Information, the paid in capital of the QZ Target Company at 1 January 2013, 31 December 2013, 2014 and 2015 represented the paid in capital of the QZ Target Company.

The paid in capital and authorised capital of QZ Target Company were remain no change, amount of RMB50,000,000 as at 31 December 2013, 2014 and 2015, and 30 June 2016.

(b) Statutory reserve

Pursuant to the relevant PRC rules and regulations, those subsidiaries which are domestic enterprises in PRD are required to transfer no less than 10% of their profits after tax, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(c) Capital management

The QZ Target Company's primary objectives when managing capital are to safeguard the QZ Target Company's ability to continue as a going concern, so that it can continue to provide returns for equity holders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The QZ Target Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity holders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The QZ Target Company monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bills payable, bank and other borrowings, as shown in the statements of financial position) less cash and bank balances and pledged deposits. Total capital is calculated as equity as shown in the statement of financial position, plus net debt.

The gearing ratios at 31 December 2013, 2014 and 2015, and 30 June 2016 were as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total borrowings	408,522	419,565	272,651	277,504
Less: Cash and bank balances and pledged deposits	(101,100)	(127,960)	(61,348)	(62,296)
Net debt	307,422	291,605	211,303	215,208
Total equity	143,696	146,694	165,542	91,919
Total capital	451,118	438,299	376,845	307,127
Gearing ratio	68%	67%	56%	70%

The QZ Target Company is not subject to externally imposed requirements.

24. OPERATING LEASE COMMITMENTS

At 31 December 2013, 2014 and 2015, and 30 June 2016, the Company had commitments for future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,440	1,560	1,560	1,560
In the second to fifth years	8,040	8,160	6,600	5,820
Over five years	1,680	—	—	—
	11,160	9,720	8,160	7,380

Operating lease payments represent rental payable by the QZ Target Company for office premises. Leases are negotiated with rental floating for terms of about eight years.

25. NOTES TO THE STATEMENT OF CASH FLOWS

Major non-cash transactions

During the year ended 31 December 2014, QZ Target Company disposed of its 51% equity interest in a subsidiary with amount of RMB5,100,000 as set-off the account with Inter-group companies.

During the period ended 30 June 2016, a dividend with amount of RMB80,000,000 has declared by QZ Target Company to set-off its Inter-group companies' trade receivables.

26. FINANCIAL INSTRUMENT BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables				
Trade receivables	206,055	208,306	220,469	89,297
Other receivables	120,255	143,001	146,258	171,353
Pledged deposits	48,805	72,448	39,799	39,043
Cash and bank balances	52,295	55,512	21,549	23,253
	427,410	479,267	428,075	322,946
Financial liabilities				
At amortised cost				
Trade and bills payables	167,255	249,366	152,802	197,019
Other payables	78,163	67,206	99,395	109,468
Bank and other borrowings	268,217	228,671	201,702	161,409
	513,635	545,243	453,899	467,896

(a) Financial risk management

The QZ Target Company's business activities expose it to a variety of financial risks, which include credit risk, liquidity risk and interest rate risk arising in the normal course of its business and financial instruments. Details of the policies on how to mitigate these risks are set out below. The QZ Target Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has not been any change to the QZ Target Company's risk exposure relating to financial instruments or the manner in which it manages and measures the risks.

Credit risk

The QZ Target Company is exposed to credit risk from its operating activities (primarily for trade and other receivables). The QZ Target Company performs ongoing credit evaluation of the debtors' financial condition and maintains an account for allowance for impairment based upon the expected recoverability of all trade receivables from top 1 customer.

The top one customer of QZ Target Company has 89%, 87%, 86% and 77% of trade receivables outstanding as at 31 December 2013, 2014 and 2015, and 30 June 2016 respectively.

The QZ Target Company has concentration of credit risks as 92%, 95%, 96% and 86% of the total trade receivables was due from the QZ Target Company's top five customers as at 31 December 2013, 2014 and 2015, and 30 June 2016 respectively.

The credit risk on bank balances is minimal because the counterparties are banks with high credit-rating.

Interest rate risk

The QZ Target Company is exposed to cash flow interest rate risk in relation to its variable-rate deposits, bills payables and borrowings which carry prevailing market interest rates.

The QZ Target Company currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. The sensitivity analysis below have been determined based on the exposure to interest rates for variable interest rate variable-rate deposits, long-term loans receivable and bank borrowings. The analysis is prepared assuming the variable-interest rate deposits, long-term loans receivable and bank loans outstanding at the reporting date were outstanding for the whole year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

At 31 December 2013, 2014 and 2015, and 30 June 2016, if interest rates had been increased/ decreased by 100 basis points and all other variables were held constant, the QZ Target Company's profit before tax would decrease/increase by approximately RMB3,076,000, RMB2,916,000, RMB2,113,000 and RMB753,000 respectively.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The QZ Target Company's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term.

The remaining contractual maturities at the end of the Relevant Periods of the QZ Target Company's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date of the QZ Target Company can be required to pay are within one year or on demand.

For the year ended 31 December 2013

	Carrying amount	**Total contractual undiscounted cash flow**	**Within one year or on demand**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	167,255	168,658	168,658
Other payables	76,044	76,044	76,044
Bank and other borrowings	268,217	278,945	278,945
	511,516	523,647	523,647
Financial guarantees issued:			
Maximum amount guaranteed	2,119	48,000	48,000

For the year ended 31 December 2014

	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within one year or on demand *RMB'000*
Trade and bills payables	249,366	251,275	251,275
Other payables	65,433	65,433	65,433
Bank and other borrowings	228,671	235,531	235,531
	543,470	552,239	552,239
Financial guarantees issued:			
Maximum amount guaranteed	1,773	48,000	48,000

For the year ended 31 December 2015

	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within one year or on demand *RMB'000*
Trade and bills payables	152,802	153,511	153,511
Other payables	98,248	98,248	98,248
Bank and other borrowings	201,702	207,753	207,753
	452,752	459,512	459,512
Financial guarantees issued:			
Maximum amount guaranteed	1,147	48,000	48,000

For the six months ended 30 June 2016

	Carrying amount *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Within one year or on demand *RMB'000*
Trade and bills payables	197,019	198,180	198,180
Other payables	105,760	105,760	105,760
Bank and other borrowings	161,409	166,251	166,251
	464,188	470,191	470,191
Financial guarantees issued:			
Maximum amount guaranteed	3,708	88,000	88,000

(b) Fair value measurement

The director consider that the fair values of each class of the financial assets and financial liabilities at the end of Relevant Periods approximate to their carrying amounts.

27. MATERIAL RELATED PARTIES' TRANSACTION

(a) During the year, the QZ Target Company has the following significant related party transactions with related parties:

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of motor vehicles	124,272	65,514	35,990	18,933	20,946
Sales of auto parts	3,159	2,346	829	456	544
Purchase of motor vehicles	(124,109)	(83,700)	(51,427)	(26,698)	(14,314)
Purchase of auto parts	(662)	(1,060)	(295)	(151)	(133)

The sale of motor vehicles and auto parts to related companies were made at prices and conditions with reference to those offered to major customers of the QZ Target Company.

(b) Outstanding balances with related parties

Other than balance with related parties as disclosed in notes 17, 18, 20 and 21 to the Financial Information, the QZ Target Company had no other outstanding balances with related parties.

28. CONTINGENT LIABILITIES

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantee given to banks in respect of financing guarantee provided to an Inter-group company	48,000	48,000	48,000	88,000

III. SUBSEQUENT EVENTS

There are no significant events after the Relevant Periods.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the QZ Target Company in respect of any period subsequent to 30 June 2016 up to the date of this report.

Yours faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Yip Kai Yin
Practising Certification Number: P05131

The following is the text of a report received from the reporting accountant, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

10th Floor,
8 Observatory Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

26 October 2016

The Board of Directors
G.A. Holdings Limited
Unit 1203, Eton Tower,
No. 8 Hysan Avenue,
Causeway Bay, Hong Kong

Dear Sirs/Madams,

We set out below our report on the financial information relating to 龍岩中寶汽車有限公司 (the "**LY Target Company**") comprising the statements of financial position of the LY Target Company as at 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the LY Target Company for the year ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 (the "**Relevant Periods**"), together with the explanatory notes thereto (the "**Financial Information**"). This Financial Information has been prepared by the director of the LY Target Company for inclusion in Appendix III to the circular issued by G.A. Holdings Limited (the "**Company**") dated on 26 October 2016 (the "**Circular**") in connection with the proposed acquisition of 100% equity interest in the LY Target Company by the Company.

The LY Target Company was established in the People's Republic of China (the "**PRC**") on 20 January 2009 with limited liability. The LY Target Company is principally engaged in dealership of motor vehicles, exhibitions of motor vehicles, provision of auto parts and after-sales services.

The statutory financial statements of the LY Target Company were prepared in accordance with relevant accounting principles applicable to enterprises established in the PRC. The statutory financial statements for the year ended 31 December 2013, 2014 and 2015 were audited by Longyan Hong Ye Certified Public Accountants (龍岩弘業有限責任會計師事務所).

For the purpose of this report, the director of the LY Target Company has prepared the Financial Information for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (the "**Underlying Financial Statements**"). The Financial Information for the Relevant Periods are prepared based on the Underlying Financial Statements, with no adjustments made thereto, and in accordance with the applicable disclosure requirements of the

Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

Directors' Responsibilities

The director of the LY Target Company is responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provision of the GEM Listing Rules, and for such internal control as the director of the LY Target Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which this report is included.

Reporting Accountant's Responsibilities

It is our responsibility to form an independent opinion on the Financial Information for the Relevant Periods based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing and the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Opinion

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the LY Target Company as at 31 December 2013, 2014 and 2015 and 30 June 2016, and of its financial performance the and cash flows for the Relevant Periods.

Corresponding Financial Information

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the LY Target Company comprising the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flow for six months ended 30 June 2015, together with the notes thereon (the "**Corresponding Financial Information**"), for which the director of the LY Target Company is responsible, in accordance with Hong Kong Standard on Review Engagement 2400 "Engagements to Review Historical Financial Statements" issued by the HKICPA.

The director of the LY Target Company is responsible for the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respect, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION OF THE LY TARGET COMPANY

Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December			Six months ended 30 June	
		2013	2014	2015	2015	2016
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*6*	268,206	275,211	220,583	105,130	88,225
Other income	*8*	1,851	2,137	4,433	1,830	3,242
Changes in inventories	*9.1*	9,099	5,555	(17,622)	(8,767)	4,654
Auto parts and accessories and motor vehicles purchased	*9.2*	(243,384)	(258,524)	(184,233)	(88,369)	(83,527)
Employee benefit expenses	*11*	(7,414)	(7,823)	(7,441)	(3,661)	(4,046)
Depreciation and amortisation		(2,600)	(2,887)	(2,801)	(1,422)	(1,229)
Other expenses		(7,948)	(5,971)	(4,388)	(2,143)	(2,237)
Profit from operating activities		17,810	7,698	8,531	2,598	5,082
Finance costs	*9.3*	(8,641)	(7,689)	(5,617)	(2,975)	(642)
Profit/(Loss) before income tax	*9*	9,169	9	2,914	(377)	4,440
Income tax expenses	*10*	(78)	(515)	(997)	—	(1,110)
Profit/(Loss) and total comprehensive income/(expenses) for the year/period		**9,091**	**(506)**	**1,917**	**(377)**	**3,330**

Statements of Financial Position

		As at 31 December			As at 30 June
		2013	**2014**	**2015**	**2016**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*13*	26,225	24,661	24,021	22,621
Leasehold land	*14*	9,415	9,213	9,011	8,910
		35,640	33,874	33,032	31,531
Current assets					
Inventories	*15*	38,891	44,446	26,824	31,478
Trade receivables	*16*	94,725	82,662	72,537	71,327
Prepayments and other receivables	*17*	26,601	7,425	9,225	7,276
Tax recoverable		543	1,746	1,780	923
Pledged deposits	*18*	8,047	12,831	10,610	3,680
Cash and bank balances	*18*	3,602	6,283	737	2,430
		172,409	155,393	121,713	117,114
Current liabilities					
Trade and bills payables	*19*	23,711	25,624	22,929	4,294
Other payables	*20*	56,308	54,538	60,525	71,962
Receipt in advance		3,875	4,280	6,302	4,826
Bank and other borrowings	*21*	95,485	76,661	34,908	34,152
		179,379	161,103	124,664	115,234
Net current (liabilities)/assets		**(6,970)**	**(5,710)**	**(2,951)**	**1,880**
Net assets		**28,670**	**28,164**	**30,081**	**33,411**
EQUITY					
Equity attributable to owners of the LY Target Company					
Paid in capital	*22*	30,000	30,000	30,000	30,000
Reserves	*22*	(1,330)	(1,836)	81	3,411
Total equity		**28,670**	**28,164**	**30,081**	**33,411**

Statements of Changes in Equity

	Paid in capital *RMB'000*	(Accumulated losses)/ Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2013	30,000	(10,421)	19,579
Profit and total comprehensive income for the year	—	9,091	9,091
At 31 December 2013 and 1 January 2014	30,000	(1,330)	28,670
Loss and total comprehensive expenses for the year	—	(506)	(506)
At 31 December 2014 and 1 January 2015	30,000	(1,836)	28,164
Profit and total comprehensive income for the year	—	1,917	1,917
At 31 December 2015 and 1 January 2016	30,000	81	30,081
Profit and total comprehensive income for the period	—	3,330	3,330
At 30 June 2016	**30,000**	**3,411**	**33,411**

	Paid in capital *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2015	30,000	(1,836)	28,164
Profit and total comprehensive income for the period	—	(377)	(377)
At 30 June 2015 (Unaudited)	**30,000**	**(2,213)**	**27,787**

Statements of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cash flows from operating activities					
Profit before income tax	**9,169**	**9**	**2,914**	**(377)**	**4,440**
Adjustments for:					
Amortisation of prepaid land leases expense	203	202	202	101	101
Depreciation of property, plant and equipment	2,397	2,685	2,599	1,321	1,128
Gain on disposal of property, plant and equipment	(211)	(205)	(35)	(12)	(526)
Interest expense	8,641	7,689	5,617	2,975	642
Interest income	(223)	(257)	(279)	(205)	(19)
Operating profit before working capital changes	19,976	10,123	11,018	3,803	5,766
(Increase)/Decrease in inventories	(9,099)	(5,555)	17,622	8,767	(4,654)
Decrease/(Increase) in trade receivables	4,740	12,063	10,125	(10,024)	1,210
Decrease/(Increase) in prepayments and other receivables	15,819	19,176	(1,800)	438	1,949
(Decrease)/Increase in trade and bills payables	(56,616)	1,913	(2,695)	(13,904)	(18,635)
Increase/(Decrease) in other payables	9,291	(1,770)	5,987	10,680	11,437
(Decrease)/Increase in receipt in advance	(84)	405	2,022	316	(1,476)
Cash (used in)/generated from operation	(15,973)	36,355	42,279	76	(4,403)
Income tax paid	(605)	(1,718)	(1,031)	(493)	(253)
Interest paid	(8,641)	(7,689)	(5,617)	(2,975)	(642)
Interest received	223	257	279	205	19
Net cash (used in)/generated from operating activities	**(24,996)**	**27,205**	**35,910**	**(3,187)**	**(5,279)**

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment	1,196	3,351	913	564	2,169
Purchase of property, plant and equipment	(4,639)	(4,267)	(2,837)	(292)	(1,371)
Placement of pledged deposits	(22,849)	(35,271)	(17,363)	(9,092)	(1,280)
Withdrawal of pledged deposits	20,290	30,487	19,584	16,423	8,210
Net cash (used in)/generated from investing activities	**(6,002)**	**(5,700)**	**297**	**7,603**	**7,728**
Cash flows from financing activities					
New bank and other borrowing raised	164,677	156,033	142,847	63,507	83,319
Repayment of bank and other borrowings	(164,330)	(174,857)	(184,600)	(59,343)	(84,075)
Net cash generated from/(used in) financing activities	**347**	**(18,824)**	**(41,753)**	**4,164**	**(756)**
Net (decrease)/increase in cash and cash equivalents	**(30,651)**	**2,681**	**(5,546)**	**8,580**	**1,693**
Cash and cash equivalents at the beginning of the year	34,253	3,602	6,283	6,283	737
Cash and cash equivalents at the end of the year, **Represented cash and bank balances**	**3,602**	**6,283**	**737**	**14,863**	**2,430**

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

龍岩中寶汽車有限公司 (the "**LY Target Company**") was established in the People's Republic of China (the "**PRC**") on 20 January 2009 as a limited liability company. The address of its registered office and its principal place of business is 中國福建省龍岩市新羅區龍門鎮物流大道336號. The LY Target Company is engaged in automobile dealership, exhibitions of motor vehicles, provision of auto parts and after-sales services.

The LY Target Company's immediate holding company is 廈門中寶汽車銷售有限公司 (established in the PRC) and the director of the LY Target Company consider its ultimate shareholding is iAuto International Limited (incorporated in the British Virgin Islands).

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

(a) Adoption of new or revised HKFRSs — effective on 1 January 2016

In the Relevant Periods, the LY Target Company has applied all HKFRSs issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are effective for annual period beginning on 1 January 2016.

(b) New and revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Financial Information, have been issued, but are not yet effective and have not been early adopted by the LY Target Company.

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Lease[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its and Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets; and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principle and interest on the principle outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principle amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to changes in the financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires and expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the LY Target Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the LY Target Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the LY Target Company undertakes a detailed review.

HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue,* HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 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 or services. Specifically, the standard introduces a 5-step 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 the performance obligations in the contract.

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the LY Target Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the LY Target Company's Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the LY Target Company performs a detailed review.

3. BASIC OF PREPARATION

(a) Statement of compliance

The Financial Information have been prepared in accordance with HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as "**HKFRSs**") issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance ("**CO**"). In addition, the Financial Information include applicable disclosures required by the GEM Listing Rules.

The provision of new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and director's reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. According the presentation and disclosure of information in the financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2013 and 2014 are presented or disclosed in the financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these financial statements.

(b) Basis of measurement

The Financial Information have been prepared on the historical cost basis.

(c) Functional and presentation currency

The Financial Information are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the LY Target Company.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of the Financial Information are summarised below. These policies have been consistently applied to the Relevant Period unless otherwise stated. The adoption of new or revised HKFRSs and the impacts on the Financial Information, if any, are disclosed in Note 2.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 5.

4.1 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

The gain or loss arising on the retirement of disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the LY Target Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred

Depreciation is calculated using the straight-line method to allocate the costs over the estimated useful lives, as follows:

Buildings	2% per annum
Plant and machinery	10% to 20% per annum
Motor vehicles	20% to 25% per annum
Furniture and equipment	10% to 20% per annum

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

4.2 Leasehold land

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in below. Amortisation is calculated on a straight line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the LY Target Company from use of the land.

4.3 Impairment of non-financial assets

The LY Target Company's property, plant and equipment, leasehold land are subject to impairment testing.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level.

All individual assets or CGUs with an indefinite useful life and those not yet available for use are tested for impairment at least annually. All other individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions, less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the assets.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.4 Inventories

Inventories are carried at the lower of cost and net realisable value. Inventories comprise fully-assembled motor vehicles and auto parts. Cost includes purchase and other costs incurred in bringing the inventories to their present location and condition using weighted average basis for motor vehicles and specific basis as appropriate.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4.5 Financial assets

The LY Target Company's financial assets include trade and other receivables, pledged deposits and cash and bank balances.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

Financial assets are classified as loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables are recognised when, and only when, the LY Target Company becomes a party to the contractual provisions of the instrument. Derecognition occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the company about one or more of the following loss events:

— Significant financial difficulty of the debtor;

— A breach of contract, such as a default or delinquency in interest or principal payments;

— It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss in the period in which the reversal occurs.

4.6 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

4.7 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

4.8 Retirement benefit costs

The employees of the LY Target Company are required to participate in a central pension scheme operated by the local municipal government. The LY Target Company is required to contribute a certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Company's obligations under these plans are limited to the fixed percentage contributions payable.

4.9 Financial liabilities

The LY Target Company's financial liabilities include bank and other borrowings, trade and bills payables, other payables.

Financial liabilities are recognised when the LY Target Company becomes a party to the contractual provisions of the instrument. All interest related charges are recognised with the LY Target Company's accounting policy for borrowing costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the LY Target Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

4.10 Provisions and contingent liabilities

Provisions are recognised when the LY Target Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provision are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.11 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the LY Target Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

(i) From sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods;

(ii) From services fees are recognised when the relevant services are rendered; and

(iii) Interest income is recognised on a time proportion basis using the effective interest method.

4.12 Vendor rebates

Volume-related vendor rebates are recognised as a deduction from cost of sales on an accrual basis according to the expected entitlement earned up to the reporting date for each relevant supplier contract.

Rebates relating to items purchased but still held at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

4.13 Income tax expense

Income tax comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in the profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the LY Target Company has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The LY Target Company presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either: (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.14 Related parties

A party is considered to be related to the LY Target Company if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control of the LY Target Company;

(ii) has significant influence over the LY Target Company; or

(iii) is a member of the key management personnel of the LY Target Company or of a parent of the LY Target Company; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the LY Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the LY Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the LY Target Company or an entity related to the LY Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the LY Target Company or to the LY Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4.15 Segment reporting

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

The LY Target Company has identified the following reportable segments:

- Motor vehicles segment — Sales of motor vehicles
- Servicing segment — Servicing of motor vehicles and sales of auto parts

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

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

Segment assets exclude corporate assets which are not directly attributable to business activities of any operating segment are not allocated to a segment, which primarily applies to the LY Target Company'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 allocations have been applied to reportable segments.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The LY Target Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

Impairment of receivables

Assessment for impairment of receivables of the LY Target Company is based on the evaluation of collectibility and ageing analysis of accounts and on management's judgement. A considerable amount of judgement and estimates are required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer and debtor. If the financial condition of the debtors was to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Depreciation and amortisation

The LY Target Company depreciated the property, plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets are available for productive use. The estimated useful lives reflect the directors' estimate of the periods that the LY Target Company intends to derive future economic benefits from the use of the LY Target Company's property, plant and equipment

Income taxes

The LY Target Company is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The LY Target Company recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

6. REVENUE

The LY Target Company is principally engaged in (i) sales of motor vehicles and (ii) servicing of motor vehicles and sale of auto parts. Revenue generated from these principal activities, recognised during the years is as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sale of motor vehicles	234,968	233,094	182,278	86,338	68,486
Servicing of motor vehicles and sale of auto parts	33,238	42,117	38,305	18,792	19,739
	268,206	275,211	220,583	105,130	88,225

7. SEGMENT INFORMATION

The following is an analysis of the LY Target Company's revenue and results by reportable and operating segments.

(a) Segment revenue, segment results and other segment information

	Year ended 31 December 2013		
	Motor vehicles	Servicing	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
From external sales	152,136	32,687	184,823
From related parties	82,832	551	83,383
Reportable segment revenue	234,968	33,238	268,206
Reportable segment profits	18,419	15,502	33,921

	Year ended 31 December 2014		
	Motor vehicles	Servicing	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
From external sales	172,168	41,610	213,778
From related parties	60,926	507	61,433
Reportable segment revenue	233,094	42,117	275,211
Reportable segment profits	1,207	21,035	22,242

	Year ended 31 December 2015		
	Motor vehicles	Servicing	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
From external sales	158,392	38,119	196,511
From related parties	23,886	186	24,072
Reportable segment revenue	182,278	38,305	220,583
Reportable segment profits	879	17,849	18,728

	Six months ended 30 June 2015 (Unaudited)		
	Motor vehicles	**Servicing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
From external sales	69,426	18,660	88,086
From related parties	16,912	132	17,044
Reportable segment revenue	86,338	18,792	105,130
Reportable segment (loss)/profits	(630)	8,624	7,994

	Six months ended 30 June 2016		
	Motor vehicles	**Servicing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
From external sales	62,878	19,644	82,522
From related parties	5,608	95	5,703
Reportable segment revenue	68,486	19,739	88,225
Reportable segment profits	362	8,990	9,352

(b) Segment assets and liabilities

	As at 31 December 2013		
	Motor vehicles	**Servicing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment assets	155,539	9,825	165,364
Reportable segment liabilities	120,707	2,364	123,071

	As at 31 December 2014		
	Motor vehicles	**Servicing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment assets	141,087	6,246	147,333
Reportable segment liabilities	105,657	908	106,565

	As at 31 December 2015		
	Motor vehicles	**Servicing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment assets	112,228	6,267	118,495
Reportable segment liabilities	62,005	2,134	64,139

	As at 30 June 2016		
	Motor vehicles	Servicing	Total
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment assets	102,737	9,510	112,247
Reportable segment liabilities	36,294	6,978	43,272

(c) Reconciliation of segment information to the LY Target Company's key financial figures as presented in the financial statements as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Reportable segment revenue	268,206	275,211	220,583	105,130	88,225
Reportable segment profit	33,921	22,242	18,728	7,994	9,352
Unallocated income	1,851	2,137	4,433	1,830	3,242
Unallocated expenses	(17,962)	(16,681)	(14,630)	(7,226)	(7,512)
Finance costs	(8,641)	(7,689)	(5,617)	(2,975)	(642)
Profit before income tax	9,169	9	2,914	(377)	4,440

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment assets	165,364	147,333	118,495	112,247
Unallocated non-current assets *(Note (i))*	28,593	27,452	26,489	26,447
Unallocated current assets *(Note (ii))*	14,092	14,482	9,761	9,951
Total assets	208,049	189,267	154,745	148,645
Reportable segment liabilities	123,071	106,565	64,139	43,272
Unallocated current liabilities *(Note (iii))*	56,308	54,538	60,525	71,962
Total liabilities	179,379	161,103	124,664	115,234

Notes:

(i) Non-current assets mainly include property, plant and equipment and leasehold land that are not directly attributable to the business activities of the operating expenses.

(ii) Current assets mainly include receivables, prepayments, tax receivables, cash and bank balances and pledged deposits that are not directly attributable to the business activities of the operation segments and that are managed on company basis.

(iii) Current liabilities include payables, bank and other borrowings, other payables that are not directly attributable to the business activities of the operation segments and that are managed on company basis.

(d) Geographical segments

The LY Target Company's revenue is substantially derived from the PRC, and the LY Target Company's operations and operating assets are substantially located in the PRC. Accordingly, no geographical analysis of revenue and non-current assets is presented.

(e) Information about major customers

During the year ended 31 December 2013, 2014 and 2015, and six months ended 30 June 2016, no single customer contributed 10% or more of the total sales of the LY Target Company.

8. OTHER INCOME

An analysis of other income is as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Advertisement support received from motor vehicles manufactures	517	370	448	182	342
Commission income	716	564	1,848	529	1,539
Consultant service income	—	141	1,231	623	549
Gain on disposal of property, plant and equipment	211	205	35	12	526
Interest income	223	257	279	205	19
Sundry income	184	600	592	279	267
	1,851	2,137	4,433	1,830	3,242

9. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Year ended 31 December			**Six months ended 30 June**	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
9.1 Changes in inventories					
— Motor vehicles	(7,963)	(7,283)	17,430	8,292	(4,023)
— Auto parts and accessories	(1,136)	1,728	192	475	(631)
	(9,099)	(5,555)	17,622	8,767	(4,654)
9.2 Auto parts and accessories used, and motor vehicles purchased					
— Motor vehicles	224,512	239,170	163,969	78,676	72,147
— Auto parts and accessories	18,872	19,354	20,264	9,693	11,380
	243,384	258,524	184,233	88,369	83,527

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
9.3 Finance costs on financial liabilities stated at amortised costs					
Bank and other borrowings interest expenses	6,971	6,180	4,836	2,581	642
Bills interest expenses	1,670	1,509	781	394	—
	8,641	7,689	5,617	2,975	642
9.4 Other items					
Auditor's remuneration	43	39	36	—	—
Depreciation of property, plant and equipment	2,397	2,685	2,599	1,321	1,128
Amortisation of leasehold land	203	202	202	101	101
Gain on disposal of property, plant and equipment	(211)	(205)	(35)	(12)	(526)

10. INCOME TAX EXPENSE

The LY Target Company is subject to income tax on an entity basis on profit arising in or derived from the PRC. The provision for PRC income tax is based on the statutory rate of 25% of the assessable profits of the LY Target Company as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax					
— Charge for the year	78	515	997	—	1,110

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

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit/(loss) before income tax	9,169	9	2,914	(377)	4,440
At the PRC's statutory income tax rate of 25%	2,292	3	728	(94)	1,110
Utilisation of tax losses previously not recognised	(2,050)	—	—	—	—
Income not taxable for tax	(164)	—	—	—	—
Tax effect of tax losses not recognised	—	—	—	94	—
Expense not deductible for tax	—	512	269	—	—
Income tax expenses	78	515	997	—	1,110

No deferred tax has been provided in the Financial Information as there were no temporary difference at the years ended 31 December 2013, 2014 and 2015, and six months ended 30 June 2016.

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR'S EMOLUMENTS)

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salary and wages	6,553	6,933	6,306	3,309	3,667
Social insurance and other benefits	861	890	1,135	352	379
	7,414	7,823	7,441	3,661	4,046

11.1 Director emoluments

The director did not receive any remuneration from the LY Target Company during the Relevant Periods.

11.2 Five highest paid individual

The director considers the presentation of the five highest paid employees information is not meaningful for the purpose of this report.

12. DIVIDEND

No dividend has been paid or declared by the LY Target Company during the Relevant Periods.

13. Property, plant and equipment

	Buildings	Furniture and equipment	Plant and machinery	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Costs:					
At 1 January 2013	19,178	807	4,952	3,168	28,105
Additions	167	99	192	4,181	4,639
Disposals	—	—	—	(1,484)	(1,484)
At 31 December 2013 and 1 January 2014	19,345	906	5,144	5,865	31,260
Additions	—	66	129	4,072	4,267
Disposals	—	(2)	(218)	(4,273)	(4,493)
At 31 December 2014 and 1 January 2015	19,345	970	5,055	5,664	31,034
Additions	—	24	27	2,786	2,837
Disposals	—	—	(1)	(1,217)	(1,218)
At 31 December 2015 and 1 January 2016	19,345	994	5,081	7,233	32,653
Additions	—	3	57	1,311	1,371
Disposals	—	(17)	(280)	(3,581)	(3,878)
At 30 June 2016	19,345	980	4,858	4,963	30,146

	Buildings	Furniture and equipment	Plant and machinery	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:					
At 1 January 2013	775	294	1,379	689	3,137
Provided for the year	388	171	684	1,154	2,397
Written back of disposal	—	—	—	(499)	(499)
At 31 December 2013 and 1 January 2014	1,163	465	2,063	1,344	5,035
Provided for the year	391	186	702	1,406	2,685
Written back of disposal	—	(1)	(83)	(1,263)	(1,347)
At 31 December 2014 and 1 January 2015	1,554	650	2,682	1,487	6,373
Provided for the year	391	190	641	1,377	2,599
Written back of disposal	—	—	(1)	(339)	(340)
At 31 December 2015 and 1 January 2016	1,945	840	3,322	2,525	8,632
Provided for the period	195	36	206	691	1,128
Written back of disposal	—	(17)	(280)	(1,938)	(2,235)
At 30 June 2016	2,140	859	3,248	1,278	7,525
Net carrying amounts:					
At 31 December 2013	**18,182**	**441**	**3,081**	**4,521**	**26,225**
At 31 December 2014	**17,791**	**320**	**2,373**	**4,177**	**24,661**
At 31 December 2015	**17,400**	**154**	**1,759**	**4,708**	**24,021**
At 30 June 2016	**17,205**	**121**	**1,610**	**3,685**	**22,621**

The LY Target Company has not obtained the building ownership certificate for buildings with carrying values of approximately RMB18,182,000, RMB17,791,000 and RMB17,400,000, and RMB17,205,000 as at 31 December 2013, 2014 and 2015 and 30 June 2016 respectively from the relevant PRC government authorities. In the opinion of the directors of the LY Target Company, the absence of formal title to these properties dose not impair their values to the LY Target Company and the LY Target Company has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

Plant and machinery of RMB3,081,000, RMB2,373,000 and RMB1,759,000, as at 31 December 2013, 2014 and 2015 with carrying amount were pledged for the banking facilities of an Inter-group company.

14. LEASEHOLD LAND

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	9,618	9,415	9,213	9,011
Amortisation of the year	(203)	(202)	(202)	(101)
At 31 December	9,415	9,213	9,011	8,910

Leasehold land represent cost of land use rights in respect of land located in the PRC with a lease period forty years which granted, and was pledged for bank borrowing during the Relevant Periods.

15. INVENTORIES

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Motor vehicles	35,068	42,351	24,921	28,944
Auto parts and accessories	3,823	2,095	1,903	2,534
	38,891	44,446	26,824	31,478

Inventories of the motor vehicles with amount of RMB2,084,000, RMB6,661,000, RMB19,908,000 and RMB29,152,000 at 31 December 2013, 2014 and 2015 and 30 June 2016 respectively were pledged for the other borrowings.

16. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice, is as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–90 days	16,909	12,504	2,568	234
91–180 days	3,782	3,795	2,084	1,508
181–365 days	9,796	3,213	5,002	2,420
Over 1 year	64,238	63,150	62,883	67,165
	94,725	82,662	72,537	71,327

As at 31 December 2013, 2014, 2015 and 30 June 2016, LY Target Company's trade receivables (i) included amount of RMB80,515,000, RMB70,500,000 and RMB60,883,000, and RMB60,351,000 respectively due from related companies which have the same ultimate shareholder of LY Target Company ("**Inter-group companies**"); and (ii) the balances due over 1 year were mainly due from the Inter-group companies.

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

Impairment losses in respect of trade receivables are recorded using an allowance account unless the LY Target Company is satisfied that recovery of the amounts are remote, in which case the impairment losses are written off against trade receivables directly.

At each reporting date, the LY Target Company's trade receivables were individually and collectively determined to assess if they are impaired. 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 LY Target Company did not hold any collateral in respect of trade receivables past due but not impaired. An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due not impaired	16,909	12,504	2,568	234
1–90 days past due	3,782	3,795	2,084	1,508
91–180 days past due	9,796	3,213	5,002	2,420
Over 181 year past due	64,238	63,150	62,883	67,165
	94,725	82,662	72,537	71,327

Although most of the accounts receivable aged more than one year, most of them are resulted from inter-group companies transactions and the management believed that the Inter-group companies will repay the debt upon request.

17. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	6,870	4,475	6,933	6,016
Prepayments	19,731	2,950	2,292	1,260
	26,601	7,425	9,225	7,276

The LY Target Company's other receivables included amount of RMB4,309,000, RMB4,009,000 and RMB5,971,000 due from Inter-group companies as at 31 December 2013, 2014 and 2015 respectively.

The LY Target Company's prepayments included amount of RMB750,000 and RMB1,800 due from inter-group companies as at 31 December 2015 and 30 June 2016 respectively.

Amounts due from Inter-group companies are unsecured, interest free and recoverable on demand.

18. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	3,602	6,283	737	2,430
Guarantee money in respect of security of supplier	1,800	2,210	1,700	1,280
Pledged deposits	6,247	10,621	8,910	2,400
	11,649	19,114	11,347	6,110

At the end of each reporting period, all cash and bank balances and pledge deposits are denominated in RMB. The RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances is deposited with creditworthy banks with no recent history of default.

Pledged deposits with amount of RMB500,000, RMB2,000,000, RMB3,000,000 and RMB2,400,000 were pledged for other borrowings as at 31 December 2013, 2014 and 2015, and 30 June 2016. The rest of deposits were pledged for bills payables as at 31 December 2013, 2014 and 2015, and 30 June 2016.

19. TRADE AND BILLS PAYABLES

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	2,889	5,286	3,229	4,294
Bills payables	20,822	20,338	19,700	—
	23,711	25,624	22,929	4,294

An aging analysis of the trade payables receivables as at the end of the reporting periods, based on the invoice, is as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–30 days	794	6,887	10,726	1,569
31–180 days	21,646	17,041	9,323	1,156
181–365 days	3	388	1,102	24
Over 1 year	1,268	1,308	1,778	1,545
	23,711	25,624	22,929	4,294

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

The LY Target Company's trade payables included amount of RMB1,741,000, RMB30,398,000 and RMB785,000, and RMB960,000 due to Inter-group companies as at 31 December 2013, 2014 and 2015, and 30 June 2016 respectively.

Certain bills payable were pledged by bank deposits of the LY Target Company of RMB5,747,000, RMB8,621,000, RMB5,910,000 as at 31 December 2013, 2014, 2015 respectively.

20. OTHER PAYABLES

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	56,308	54,538	60,525	71,692

The LY Target Company's other payables included amount of RMB44,840,000, RMB46,019,000 and RMB55,656,000, and RMB59,271,000 due from Inter-group companies as at 31 December 2013, 2014 and 2015, and 30 June 2016 respectively.

Amounts due to Inter-group companies are interest free, unsecured and payable on demand.

21. BANK AND OTHER BORROWINGS

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings				
— Secured	55,001	55,000	15,000	5,000
— Unsecured	38,400	15,000	—	—
Other borrowings	2,084	6,661	19,908	29,152
	95,485	76,661	34,908	34,152

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
*Carrying amount repayable within one year	95,485	76,661	34,908	34,152

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The LY Target Company's bank borrowings amounting to RMB55,001,000, RMB55,000,000 and RMB15,000,000, and RMB5,000,000 at 31 December 2013, 2014 and 2015, and 30 June 2016 respectively were secured by pledged deposits, leasehold land and building, all the bank borrowings were guaranteed by the Inter-group companies.

The LY Target Company's bank borrowings as at 31 December 2013, 2014 and 2015 were subject to variable-rate interest at RMB Benchmark Loan Rates offered by the People's Bank of China. The interest rates on the Company's bank borrowings ranged from 6.60% to 7.75% per annum, 6.72% to 7.56% per annum, and 5.44% to 7.28% per annum, respectively.

The other borrowings were secured by deposits and inventories of motor vehicles which disclosed in the notes 15 and 18 to the Financial Information with interest rate at 7.5% per annum. It was guaranteed by Inter-group companies and a former director of the immediate holding company.

22. PAID IN CAPITAL AND RESERVE

(a) Paid-in capital

For the purpose of this Financial Information, the paid in capital of the LY Target Company at 1 January 2013, 31 December 2013, 2014 and 2015, and 30 June 2016 represented the paid in capital of the LY Target Company.

(b) Capital management

The LY Target Company's primary objectives when managing capital are to safeguard the LY Target Company's ability to continue as a going concern, so that it can continue to provide returns for equity holders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The LY Target Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity holder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The LY Target Company monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bills payable and bank and other borrowings, as shown in the statements of financial position) less cash and bank balances and pledged deposits. Total capital is calculated as equity as shown in the statement of financial position, plus net debt.

The gearing ratios at 31 December 2013, 2014 and 2015, and 30 June 2016 were as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total borrowings and bills payable	116,307	96,999	54,608	34,152
Less: Cash and bank balances and pledged deposits	(11,649)	(19,114)	(11,347)	(6,110)
Net debt	104,658	77,885	43,261	28,042
Total equity	28,670	28,164	30,081	33,411
Total capital	133,328	106,049	73,342	61,453
Gearing ratio	78%	73%	59%	46%

The LY Target Company is not subject to externally imposed requirements.

23. FINANCIAL INSTRUMENT BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables				
Trade receivables	94,725	82,662	72,537	71,327
Other receivables	6,870	4,475	6,933	6,016
Cash and bank balances and pledged deposits	11,649	19,114	11,347	6,110
	113,244	106,251	90,817	83,453
Financial liabilities				
AT amortised cost				
Trade and bills payables	23,711	25,624	22,929	4,294
Other payables	56,308	54,538	60,525	71,962
Bank and other borrowings	95,485	76,661	34,908	34,152
	175,504	156,823	118,362	110,408

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

(a) Financial risk management

The LY Target Company's business activities expose it to a variety of financial risks, which include credit risk, liquidity risk and interest rate risk arising in the normal course of its business and financial instruments. Details of the policies on how to mitigate these risks are set out below. The LY Target Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has not been any change to the LY Target Company's risk exposure relating to financial instruments or the manner in which it manages and measures the risks.

Credit risk

The LY Target Company is exposed to credit risk from its operating activities (primarily for trade and other receivables). The LY Target Company performs ongoing credit evaluation of the debtors' financial condition and maintains an account for allowance for impairment based upon the expected recoverability of all trade receivables from top 5 customers.

The top customer of the LY Target Company for the year 2013, 2014 and 2015 and 6 months ended 2016 take up 73%, 82% and 77% and 76% of the outstanding accounts receivables of the LY Target Company respectively.

The LY Target Company has concentration of credit risks as 75%, 86% and 84% and 84% of the total trade receivables was due from the LY Target Company's top five customers as at 31 December 2013, 2014 and 2015 and 30 June 2016 respectively.

The credit risk on bank balances is minimal because the counterparties are banks with high credit-rating.

Interest rate risk

The LY Target Company is mainly exposed to cash flow interest rate risk in relation to its variable-rate deposits and bank borrowings which carry prevailing market interest rates.

The LY Target Company currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. The sensitivity analysis below have been determined based on the exposure to interest rates for variable interest rate variable-rate deposits, long-term loans receivable and bank borrowings. The analysis is prepared assuming the variable-interest rate deposits, long-term loans receivable and bank loans outstanding at the reporting date were outstanding for the whole year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

At 31 December 2013, 2014 and 2015 and 30 June 2016, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Company's profit before tax would decrease/increase by approximately RMB1,046,000, RMB778,000 and RMB432,000 and RMB438,000, respectively.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The LY Target Company's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term.

The following tables detail the LY Target Company's contractual maturities at the end of the reporting period of the LY Target Company's non-derivative financial liabilities. The tables have been drawn based on the undiscounted cash flows of financial liabilities in accordance with the earliest date on which the LY Target Company can be required to pay.

For the year ended 31 December 2013

	Carrying amount	**Total contractual undiscounted cash flow**	**Within one year or on demand**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	23,711	25,381	25,381
Other payables	56,308	56,308	56,308
Bank and other borrowings	95,485	98,593	98,593
	175,504	180,282	180,282

For the year ended 31 December 2014

	Carrying amount	**Total contractual undiscounted cash flow**	**Within one year or on demand**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	25,624	27,778	27,778
Other payables	54,538	54,538	54,538
Bank and other borrowings	76,661	80,276	80,276
	156,823	162,592	162,592

For the year ended 31 December 2015

	Carrying amount	**Total contractual undiscounted cash flow**	**Within one year or on demand**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	22,929	23,710	23,710
Other payables	60,525	60,525	60,525
Bank and other borrowings	34,908	35,799	35,799
	118,362	120,034	120,034

For the six months ended 30 June 2016

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	4,294	4,294	4,294
Other payables	71,962	71,962	71,962
Bank and other borrowings	34,152	35,006	35,006
	110,408	111,262	111,262

(b) Fair value measurement

The directors consider that the fair values of each class of the financial assets and financial liabilities at the end of each Relevant Periods approximate to their carrying amounts.

25. MATERIAL RELATED PARTY TRANSACTION

(a) During the Relevant Periods, the Company has the following significant related party transactions with Inter-group companies:

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of motor vehicle	82,832	60,926	23,886	16,912	5,608
Sales of auto parts	551	507	186	132	95
Purchase of motor vehicles	36,509	24,489	16,850	8,727	5,287
Purchase of auto parts	251	216	220	106	409

The sale of motor vehicles and auto parts to related companies were made at prices and conditions with reference to those offered to major customers of the LY Target Company.

(b) Outstanding balances with related parties

Other than balance with related parties as disclosed in notes 16, 17, 19 and 20 to the Financial Information, the LY Target Company had no other outstanding balances with related parties.

26. CONTINGENT LIABILITIES

As at 31 December 2013, 2014 and 2015, and 30 June 2016 the LY Target Company had no significant contingent liabilities.

III. SUBSEQUENT EVENTS

There are no significant events after the Relevant Periods.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the LY Target Company in respect of any period subsequent to 30 June 2016 up to the date of this report.

Yours faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Yip Kai Yin
Practising Certification Number: P05131

The following is the text of a report received from the reporting accountant, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

10th Floor,
8 Observatory Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

26 October 2016

The Board of Directors
G.A. Holdings Limited
Unit 1203, Eton Tower,
No. 8 Hysan Avenue,
Causeway Bay, Hong Kong

Dear Sirs/Madams,

We set out below our report on the financial information relating to 福建星德寶汽車銷售服務有限公司 (the "**XDB Target Company**") comprising the statement of financial position of the XDB Target Company as at 31 December 2015 and 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the XDB Target Company for the period from 24 April 2015 (date of incorporation) to 31 December 2015 and 6 months ended 30 June 2016 (the "**Relevant Periods**"), together with the explanatory notes thereto (the "**Financial Information**"). This Financial Information has been prepared by the director of the XDB Target Company for inclusion in Appendix IV to the circular issued by G.A. Holdings Limited (the "**Company**") dated 26 October 2016 (the "**Circular**") in connection with the proposed acquisition of 100% equity interests of the XDB Target Company by the Company.

The XDB Target Company was established in the People's Republic of China (the "**PRC**") on 24 April 2015 with limited liability. The XDB Target Company principally engaged in automobile dealership, exhibitions of automobiles, provision of auto parts and after-sales services in the PRC.

The statutory financial statements of the XDB Target Company were prepared in accordance with relevant accounting principles applicable to enterprises established in PRC. The statutory financial statements for the period from 24 April 2015 (date of establishment) to 31 December 2015 were audited by 福建閩瑞會計師事務所有限責任公司 (會計師事務所).

For the purpose of this report, the director of the XDB Target Company has prepared the Financial Information for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the "**Underlying Financial Statements**"). The Financial Information for the Relevant Periods is prepared based on the Underlying Financial Statements, with no adjustments made thereto, and in accordance with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

Director's Responsibilities

The director of the XDB Target Company is responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provision of the GEM Listing Rules, and for such internal control as the director of the XDB Target Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company is responsible for the contents of the Circular in which this report is included.

Reporting Accountant's Responsibilities

It is our responsibility to form an independent opinion on the Financial Information for the Relevant Periods based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing and the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Opinion

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of XDB Target Company as at 31 December 2015 and 30 June 2016 and of the financial performance and cash flows for the Relevant Periods then ended in accordance with HKFRSs.

Corresponding Financial Information

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the XDB Target Company comprising the statement of profit or loss and other comprehensive income, the statement of cash flows for the period from 24 April 2015 (date of establishment) to 30 June 2015, together with the notes thereon (the "**Corresponding Financial Information**"), for which the director of the XDB Target Company is responsible, in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Historical Financial Statements" issued by the HKICPA.

The director of the XDB Target Company is responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 to the financial statements which indicate that the XDB Target Company incurred net current liabilities of RMB101,427,000 and RMB103,920,000 as at 31 December 2015 and 30 June 2016 respectively. These conditions along with other matters as set forth in Note 3 to the Financial Information which indicate the existence of a material uncertainty which may cast significant doubt about the XDB Target Company's ability to continue as a going concern.

I. FINANCIAL INFORMATION ON XDB TARGET COMPANY

Statements of Profit or Loss and Other Comprehensive Income

	Notes	Period from 24 April 2015 to 31 December 2015 RMB'000	Period from 24 April 2015 to 30 June 2015 RMB'000 (Unaudited)	Six months ended 30 June 2016 RMB'000
Revenue	*6*	4,526	—	91,204
Other income	*8*	77	—	1,793
Changes in inventories	*9.1*	2,875	—	35,563
Auto parts and accessories and motor vehicles purchased	*9.2*	(7,510)	—	(123,276)
Employee benefit expenses	*11*	(238)	—	(1,447)
Depreciation and amortisation		(99)	—	(1,969)
Other expenses		(996)	(4)	(3,104)
Loss from operation		(1,365)	(4)	(1,236)
Finance costs	*9.3*	—	—	(543)
Loss before income tax	*9*	(1,365)	(4)	(1,779)
Income tax expense	*10*	—	—	—
Loss and total comprehensive expenses for the period		**(1,365)**	**(4)**	**(1,779)**

Statements of Financial Position

	Notes	**As at 31 December 2015** *RMB'000*	**As at 30 June 2016** *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*12*	90,457	91,459
Leasehold land	*13*	19,605	19,317
		110,062	110,776
Current assets			
Inventories	*14*	2,875	38,438
Trade receivables	*15*	1,549	2,666
Prepayments and other receivables	*16*	2,303	8,573
Pledged deposits	*17*	—	3,200
Cash and bank balances	*17*	3,179	2,824
		9,906	55,701
Current liabilities			
Trade payables	*18*	5,092	8,580
Other payables and accruals	*19*	105,021	104,484
Receipt in advance		1,220	1,241
Bank and other borrowings	*20*	—	45,316
		111,333	159,621
Net current liabilities		**(101,427)**	**(103,920)**
Net assets		**8,635**	**6,856**
EQUITY			
Equity attributable to owners of the XDB Target Company			
Paid in capital	*21*	10,000	10,000
Accumulated losses		(1,365)	(3,144)
Total equity		**8,635**	**6,856**

Statements of Changes in Equity

	Paid in capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
Capital injected at incorporation	10,000	—	10,000
Loss and total comprehensive expenses for the period	—	(1,365)	(1,365)
At 31 December 2015 and 1 January 2016	10,000	(1,365)	8,635
Loss and total comprehensive expenses for the period	—	(1,779)	(1,779)
At 30 June 2016	**10,000**	**(3,144)**	**6,856**

	Paid in capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
Capital injected at incorporation	10,000	—	10,000
Loss and total comprehensive expenses for the period	—	(4)	(4)
At 30 June 2015 (Unaudited)	**10,000**	**(4)**	**9,996**

Statements of Cash Flows

	Period from 24 April 2015 to 31 December 2015	Period from 24 April 2015 to 30 June 2015	Six months ended 30 June 2016
	RMB'000	*RMB'000* (Unaudited)	*RMB'000*
Cash flow from operating activities			
Loss before income tax	(1,365)	(4)	(1,779)
Adjustments for:			
Amortisation of leasehold land	—	—	288
Depreciation of property, plant and equipment	99	—	1,681
Interest expenses	—	—	543
Interest income	(1)	—	(11)
Operating (loss)/profit before working capital changes	(1,267)	(4)	722
Increase in inventories	(2,875)	—	(35,563)
Increase in trade receivables	(1,549)	—	(1,117)
Increase in prepayments and other receivables	(2,303)	(9,018)	(6,270)
Increase in trade payables	5,092	—	3,488
Decrease in other payables and accruals	(979)	—	(537)
Increase in receipt in advance	1,220	—	21
Cash used in operations	(2,661)	(9,022)	(39,256)
Interest paid	—	—	(543)
Interest received	1	—	11
Net cash used in operating activities	**(2,660)**	**(9,022)**	**(39,788)**
Cash flows from investing activities			
Purchases of items of property, plant and equipment	(4,161)	(222)	(2,683)
Placement of pledged deposits	—	—	(3,200)
Net cash used in investing activities	**(4,161)**	**(222)**	**(5,883)**

	Period from 24 April 2015 to 31 December 2015	Period from 24 April 2015 to 30 June 2015	Six months ended 30 June 2016
	RMB'000	*RMB'000* (Unaudited)	*RMB'000*
Cash flow from financing activities			
Proceeds from paid up capital	10,000	10,000	—
New bank and other borrowings raised	—	—	116,674
Repayments of bank and other borrowings	—	—	(71,358)
Net cash generated from financing activities	**10,000**	**10,000**	**45,316**
Net increase/(decrease) in cash and cash equivalents	**3,179**	**756**	**(355)**
Cash and cash equivalents at the beginning of the period	—	—	3,179
Cash and cash equivalents at the end of the period,			
Represented by cash and bank balances	**3,179**	**756**	**2,824**

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

福建星德寶汽車銷售服務有限公司 (the "**XDB Target Company**") was established in the People's Republic of China (the "**PRC**") on 24 April 2015 as a limited liability company. The address of its registered office and its principal place of business is 福建省福州市閩侯縣尚干鎮青口海峽汽車文化廣場C地塊汽車高端品牌4S店C1. The XDB Target Company is engaged in business of automobile dealership, exhibitions of automobiles, provision of auto parts and after-sales service in the PRC.

The XDB Target Company's parent company is 福州中寶汽車銷售服務有限公司 (established in the PRC) and the director of the XDB Target Company consider its ultimate holding company is iAuto International Limited (incorporated in British Virgin Islands).

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

(a) Adoption of new or revised HKFRSs — effective on 1 January 2016

In the Relevant Periods, the XDB Target Company has applied all HKFRSs issued by Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which are effective for annual period beginning on 1 January 2016.

(b) New and revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Financial Information have been issued but are not yet effective and have not been early adopted by the XDB Target Company.

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its and Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2015 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets; and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principle and interest on the principle outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principle amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to changes in the financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires and expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The director of the XDB Target Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the XDB Target Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the XDB Target Company undertakes a detailed review.

HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue,* HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 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 or services. Specifically, the standard introduces a 5-step 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 the performance obligations in the contract.

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The director of the XDB Target Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the XDB Target Company's Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the XDB Target Company performs a detailed review.

3. BASIC OF PREPARATION

(a) Statement of compliance

The Financial Information have been prepared in accordance with HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as "**HKFRSs**") issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the Financial Information include applicable disclosures required by the GEM Listing Rules.

(b) Basis of measurement

The Financial Information have been prepared on the historical cost basis.

(c) Functional and presentation currency

The Financial Information are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the XDB Target Company.

(d) Going concern basis

The Financial Information have been prepared on a going concern basis. The XDB Target Company has net current liabilities of RMB101,427,000 and RMB103,920,000 as at 31 December 2015 and 30 June 2016 respectively and its continuance in business as a going concern is dependent upon the XDB Target Company maintaining future profitable operations. The Financial Information have been prepared on a going concern basis as the immediate holding company has confirmed to provide continuing financial support to the XDB Target Company to enable it to continue as a going concern and to settle its liabilities as when they fall due.

After the completion of the Acquisitions, the Purchaser will provide continuing financial support to the XDB Target Company to enable it to continue as a going concern and to settle its liabilities as when they fall due.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

The gain or loss arising on the retirement of disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the XDB Target Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the costs over the estimated useful lives, as follows:

Building	2.94% per annum
Infrastructure	2.94% per annum
Plant and machinery	20% per annum
Furniture and equipment	20%-33% per annum
Motor vehicles	25% per annum

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

4.2 Leasehold land

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in below. Amortisation is calculated on a straight line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the XDB Target Company from use of the land.

4.3 Impairment of non-financial assets

The XDB Target Company's property, plant and equipment and leasehold land are subject to impairment testing.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level.

All individual assets or CGUs with an indefinite useful life and those not yet available for use are tested for impairment at least annually. All other individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions, less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the assets.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.4 Inventories

Inventories are carried at the lower of cost and net realisable value. Inventories comprise fully-assembled motor vehicles and auto parts. Cost includes purchase and other costs incurred in bringing the inventories to their present location and condition using weighted average basis and specific basis as appropriate.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4.5 Financial assets

The XDB Target Company's financial assets include trade and other receivables, pledged deposits and cash and bank balances.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

Financial assets are classified as loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables are recognised when, and only when, the XDB Target Company becomes a party to the contractual provisions of the instrument. Derecognition occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the XDB Target Company about one or more of the following loss events:

— Significant financial difficulty of the debtor;

— A breach of contract, such as a default or delinquency in interest or principal payments;

— It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss in the period in which the reversal occurs.

4.6 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

4.7 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

4.8 Retirement benefit costs

The employees of the XDB Target Company are required to participate in a central pension scheme operated by the local municipal government. XDB Target Company is required to contribute a certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The XDB Target Company's obligations under these plans are limited to the fixed percentage contributions payable.

4.9 Financial liabilities

The XDB Target Company's financial liabilities include accruals, bank and other borrowings and trade and other payables.

Financial liabilities are recognised when the XDB Target Company becomes a party to the contractual provisions of the instrument. All interest related charges are recognised with the Company's accounting policy for borrowing costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the XDB Target Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

4.10 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the XDB Target Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Services fees are recognised when the relevant services are rendered.

Interest income is recognised on a time proportion basis using the effective interest method.

4.11 Vendor rebates

Volume-related vendor rebates are recognised as a deduction from cost of sales on an accrual basis according to the expected entitlement earned up to the reporting date for each relevant supplier contract.

Rebates relating to items purchased but still held at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

4.12 Taxation

Income tax comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior Relevant Period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in the profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the XDB Target Company has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The XDB Target Company presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.13 Related parties

A party is considered to be related to the XDB Target Company if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control of the XDB Target Company;

(ii) has significant influence over the XDB Target Company; or

(iii) is a member of the key management personnel of the XDB Target Company or of a parent of the XDB Target Company; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the XDB Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the XDB Target Company are joint ventures of the same third party;

(iv) the entity is a post-employment benefit plan for the benefit of employees of either the XDB Target Company or an entity related to the Company;

(v) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the XDB Target Company or to the XDB Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

4.14 Segment reporting

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

The XDB Target Company has identified the following reportable segments.

- Motor vehicles segment-Sales of motor vehicles.

- Servicing segment-Servicing of motor vehicles and sales of auto parts.

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

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

Segment assets exclude corporate assets which are not directly attributable to business activities of any operating segment are not allocated to a segment, which primarily applies to the XDB Target Company'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 allocations have been applied to reportable segments.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The XDB Target Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

Impairment of receivables

Assessment for impairment of receivables of the XDB Target Company is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement and estimates are required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer and debtor. If the financial condition of the debtors was to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Depreciation and amortisation

The XDB Target Company depreciated the property, plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets are available for productive use. The estimated useful lives reflect the director's estimate of the periods that the XDB Target Company intends to derive future economic benefits from the use of the XDB Target Company's property, plant and equipment.

Income taxes

The XDB Target Company is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The XDB Target Company recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

6. REVENUE

The XDB Target Company is principally engaged in (i) sales of motor vehicles and (ii) servicing of motor vehicles and sale of auto parts. Revenue generated from these principal activities recognised during the Relevant Periods is as follows:

	Period from 24 April 2015 to 31 December 2015	**Period from 24 April 2015 to 30 June 2015**	**Six months ended 30 June 2016**
	RMB'000	*RMB'000* (Unaudited)	*RMB'000*
Sale of motor vehicles	4,331	—	83,713
Servicing of motor vehicles and sales of auto parts	195	—	7,491
	4,526	—	91,204

7. SEGMENT INFORMATION

The XDB Target Company identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive director for his review of the performance of those components. The business components in the internal financial information reported to the executive director are determined following the Company's major product and service lines.

(a) Business segments

The executive director of the XDB Target Company considered that over 90% of its revenue and operating assets for the period ended 31 December 2015 and 6 months ended 30 June 2016 were mainly derived from sales of motor vehicles. Consequently, no operating segment analysis is presented.

(b) Geographical segments

The XDB Target Company's turnover is substantially derived from the PRC, and the XDB Target Company's operations, customers and operating assets are substantially located in the PRC. Accordingly, no geographical analysis of revenue, non-current assets and customers is presented.

(c) Information about major customers

Revenue from major customers contribute 10% or more of the total sales of the XDB Target Company for the period ended 31 December 2015 and 6 months ended 30 June 2016 are as follows:

	Period from 24 April 2015 to 31 December 2015	**Period from 24 April 2015 to 30 June 2015**	**Six months ended 30 June 2016**
	RMB'000	*RMB'000* (Unaudited)	*RMB'000*
Customer A	627	—	N/A*

* The corresponding revenue does not contribute over 10% of the total revenue of the Group in the respective year.

8. OTHER INCOME

An analysis of other income is as follows:

	Period from 24 April 2015 to 31 December 2015	**Period from 24 April 2015 to 30 June 2015**	**Six months ended 30 June 2016**
	RMB'000	*RMB'000* (Unaudited)	*RMB'000*
Commission income	62	—	698
Consultant service income	—	—	751
Interest income	1	—	11
Sundry income	14	—	333
	77	—	1,793

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Period from 24 April 2015 to 31 December 2015	**Period from 24 April 2015 to 30 June 2015**	**Six months ended 30 June 2016**
	RMB'000	*RMB'000* (Unaudited)	*RMB'000*
9.1 Change in inventories			
— Motor vehicles	(1,084)	—	(35,264)
— Auto parts and accessories	(1,791)	—	(299)
	(2,875)	—	(35,563)
9.2 Auto parts and accessories used, and motor vehicles purchased			
— Motor vehicles	5,620	—	118,258
— Auto parts and accessories	1,890	—	5,018
	7,510	—	123,276

	Period from 24 April 2015 to 31 December 2015	Period from 24 April 2015 to 30 June 2015	Six months ended 30 June 2016
	RMB'000	*RMB'000* (Unaudited)	*RMB'000*
9.3 Finance costs on financial liabilities stated at amortised costs			
Bank and other borrowings interest expenses	—	—	543
9.4 Other items			
Auditor's remuneration	12	—	—
Amortisation of leasehold land	—	—	288
Depreciation of property, plant and equipment	99	—	1,681

10. INCOME TAX EXPENSE

No provision of Enterprise Income Tax has been made for the Relevant Period as the XDB Target Company did not generate any assessable profits. The XDB Target Company is subject to corporate income tax on an entity basis on profit arising in or derived from the PRC. The provision for PRC corporate income tax is based on the statutory rate of 25% of the assessable profits of the XDB Target Company as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

Reconciliation between income tax expense and accounting losses at applicable tax rates:

	Period from 24 April 2015 to 31 December 2015	Period from 24 April 2015 to 30 June 2015	Six months ended 30 June 2016
	RMB'000	*RMB'000* (Unaudited)	*RMB'000*
Loss before income tax	(1,365)	(4)	(1,779)
At the PRC's statutory income tax rate of 25%	(341)	(1)	(444)
Tax losses not recognised	341	1	444
Income tax expenses	—	—	—

No deferred tax has been provided in the Financial Information as there were no temporary differences at Relevant Periods.

At 31 December 2015 and 30 June 2016, potential deferred tax assets have not been recognised as it is not certain that taxable profits will be available which the tax losses can be utilised.

11. EMPLOYEE BENEFIT EXPENSES

	Period from 24 April 2015 to 31 December 2015	Period from 24 April 2015 to 30 June 2015	Six months ended 30 June 2016
	RMB'000	*RMB'000* (Unaudited)	*RMB'000*
Salary and wages	218	—	1,341
Social insurance and housing fund	20	—	106
	238	—	1,447

The director did not receive any remuneration from the XDB Target Company during the Relevant Periods.

The director considered the presentation of the five highest paid employees information is not meaningful for the purpose of this report.

12. PROPERTY, PLANT AND EQUIPMENT

	Infrastructure	Building	Plant and machinery	Furniture and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Costs:						
Additions and at 31 December 2015 and 1 January 2016	18,500	67,895	2,838	1,194	129	90,556
Additions	—	—	541	638	1,504	2,683
At 30 June 2016	18,500	67,895	3,379	1,832	1,633	93,239
Accumulated depreciation:						
Provided for the period and at 31 December 2015 and 1 January 2016	—	—	70	26	3	99
Provided for the period	272	999	145	162	103	1,681
At 30 June 2016	272	999	215	188	106	1,780
Net carrying amounts:						
At 31 December 2015	18,500	67,895	2,768	1,168	126	90,457
At 30 June 2016	18,228	66,896	3,164	1,644	1,527	91,459

The infrastructure and the building of XDB Target Company was newly constructed and put into use near period end 31 December 2015. Hence, the director of XDB Target Company considered no provision of depreciation of the building during period from 24 April 2015 (date of incorporation) to 31 December 2015.

At the period end of each reporting period, there was a building of the XDB Target Company erected on land in the PRC with carrying values of RMB67,895,000 and RMB66,896,000 respectively was not granted for formal title of their ownership. In the opinion of the director, the lack of formal title does not impair the value of the building. The director also believed that the formal title of building will be granted to XDB Target Company in due course.

13. LEASEHOLD LAND

	RMB'000
Cost:	
Additions and at 31 December 2015, 1 January 2016 and 30 June 2016	19,605
Accumulated amortisation:	
At 31 December 2015 and 1 January 2016	—
Amortisation for the period	288
At 30 June 2016	288
Net carrying amounts:	
At 31 December 2015	**19,605**
At 30 June 2016	**19,317**

As at end of reporting period, the XDB Target Company has not obtained the land use right certificate for a plot of land with carrying values of approximately RMB19,605,000 and RMB19,317,000 respectively from the relevant PRC government authorities. In the opinion of the director of the XDB Target Company, the absence of formal use right to these lands does not impair their values to the XDB Target Company as the consideration of these lands was paid and payable by its parent company and the probability of being evicted on the ground of an absence of formal use right is remote.

The leasehold land of XDB Target Company was newly put into use near period end 31 December 2015. Hence, the director of XDB Target Company considered no amortisation of leasehold land during period from 24 April 2015 (date of incorporation) to 31 December 2015.

14. INVENTORIES

	As at 31 December 2015 *RMB'000*	**As at 30 June 2016** *RMB'000*
Motor vehicles	1,084	36,348
Auto parts and accessories	1,791	2,090
	2,875	38,438

The inventories of motor vehicles with amount of RMB33,316,000 as at 30 June 2016 were pledged for the other borrowings.

15. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice, is as follows:

	As at 31 December 2015 *RMB'000*	As at 30 June 2016 *RMB'000*
0–90 days	1,549	220
91–180 days	—	2,446
	1,549	2,666

As at 30 June 2016, XDB Target Company's trade receivables included approximately RMB2,121,000 due from related companies which have the same ultimate shareholder of XDB Target Company ("**Inter-group companies**").

At end of the Relevant Period, the XDB Target Company's trade receivables were individually and collectively determined to assess if they are impaired.

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

At each reporting date, the XDB Target Company's trade receivables were individually and collectively determined to assess if they are impaired. 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 XDB Target Company did not hold any collateral in respect of trade receivables past due but not impaired. An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	As at 31 December 2015 *RMB'000*	As at 30 June 2016 *RMB'000*
Neither past due nor impaired:		
0–90 days past due	1,549	220
91–180 days past due	—	2,446
	1,549	2,666

16. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December 2015 *RMB'000*	As at 30 June 2016 *RMB'000*
Other receivables	937	6,514
Prepayments	1,366	2,059
	2,303	8,573

17. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	As at 31 December 2015	As at 30 June 2016
	RMB'000	*RMB'000*
Cash and bank balances	3,179	2,824
Guarantee money in respect of security of supplier	—	500
Pledged deposits	—	2,700
	3,179	6,024

At 31 December 2015 and 30 June 2016, all the cash and bank balances and pledged bank deposits of the XDB Target Company denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances is deposited with creditworthy banks with no recent history of default.

Pledged deposits were pledged for other borrowings as at 30 June 2016.

18. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice, is as follows:

	As at 31 December 2015	As at 30 June 2016
	RMB'000	*RMB'000*
0–90 days	4,046	3,534
91–180 days	1,046	5,046
	5,092	8,580

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

The XDB Target Company's trade payables included approximately RMB1,047,000 and RMB5,377,000 due to Inter-group companies as at 31 December 2015 and 30 June 2016 respectively.

19. OTHER PAYABLES AND ACCRUALS

	As at 31 December 2015	As at 30 June 2016
	RMB'000	*RMB'000*
Accruals	51	14
Other payables	104,970	104,470
	105,021	104,484

The amount due to an Inter-group company is unsecured, interest free and recoverable on demand.

The XDB Target Company's other payables included approximately of RMB104,970,000 and RMB104,470,000 due to a Inter-group company as at 31 December 2015 and 30 June 2016 respectively.

20. BANK AND OTHER BORROWINGS

	As at 31 December 2015	**As at 30 June 2016**
	RMB'000	*RMB'000*
Secured — bank borrowing	—	12,000
Secured — other borrowings	—	33,316
	—	45,316
Carrying amount repayable*:		
Within one year	—	45,316

* The amounts above due are based on scheduled repayment dates set out in the loan agreements.

The XDB Target Company's bank borrowing amounting to approximately RMB12,000,000 at 30 June 2016 was guaranteed by Inter-group companies of XDB Target Company.

The XDB Target Company's other borrowings amounting to approximately RMB33,316,000 at 30 June 2016 was secured by deposits and inventories of motor vehicles which disclosed in the notes 14 and 17 with interest rate at 7.5%. It guaranteed by Inter-group company and a former director of intermediate holding company of XDB Target Company.

The XDB Target Company's bank borrowings as at 30 June 2016 were subject to variable-rate interest at RMB Benchmark Loan Rates offered by the People's Bank of China. The effective interest rates on the XDB Target Company's bank borrowings ranged from 3.5% to 5% per annum in above Relevant Periods.

21. PAID IN CAPITAL AND RESERVE

(a) Paid in capital

For the purpose of this Financial Information, the paid in capital of the XDB Target Company at 24 April 2015 (Date of incorporation), 31 December 2015 and 30 June 2016 represented the paid in capital of the XDB Target Company.

The XDB Target Company has paid in capital of total RMB10,000,000 during the Relevant Periods.

(b) Capital management

The XDB Target Company's primary objectives when managing capital are to safeguard the XDB Target Company's ability to continue as a going concern, so that it can continue to provide returns for equity holders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The XDB Target Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity holders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

22. NOTE TO THE STATEMENTS OF CASH FLOWS

Major non-cash transaction

During the period ended 31 December 2015, the XDB Target Company acquired a property, plant and equipment and leasehold land with a total amount at RMB106,000,000 which paid by immediate holding company.

23. FINANCIAL INSTRUMENT BY CATEGORIES

The carrying amounts of each of the categories of financial instruments as at the end of the Relevant Period are as follows:

	As at 31 December 2015	As at 30 June 2016
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables		
Trade receivables	1,549	2,666
Other receivables	937	6,514
Pledged deposits	—	3,200
Cash and bank balances	3,179	2,824
	5,665	15,204
Financial liabilities		
At amortised cost		
Trade payables	5,092	8,580
Other payables and accruals	105,021	104,484
Bank and other borrowings	—	45,316
	110,113	158,380

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

(a) Financial risk management

The XDB Target Company's business activities expose it to a variety of financial risks, which include credit risk, liquidity risk and interest rate risk arising in the normal course of its business and financial instruments. Details of the policies on how to mitigate these risks are set out below. The XDB Target Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has not been any change to the XDB Target Company's risk exposure relating to financial instruments or the manner in which it manages and measures the risks.

Credit risk

The XDB Target Company is exposed to credit risk from its operating activities (primarily for trade and other receivables). The XDB Target Company performs ongoing credit evaluation of the debtors' financial condition and maintains an account for allowance for impairment based upon the expected recoverability of all trade receivables. The XDB Target Company has a diversified portfolio of businesses and as at reporting date, The XDB Target Company has concentration of credit risk due to its relatively small customer base of car dealer companies in the PRC.

The top one customer of XDB Target Company has 20% and 76% trade receivables outstanding as at 31 December 2015 and 30 June 2016 respectively.

The credit risk on bank balances is minimal because the counterparties are banks with high credit-rating.

Interest rate risk

The XDB Target Company is exposed to cash flow interest rate risk in relation to its variable-rate deposits and bank and other borrowings which carry prevailing market interest rates.

The XDB Target Company currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. The sensitivity analysis below have been determined based on the exposure to interest rates for variable interest rate variable-rate deposits, long-term loans receivable and bank borrowings. The analysis is prepared assuming the variable-interest rate deposits, long-term loans receivable and bank loans outstanding at the reporting date were outstanding for the whole year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

At 30 June 2016, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the XDB Target Company's profit before tax would decrease/increase by approximately RMB453,000.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The XDB Target Company's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term.

The remaining contractual maturities at the end of each reporting period of the XDB Target Company's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date of the XDB Target Company can be required to pay are within one year or one demand.

As at 31 December 2015 and 30 June 2016, the XDB Target Company's financial liabilities have contractual maturities which are summarised below:

	Carrying amount *RMB'000*	Total contractual undiscounted cash flows *RMB'000*	Within one year or on demand *RMB'000*
At 31 December 2015			
Trade payables	5,092	5,092	5,092
Other payables and accruals	105,021	105,021	105,021
	110,113	**110,113**	**110,113**
At 30 June 2016			
Trade payables	8,580	8,580	8,580
Other payables and accruals	104,484	104,484	104,484
Bank and other borrowings	45,316	45,859	45,859
	158,380	**158,923**	**158,923**

(b) Fair value measurement

The director of the XDB Target Company consider that the fair values of each class of the financial assets and financial liabilities at the end of each reporting period approximate to their carrying amounts.

25. CAPITAL COMMITMENT

The XDB Target Company has following capital commitment at the end of each reporting period.

	As at 31 December 2015 *RMB'000*	As at 30 June 2016 *RMB'000*
Contracted, but not provide for:		
Property, plant and equipment	211	173

26. MATERIAL RELATED PARTY TRANSACTIONS

(a) During the Relevant Periods, the XDB Target Company has the following significant transactions with related parties:

	Period from 24 April 2015 to 31 December 2015	**Period from 24 April 2015 to 30 June 2015**	**Six months ended 30 June 2016**
	RMB'000	*RMB'000* (Unaudited)	*RMB'000*
Sales of motor vehicles	999	—	6,506
Sales of auto parts	8	—	118
Purchases of motor vehicles	1,102	—	20,407
Purchases of auto parts	—	—	222

The sale/purchases of goods to/from related parties were made at prices and conditions with reference to those offered to major customers/suppliers of the XDB Target Company.

(b) Outstanding balances with related parties

Other than balance with related parties as disclosed in Notes 15, 18 and 19 to the Financial Information, the XDB Target Company had no other outstanding balances with related parties.

27. CONTINGENT LIABILITIES

As at 30 June 2016, the XDB Target Company has no significant contingent liabilities.

III. SUBSEQUENT EVENTS

There are no significant events after the Relevant Periods.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the XDB Target Company in respect of any period subsequent to 30 June 2016 up to the date of this report.

Yours faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Yip Kai Yin
Practising Certification Number: P05131

The information set out in this appendix does not form part of the accountants' reports prepared by the reporting accountants, Elite Partners CPA Limited, Certified Public Accountants, set out in Appendices II, III and IV "Accountants' Report of QZ Fubao", "Accountants' Report of LY Zhongbao" and "Accountants' Report of FJ Xingdebao" to this circular, respectively, and are included to herein for information only.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

The accompanying unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of G.A. Holding Limited (the "**Company**") and its subsidiaries (hereafter collectively referred to as the "**Group**"), 泉州福寶汽車銷售服務有限公司 ("**QZ Fubao**"), 龍岩中寶汽車有限公司 ("**LY Zhongbao**") and 福建星德寶汽車銷售服務有限公司 ("**FJ Xingdebao**") (hereafter collectively referred to as "**Enlarged Group**") has been prepared by the directors of the Company (the "**Directors**") in accordance with Rule 7.31 of The Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") for the purpose of illustrating the effect of the proposed acquisitions of the entire equity interest of QZ Fubao, the entire equity interest of LY Zhongbao and the entire equity interest of FJ Xingdebao (the "**Acquisitions**").

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared as if the Acquisitions have been completed (the "**Completion**") on 30 June 2016 for unaudited pro forma consolidated statement of financial position, on 1 January 2015 for unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group have been prepared based on: (i) the unaudited condensed consolidated statement of financial position of the Group for the six months ended 30 June 2016, which extracted from the published interim report of the Company for the six months ended 30 June 2016 dated 10 August 2016; the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for year ended 31 December 2015, which extracted from the published annual report of the Company for the year ended 31 December 2015 dated 24 March 2016; (ii) the audited statement of financial position as at 30 June 2016, the audit statement of profit or loss and other comprehensive income and the audited statement of cash flows for the year ended 31 December 2015 of each of QZ Fubao, LY Zhongbao and FJ Xingdebao, which have been extracted from the accountants' reports as set out in Appendices II, III and IV, respectively, to this Circular, and adjusted on a pro forma basis to reflect the effect of the Acquisitions as explained in the accompanying notes that are directly attributable to the Acquisitions and not relating to future events or decisions, and are factually supportable.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates, uncertainties, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to describe the actual results of operations, financial position or cash flows of the Enlarged Group that would have been attained had the Acquisitions been completed on the dated indicated herein. Furthermore, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the future results of operations, financial position or cash flows of the Enlarged Group.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in the published interim report of the Company for the six months ended 30 June 2016, the published annual report of the Company for the year ended 31 December 2015, the accountants' report of each of QZ Fubao, LY Zhongbao and FJ Xingdebao as set out in Appendices II, III and IV, respectively, to this Circular, the Company's announcement dated 23 August 2016 and other financial information included elsewhere in this Circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

As at 30 June 2016

		The Target Companies							
	The Group	QZ Fubao	LY Zhongbao	FJ Xingdebao	Total	Total	Pro forma adjustments		Enlarged Group
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(note 1)	*(note 2)*	*(note 2)*	*(note 2)*		*(note 2)*		*Notes*	
Non-current assets									
Property, plant and equipment	96,494	38,256	22,621	91,459	152,336	178,233	(1,761)	*3(a)*	272,966
Leasehold lands	4,077	14,559	8,910	19,317	42,786	50,060	21,310	*3(a)*	75,447
Prepaid rental expenses	30,353	—	—	—	—	—			30,353
Intangible assets	—	—	—	—	—	—	25,740	*3(a)*	25,740
Deferred tax asset	—	—	—	—	—	—	1,232	*3(a)*	1,232
Goodwill	—	—	—	—	—	—	915	*3(a)*	915
Total non-current assets	130,924	52,815	31,531	110,776	195,122	228,293			406,653
Current assets									
Inventories	78,449	123,493	31,478	38,438	193,409	226,289			304,738
Trade receivables	150,313	89,297	71,327	2,666	163,290	191,049	(15,865)	*3(d)*	325,497
Prepayment, deposit and other receivables	330,570	287,137	7,276	8,573	302,986	354,494	(36,727)	*3(c)*	591,841
							(56,496)	*3(d)*	
Tax recoverable	—	—	923	—	923	1,080			1,080
Pledged deposits	23,102	39,043	3,680	3,200	45,923	53,730			76,832
Cash and cash equivalents	60,328	23,253	2,430	2,824	28,507	33,353			93,681
Total current assets	642,762	562,223	117,114	55,701	735,038	859,995			1,393,669
Current liabilities									
Trade payables	48,426	197,019	4,294	8,580	209,893	245,575	(8,223)	*3(d)*	285,778
Accruals and other payables	50,013	145,009	76,788	105,725	327,522	383,201	(64,152)	*3(d)*	373,862
							4,800	*3(e)*	
Borrowings	91,454	161,409	34,152	45,316	240,877	281,826	155,140	*3(a)*	528,420
Amounts due to related companies	287	—	—	—	—	—			287
Amounts due to directors	26,359	—	—	—	—	—			26,359
Tax payables	10,436	19,682	—	—	19,682	23,028			33,464
Total current liabilities	226,975	523,119	115,234	159,621	797,974	933,630			1,248,170

	The Group	The Target Companies					Pro forma adjustments	Notes	Enlarged Group
		QZ Fubao	LY Zhongbao	FJ Xingdebao	Total	Total			
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(note 1)	*(note 2)*	*(note 2)*	*(note 2)*		*(note 2)*			
Net current assets/(liabilities)	415,787	39,104	1,880	(103,920)	(62,936)	(73,635)			145,499
Total assets less current liabilities	546,711	91,919	33,411	6,856	132,186	154,658			552,152
Non-current liabilities									
Borrowings	4,841	—	—	—	—	—			4,841
Deferred tax liabilities	5,271	—	—	—	—	—	12,554	*3(a)*	17,825
Total non-current liabilities	10,112	—	—	—	—	—			22,666
Net assets	536,599	91,919	33,411	6,856	132,186	154,658			529,486
EQUITY									
Equity attributable to owners of the Company									
Share capital/paid in capital	47,630	50,000	30,000	10,000	90,000	105,300	(105,300)	*3(c)*	47,630
Reserves	479,464	41,919	3,411	(3,144)	42,186	49,358	(2,327)	*3(a)*	472,351
							(49,358)	*3(c)*	
							14	*3(d)*	
							(4,800)	*3(e)*	
	527,094	91,919	33,411	6,856	132,186	154,658			519,981
Non-controlling interests	9,505	—	—	—	—	—			9,505
Total equity	536,599	91,919	33,411	6,856	132,186	154,658			529,486

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP

For the year/period ended 31 December 2015

		The Target Companies							
	The Group	QZ Fubao	LY Zhongbao	FJ Xingdebao	Total	Total	Pro forma adjustments		Enlarged Group
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(note 1)	*(note 2)*	*(note 2)*	*(note 2)*		*(note 2)*		*Notes*	
Revenue	495,526	919,263	220,583	4,526	1,144,372	1,422,454	(19,112)	*3(d)*	1,898,868
Other income	103,361	17,572	4,433	77	22,082	27,448			130,809
Change in inventories	(14,348)	(46,374)	(17,622)	2,875	(61,121)	(75,973)			(90,321)
Auto parts and accessories, and motor vehicles purchased	(274,872)	(790,541)	(184,233)	(7,510)	(982,284)	(1,220,979)	15,938	*3(d)*	(1,479,913)
Employee benefit expenses	(59,306)	(25,989)	(7,441)	(238)	(33,668)	(41,849)			(101,155)
Depreciation and amortization	(25,040)	(5,494)	(2,801)	(99)	(8,394)	(10,434)	(3,210)	*3(b)*	(38,684)
Operating lease charges	(19,710)	(1,561)	—	—	(1,561)	(1,940)			(21,650)
Exchange differences, net	(7,913)	—	—	—	—	—			(7,913)
Impairment loss on goodwill	(3,750)	—	—	—	—	—			(3,750)
Other expenses	(74,821)	(23,526)	(4,388)	(996)	(28,910)	(35,936)	(2,327)	*3(a)*	(114,710)
							3,174	*3(d)*	
							(4,800)	*3(e)*	
Profit/(loss) from operations	119,127	43,350	8,531	(1,365)	50,516	62,791			171,581
Finance costs	(8,162)	(17,408)	(5,617)	—	(23,025)	(28,620)	(6,981)	*3(a)*	(43,763)
Profit/(loss) before income tax	110,965	25,942	2,914	(1,365)	27,491	34,171			127,818
Income tax expense	(25,953)	(7,094)	(977)	—	(8,091)	(10,057)	1,415	*3(b)*	(34,595)
Profit/(loss) for the year/period	85,012	18,848	1,917	(1,365)	19,400	24,114			93,223

		The Target Companies							
	The Group	QZ Fubao	LY Zhongbao	FJ Xingdebao	Total	Total	Pro forma adjustments		Enlarged Group
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(note 1)	*(note 2)*	*(note 2)*	*(note 2)*		*(note 2)*		*Notes*	
Other comprehensive income									
Item that may be reclassified subsequently to profit or loss:									
Exchange differences arising from translation of foreign operations	(39,310)	—	—	—	—	(951)			(40,261)
Reclassification adjustment for exchange differences on disposal of subsidiaries	(836)	—	—	—	—	—			(836)
Other comprehensive income	(40,146)	—	—	—	—	(951)			(41,097)
Total comprehensive income	44,866	18,848	1,917	(1,365)	19,400	23,163			52,126
Profit/(loss) for the year/period attributable to:									
Owners of the Company	96,008	18,848	1,917	(1,365)	19,400	24,114			104,219
Non-controlling interests	(10,996)	—	—	—	—	—			(10,996)
	85,012	18,848	1,917	(1,365)	19,400	24,114			93,223
Total comprehensive income/(expense) for the year/period attributable to:									
Owners of the Company	57,035	18,848	1,917	(1,365)	19,400	23,163			64,295
Non-controlling interests	(12,169)	—	—	—	—	—			(12,169)
	44,866	18,848	1,917	(1,365)	19,400	23,163			52,126

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

For the year/period ended 31 December 2015

		The Target Companies							
	The Group	QZ Fubao	LY Zhongbao	FJ Xingdebao	Total	Total	Pro forma adjustments		Enlarged Group
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(note 1)	*(note 2)*	*(note 2)*	*(note 2)*		*(note 2)*		*Notes*	
CASH FLOWS FROM OPERATING ACTIVITIES									
Profit before income tax	110,965	25,942	2,914	(1,365)	27,491	34,171	(9,308)	*3(a)*	127,818
							(3,210)	*3(b)*	
							(4,800)	*3(e)*	
Adjustments for:									
Finance costs	8,162	17,408	5,617	—	23,025	28,620	6,981	*3(a)*	43,763
Interest income	(724)	(1,185)	(279)	(1)	(1,465)	(1,821)			(2,545)
Gain on disposal of property, plant and equipment	(2,747)	(696)	(35)	—	(731)	(909)			(3,656)
Depreciation of property, plant and equipment	24,081	5,084	2,599	99	7,782	9,673	170	*3(b)*	33,924
Amortisation of intangible asset	—	—	—	—	—	—	2,451	*3(b)*	2,451
Amortisation of prepaid rental expenses	863	—	—	—	—	—			863
Amortisation of prepaid operating land lease payments	96	410	202	—	612	761	589	*3(b)*	1,446
Amortisation of financial guarantee contracts	—	(626)	—	—	(626)	(778)			(778)
Reversal of impairment loss on trade receivables	(84)	—	—	—	—	—			(84)
Impairment loss on inventories	1,864	—	—	—	—	—			1,864
Impairment loss on goodwill	3,750	—	—	—	—	—			3,750
Waiver of interest payable	(45,626)	—	—	—	—	—			(45,626)
Gain on disposal of subsidiaries	(2,667)	—	—	—	—	—			(2,667)
Operating profit/(loss) before working capital changes	97,933	46,337	11,018	(1,267)	56,088	69,717			160,523
Decrease/(increase) in inventories	5,765	46,374	17,622	(2,875)	61,121	75,973			81,738
Decrease/(increase) in trade receivables	8,449	(12,163)	10,125	(1,549)	(3,587)	(4,459)	(26,021)	*3(d)*	(22,031)
Increase in prepayments, deposits and other receivables	(24,424)	(16,917)	(1,800)	(2,303)	(21,020)	(26,128)	149,160	*3(a)*	142,841
							44,233	*3(d)*	
Increase/(decrease) in trade and bill payables	21,242	(96,564)	(2,695)	5,092	(94,167)	(117,050)	26,021	*3(d)*	(69,787)
(Decrease)/increase accruals and other payables	(24,049)	12,522	8,009	241	20,772	25,820	(44,233)	*3(d)*	(42,462)
Cash generated from operations	84,916	(20,411)	42,279	(2,661)	19,207	23,873			250,822

		The Target Companies							
	The Group	QZ Fubao	LY Zhongbao	FJ Xingdebao	Total	Total	Pro forma adjustments		Enlarged Group
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(note 1)	*(note 2)*	*(note 2)*	*(note 2)*		*(note 2)*		*Notes*	
Interest received	724	1,185	279	1	1,465	1,821			2,545
Interest paid for bank and other borrowings	(6,888)	(17,408)	(5,617)	—	(23,025)	(28,620)	(6,981)	*3(a)*	(42,489)
Interest element of finance lease rental payments paid	(1,274)	—	—	—	—	—			(1,274)
Income tax paid	(18,188)	(1,733)	(1,031)	—	(2,764)	(3,436)			(21,624)
Income tax refund	859	—	—	—	—	—			859
Net cash from/(used in) operating activities	60,149	(38,367)	35,610	(2,660)	(5,117)	(6,362)			188,839
CASH FLOWS FROM INVESTING ACTIVITIES									
Proceeds from disposal of property, plant and equipment	3,870	6,650	913	—	7,563	9,401			13,271
Increase in pledged deposits	(4,405)	(153,695)	(17,363)	—	(171,058)	(212,625)			(217,030)
Withdrawal of pledged deposit	—	186,344	19,584	—	205,928	255,969			255,969
Purchase of property, plant and equipment	(7,444)	(7,926)	(2,837)	(4,161)	(14,924)	(18,551)			(25,995)
Net cash outflow from acquisition of subsidiaries	—	—	—	—	—	—	(79,731)	*3(a)*	(79,731)
Net cash (used in)/generated from investing activities	(7,979)	31,373	297	(4,161)	27,509	34,194			(53,516)
CASH FLOWS FROM FINANCING ACTIVITIES									
Capital injection	—	—	—	10,000	10,000	12,430			12,430
New bank and other loans	247,965	474,148	142,847	—	616,995	766,925	155,140	*3(a)*	1,170,030
Repayment of borrowings	(222,442)	(501,117)	(184,600)	—	(685,717)	(852,346)	(155,140)	*3(a)*	(1,229,928)
Capital element of finance lease rental payments	(17,477)	—	—	—	—	—			(17,477)
Net movement in balance with directors	823	—	—	—	—	—			823
Net cash from/(used in) financing activities	8,869	(26,969)	(41,753)	10,000	(58,722)	(72,991)			(64,122)

		The Target Companies							
	The Group	QZ Fubao	LY Zhongbao	FJ Xingdebao	Total	Total	Pro forma adjustments		Enlarged Group
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(note 1)	*(note 2)*	*(note 2)*	*(note 2)*		*(note 2)*		*Notes*	
Net increase/(decrease) in cash and cash equivalents	61,039	(33,963)	(5,546)	3,179	(36,330)	(45,159)			71,201
Translation adjustments	(8,898)	—	—	—	—	(1,247)			(10,145)
Cash and cash equivalents at the beginning of the year/period	34,272	55,512	6,283	—	61,795	76,811	(76,811)	*3(a)*	34,272
Cash and cash equivalents at the end of the year/period	86,413	21,549	737	3,179	25,465	30,405			95,328
Analysis of balances of cash and cash equivalents									
Cash and bank balances	86,413	21,549	737	3,179	25,465	30,405	(16,690)	*3(a)*	95,328
							(4,800)	*3(e)*	

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Notes:

1. The unaudited condensed consolidated statement of financial position of the Group as at 30 June 2016 was extracted from the published interim report of the Company for the six months ended 30 June 2016 dated 10 August 2016. The audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows for the year ended 31 December 2015 were extracted from the published annual report of the Company for the year ended 31 December 2015 dated 24 March 2016.

2. The audited statement of financial position of each of QZ Fubao, LY Zhongbao and FJ Xingdebao were extracted from the accountants' reports as set out in Appendices II, III and IV, respectively, to this Circular, and were translated at Hong Kong dollars at the exchange rate of RMB100=HK$117.0.

   The audited statement of profit or loss and other comprehensive income and consolidated statement of cash flows of each of QZ Fubao, LY Zhongbao and FJ Xingdebao were extracted from the accountants' reports as set out in Appendices II, III and IV, respectively, to this Circular, and were translated at Hong Kong dollars at the exchange rate of RMB100=HK$124.3.

3(a) Under Hong Kong Financial Reporting Standard 3 (Revised) Business Combinations issued by Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), the Group will apply the purchase method to account for the acquisition of QZ Fubao, LY Zhongbao and FJ Xingdebao (collectively, the "**Target Companies**") in the consolidated financial statements of the Group. This adjustment is expected to have a continuing effect on the Enlarged Group.

The goodwill arising from the Acquisitions is calculation as follows:

	Notes	*HK$'000*
Consideration for the Acquisitions:	*(i)*	189,540
Less: Pro forma fair value of the net assets of the Target Companies as at 30 June 2016	*(ii)*	(154,658)
Less: Fair value adjustment (approximately RMB29,032,000)	*(iii)*	(33,967)
Goodwill arising from the Acquisitions (the "**Goodwill**")	*(iv)*	915

Analysis of the net cash outflow in respect of the Acquisitions assuming the completion of the Acquisitions as at 1 January 2015:

	HK$'000
Cash payment (equivalent to US$20,000,000 less upfront fee)	152,813
Deposit paid (equivalent to RMB3,000,000)	3,729
Less: Cash and cash equivalents of the Target Companies as at 1 January 2015	(76,811)
Net cash outflow	79,731

Notes:

(i) In accordance with the Sale and Purchase Agreement (as defined in this Circular), the consideration for the Acquisition (as defined in this Circular is RMB162,000,000 (equivalent to approximately HK$189,540,000), the consideration will be satisfied in cash by internal resources of the Group and financing from financial institutions.

The Company has arranged a bank loan of US$20,000,000 (equivalent to approximately HK$155,140,000) to be drawn by the end of December 2016. The loan would be unsecured with an interest rate 9% per annum and it will be repaid within 6 months.

Upfront fee of approximately HK$2,327,000 will be paid and charged as other expenses on date of drawdown.

The guarantor — Mr. Zhao Guiming has agreed to procure Zhong Bao Group to settle the amount due to the Group in the sum of not less than RMB120,000,000 on or before 30 April 2017.

(ii) For the illustrative purpose of this Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors had assumed that the fair values of the assets and liabilities of the Target Companies to be their respective carrying values at the date of Completion. In the opinion of the Directors, the Target Companies' fair values of the assets and liabilities being acquired are subject to changes upon completion of the Acquisitions because the fair values of the assets and liabilities being acquired shall be assessed on the date of the Completion. The possible changes to fair values of the assets and liabilities of the Target Companies being acquired were not reflected in the Unaudited Pro Forma Financial Information of the Enlarged Group, and accordingly, the goodwill so calculated, if any, may be materially different from that in the calculation above.

(iii) For the purpose of preparing this Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors had assessed whether there is material fair value adjustment of the assets and liabilities being acquired based on their knowledge of the business of the Target Companies as well as assistance from an independent professional valuer — Roma Appraisals Limited. Based on the currently available information, the fair values of the identifiable assets and liabilities of the Target Companies are as follows:

	Carrying amount *RMB'000*	**Fair value adjustment** *RMB'000*	**Fair value** *RMB'000*	**Fair value** *HK$'000*
Property, plant and equipment	152,336	(1,505)	150,831	176,472
Leasehold lands	42,786	18,214	61,000	71,370
Intangible assets	—	22,000	22,000	25,740
Other assets and liabilities	(62,936)	—	(62,936)	(73,635)
Deferred tax assets	—	1,053	1,053	1,232
Deferred tax liabilities	—	(10,730)	(10,730)	(12,554)
Net assets	132,186	29,032	161,218	188,625

The detail of fair value adjustment of building and leasehold lands are as follow:

	Carrying amount		Fair value		Fair value adjustment	
	Building	Leasehold lands	Building	Leasehold lands	Building	Leasehold lands
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
QZ Fubao	28,604	14,559	31,100	17,800	2,496	3,241
LY Zhongbao	17,205	8,910	18,600	22,700	1,395	13,790
FJ Xingdebao	66,896	19,317	61,500	20,500	(5,396)	1,183
Total	112,705	42,786	111,200	61,000	(1,505)	18,214

Intangible assets acquired in a business combination represent the dealership relationship with an estimated useful life of ten years and recognised separately from goodwill are initially recognised at their fair value at the completion date. Subsequent to initial recognition, intangible assets acquired in a business combination with definite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

In addition, it is also assumed that the fair values of all other assets and liabilities of the Target Companies approximate their respective carrying value at the completion date. The fair values of the assets and liabilities being acquired, including the intangible asset, may be subject to change after further assessment by the Directors at the completion date.

(iv) According to the Group's accounting policy, after initial recognition, the Goodwill will be measured at cost less any accumulated impairment losses. The Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, the Goodwill is, from the acquisition date, allocated to one of the Group's cash generating units ("**CGU**"), or groups of CGU, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are for assigned to those units or groups of units.

In the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors had performed an impairment assessment of the goodwill and intangible assets in accordance with HKAS 36 Impairment of Assets ("**HKAS 36**"). An impairment loss is recognised when the carrying amount of an asset or a CGU exceeds its recoverable amount.

The Directors, based on the Target Companies' value-in-use calculation, conclude that there is no impairment of Goodwill and intangible assets arising from the Acquisitions. The value-in-use calculation of the Target Companies is determined using the cash flow projections based on the most recent financial budget for the next five years approved by the Directors and based on the assumption that sizes of the operations remain constant perpetually.

Based on the impairment test, the recoverable amount of the CGU in which the Target Companies was assigned exceeds its carrying amount and accordingly, no pro forma adjustment in respect of goodwill and intangible assets impairment is made by the Directors in the Unaudited Pro Forma Financial Information for the Enlarged Group. However, should there be any adverse charges in the business of the Target Companies, including but not limited to, any subsequent adverse changes in the operations, impairment may be required to be recognised against the Goodwill and intangible assets in accordance with HKAS 36 and the Group's accounting policy.

The Directors confirmed that they will apply consistent accounting policies, principal assumptions and valuation method to assess impairment of the Goodwill and intangible assets in subsequent reporting periods in accordance with the requirement of HKAS 36.

3(b) The adjustment represents additional depreciation of property, plant and equipment, additional amortisation of leasehold lands and additional amortisation of intangible assets and related deferred tax impact as a consequence of the recognition of fair value adjustment of property, plant and equipment, leasehold lands and intangible asset in Note 3(a) above. This adjustment is expected to have continuing effect on the Enlarged Group.

3(c) This adjustment represents the elimination of paid-up capital of the Target Companies with aggregate amount of RMB90,000,000 (equivalent to approximately HK$105,300,000) and pre-acquisition reserves of the Target Companies with an aggregate amount of RMB42,186,000 (equivalent to approximately HK$49,358,000). This adjustment is expected to have a continuing effect on the Enlarged Group.

3(d) This adjustment is to reflect the elimination of inter-group balances thereon upon completion of the Acquisitions. The adjustment is expected to have a continuing effect on the Enlarged Group.

3(e) The direct expenses of audit, legal and other professional services related to the Acquisitions and for the purpose of the preparation of this Circular are estimated to be approximately HK$4,800,000. The adjustment is not expected to have a continuing effect on the Enlarged Group.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants of the Company, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong.

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

10th Floor,
8 Observatory Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

26 October 2016

The Broad of Directors
G. A. Holdings Limited
Unit 1203, 12th Floor,
Eton Tower,
No. 8 Hysan Road,
Causeway Bay, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of G.A. Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2016, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2015, and related notes as set out on pages V-1 to V-13 of the Circular dated 26 October 2016 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed acquisitions (the "**Acquisitions**") of the entire equity interest of 泉州福寶汽車銷售服務有限公司, the entire equity interest of 龍岩中寶汽車有限公司 and the entire equity interest of 福建星德寶汽車銷售服務有限公司 (hereafter collectively referred to as "**Target Companies**") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages V-1 to V-13 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisitions on the Group's financial position as on 30 June 2016 as if the Acquisitions had taken place at 30 June 2016, and the Group's financial performance and cash flows for the year ended 31 December 2015 as the Acquisitions had taken place on 1 January 2015. As part of this process, information about the Group's financial position has been extracted from the published interim report of the Company for the six months ended 30 June 2016 dated 10 August 2016; information about the Group's financial performance and cash flows has been extracted from the published annual report of the Company for the year ended 31 December 2015 dated 24 March 2016. Information about the Target Companies' financial position as at 30 June 2016, financial performance and cash flows for the year ended 31 December 2015 has been extracted from the accountants' reports as set out in Appendices II, III and IV, respectively, to this Circular.

DIRECTORS' RESPONSIBILITIES FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisitions on unadjusted financial information of the Group as if the Acquisitions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisitions would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transactions, and to obtain sufficient appropriate evidence about whether:

— The related unaudited pro forma adjustments give appropriate effect to those criteria; and

— The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transactions in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Yip Kai Yin
Practising Certificate Number: P05131
Hong Kong

Set out below is the management discussion and analysis of QZ Fubao for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016. The following financial information is based on the financial information of QZ Fubao as set out in Appendix II to this circular.

The financial year begins from 1 January and ends on 31 December. All references to "FY2013", "FY2014" and "FY2015" mean the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015 respectively.

Financial performance

The table sets out below the key financial information of QZ Fubao for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016:

	FY2013	**FY2014**	**FY2015**	**Six months ended 30 June 2015**	**Six months ended 30 June 2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue					
— Sales of motor vehicles	892,380	951,984	780,032	410,221	308,797
— After sales services	103,299	131,731	139,231	68,820	72,964
Total	995,679	1,083,715	919,263	479,041	381,761
Cost of sales and services					
— Sales of motor vehicles	(826,293)	(943,571)	(769,066)	(398,096)	(303,343)
— After sales services	(60,373)	(66,045)	(67,849)	(38,159)	(34,564)
Total	(886,666)	(1,009,616)	(836,915)	(436,255)	(337,907)
Gross profit					
— Sales of motor vehicles	66,087	8,413	10,966	12,125	5,454
— After sales services	42,926	65,686	71,382	30,661	38,400
Total	109,013	74,099	82,348	42,786	43,854
Profit before income tax	45,024	5,086	25,942	17,038	10,491

Revenue

Revenue increased by approximately RMB88.0 million or 8.8%, from approximately RMB995.7 million for FY2013 to approximately RMB1,083.7 million for FY2014 which was mainly due to increase in revenue from sales of motor vehicles and after sales services for the same period in 2014. Revenue decreased by approximately RMB164.4 million or 15.2%, from approximately RMB1,083.7 million for FY2014 to approximately RMB919.3 million for FY2015 which was mainly due to decrease in revenue from sales of motor vehicles partially offset by the increase in revenue from after sales services for the same period in 2015. Revenue decreased from approximately RMB479.0 million for the six months ended 30 June 2015 to approximately RMB381.8 million for the six months ended 30 June 2016, as a result of decrease in revenue from sales of motor vehicles partially offset by the increase in revenue from after sales services for the same period in 2016.

For FY2013, FY2014 and FY2015 and the six months ended 30 June 2015 and 2016, QZ Fubao had two reportable segments, including (i) the sales of motor vehicles and (ii) servicing of motor vehicles and sales of auto parts ("**after sales services**").

Revenue from sales of motor vehicles increased by approximately RMB59.6 million or 6.7%, from approximately RMB892.4 million for FY2013 to approximately RMB952.0 million for FY2014 which was mainly due to increase in sales volume, particularly BMW 3 series and X series. Revenue from sales of motor vehicles decreased by approximately RMB172.0 million or 18.1%, from approximately RMB952.0 million for FY2014 to approximately RMB780.0 million for FY2015 which was mainly due to decrease in sales volume by approximately 300 units, particularly BMW 5 series and X series for the same period in 2015. Revenue from sales of motor vehicles decreased by approximately RMB101.4 million or 24.7%, from approximately RMB410.2 million for the six months ended 30 June 2015 to approximately RMB308.8 million for the six months ended 30 June 2016, as a result of decrease in sales volume by approximately 200 units, particularly BMW 5 series and 7 series for the same period in 2016.

Revenue from after sales services increased by approximately RMB28.4 million or 27.5%, from approximately RMB103.3 million for FY2013 to approximately RMB131.7 million for FY2014 which was mainly due to increase in revenue from the motor vehicle repairment services and automobile detailing services for the same period in 2014. Revenue from after sales services increased by approximately RMB7.5 million or 5.7%, from approximately RMB131.7 million for FY2014 to approximately RMB139.2 million for FY2015 which was mainly due to increase in revenue from automobile detailing services and sales of auto parts for the same period in 2015. Revenue from after sales services increased by approximately RMB4.2 million or 6.1%, from approximately RMB68.8 million for the six months ended 30 June 2015 to approximately RMB73.0 million for the six months ended 30 June 2016, as a result of increase in revenue from automobile detailing services and sales of auto parts, particularly, the recurring customers of sales of premium brand motor vehicles that QZ Fubao sold in prior years.

Cost of sales and services

Cost of sales and services comprises (i) changes in inventories, and (ii) auto parts and accessories used, the motor vehicles purchased for the year/period.

Cost of sales and services increased by approximately RMB122.9 million or 13.9%, from approximately RMB886.7 million for FY2013 to approximately RMB1,009.6 million for FY2014, resulting from increase in unit purchase price and the number of motor vehicles being sold which was in line with the increase in revenue for the same period in 2014. Cost of sales and services decreased by approximately RMB172.7 million or 17.1%, from approximately RMB1,009.6 million for FY2014 to approximately RMB836.9 million for FY2015. Such decrease was in line with the decrease in revenue for the same period in 2015. Cost of sales and services decreased by approximately RMB98.4 million or 22.6%, from approximately RMB436.3 million for the six months ended 30 June 2015 to approximately RMB337.9 million for the six months ended 30 June 2016, which was generally in line with the decrease in revenue for the same period in 2015.

Gross profit and gross profit margin

For FY2013, FY2014, FY2015 and the six months ended 30 June 2015 and 2016, the overall gross profit was approximately RMB109.0 million, RMB74.1 million, RMB82.3 million, RMB42.8 million and RMB43.9 million respectively, while the overall gross profit margin was approximately 10.9%, 6.8%, 9.0%, 8.9% and 11.5% for the same periods respectively.

The decrease in gross profit margin from approximately 10.9% for FY2013 to approximately 6.8% for FY2014 was mainly due to increase in sales of motor vehicles which yields relatively lower profit. Increase in gross profit margin from approximately 6.8% for FY2014 to approximately 9.0% for FY2015 was mainly due to the increases in revenue from after sales services given that the sales of after sales services had much higher gross profit margin than sales of motor vehicles in all periods. Increase in gross profit margin from approximately 8.9% for six months ended 30 June 2015 to approximately 11.5% for the six months ended 30 June 2016 was mainly due to the increases in revenue from after sales services given that the sales of after sales services had much higher gross profit margin than sales of motor vehicles in all periods.

The gross profit margin from sales of motor vehicles was approximately 7.4%, 0.9%, 1.4%, 3.0% and 1.8% for FY2013, FY2014, FY2015 and the six months ended 30 June 2015 and 2016 respectively. The gross profit margin from sales of motor vehicles decreased from approximately 7.4% for FY2013 to approximately 0.9% for FY2014, which was mainly due to increase in unit purchase price and decrease in sales rebate from suppliers. The gross profit margin from sales of motor vehicles was increased from approximately 0.9% for FY2014 to approximately 1.4% for FY2015 was mainly due to the increase in sales rebate received from the automobile suppliers as the sales and marketing targets achieved in the same period in 2015. The gross profit margin from sales of motor vehicles was decreased from approximately

3.0% for the six months ended 30 June 2015 to approximately 1.8% for the six months ended 30 June 2016 was mainly due to more discount offered to customers that lower the gross profit captured per unit of motor vehicles.

The gross profit margin from after sales services was approximately 41.6%, 49.9%, 51.3%, 44.6% and 52.6% for FY2013, FY2014, FY2015 and the six months ended 30 June 2015 and 2016 respectively. Increase in gross profit margin from after sales services from approximately 41.6% for FY2013 to approximately 49.9% for FY2014 was mainly due to increase in revenue from automobile detailing services which has a relatively higher gross profit margin than gross profit margin of other after sales services for the same period in 2014. The increase in gross profit margin from after sales services from approximately 49.9% for FY2014 to approximately 51.3% for FY2015 was mainly due to increase in revenue from automobile detailing services which has a relatively higher gross profit margin than gross profit margin of other after sales services for the same period in 2015. The increase in gross profit margin from after sales services from approximately 44.6% for the six months ended 30 June 2015 to approximately 52.6% for the six months ended 30 June 2016 was mainly due to increase in revenue from automobile detailing services which has a relatively higher gross profit margin than other after sales services.

Other income

Other income mainly represents advertisement support received from motor vehicles suppliers and consulting service income, amounted to approximately RMB13.7 million, RMB13.0 million, RMB17.6 million, RMB9.9 million and RMB6.3 million for FY2013, FY2014, FY2015 and the six months ended 30 June 2015 and 2016 respectively.

The decrease in other income from approximately RMB13.7 million for FY2013 to approximately RMB13.0 million for FY2014 was mainly due to decrease in advertisement support received from motor vehicles manufactures for approximately RMB2.2 million resulting from fewer participation in designated promotional events. The increase in other income from approximately RMB13.0 million for FY2014 to approximately RMB17.6 million for FY2015 was mainly due to increase in commission income for approximately RMB4.4 million, which is led by the increased commission rate granted by insurance companies. The decrease in other income from approximately RMB9.9 million for six months ended 30 June 2015 to approximately RMB6.3 million for six months ended 30 June 2016 was mainly due to decrease in consulting service income for RMB3.9 million.

Administrative and other expense

Administrative and other expense mainly represents employee benefit expenses, depreciation and amortisation, operating lease charges and other expenses, amounted to approximately RMB53.5 million, RMB56.0 million, RMB56.6 million, RMB25.4 million and RMB32.8 million for FY2013, FY2014, FY2015 and the six months ended 30 June 2015 and 2016 respectively.

The increase in administrative and other expense from approximately RMB53.5 million for FY2013 to approximately RMB56.0 million for FY2014 was mainly due to increase in employee benefit expenses by approximately RMB2.7 million, which is led by increase in number of staff for about 30 person and increase in bonus and commission. Increase in administrative and other expense from approximately RMB56.0 million for FY2014 to approximately RMB56.6 million for FY2015 was mainly due to increase in employee benefit expenses by approximately RMB2.3 million, which is led by the increase in bonus and commission. The increase in administrative and other expense from approximately RMB25.4 million for six months ended 30 June 2015 to approximately RMB32.8 million for six months ended 30 June 2016 was mainly due to increase in other expenses RMB7.2 million resulting from the increase in promotion and marketing expense and the recognition of financial guarantee contracts.

Finance costs

Finance costs increased by RMB1.8 million or 7.4% from approximately RMB24.2 million for FY2013 to approximately RMB26.0 million for FY2014, resulting from the increase in borrowings made during FY2014. Finance costs decreased by RMB8.6 million or 33.0% from approximately RMB26.0 million for FY2014 to approximately RMB17.4 million for FY2015, resulting from the decrease in borrowings made during FY2015. Finance costs decreased by RMB3.5 million or 34.0% from approximately RMB10.3 million for the six months ended 30 June 2015 to approximately RMB6.8 million for the six months ended 30 June 2016, resulting from the decrease in borrowings made in six months ended 30 June 2016.

Income tax expense

The income tax expense mainly represented the PRC enterprise income tax based on the assessable profits in the PRC of QZ Fubao. The income tax expense was approximately RMB12.9 million, RMB2.1 million, RMB7.1 million, RMB4.9 million, and RMB4.1 million for FY2013, FY2014 and FY2015 and the six months ended 30 June 2015 and 2016 respectively. The effective income tax rates for FY2013, FY2014 and FY2015 and the six months ended 30 June 2015, and 2016 was approximately 28.6%, 41.1%, 27.3%, 28.7% and 39.2% respectively.

The effective income tax rate for FY2014 was significantly higher than the enacted tax rate applicable to QZ Fubao, mainly due to the recognition of financial guarantee which was not deductible for tax of approximately RMB0.8 million. The effective income tax rate for the six months ended 30 June 2016 was significantly higher than the enacted tax rate applicable to QZ Fubao, mainly due to the recognition of financial guarantee which was not deductible for tax of approximately RMB1.9 million. For further details of the income tax expense, please refer to note 10 of the Accountants' Report of QZ Fubao in Appendix II — Part 2 to this circular.

Profit for the year

For FY2013, FY2014, FY2015 and the six months ended 30 June 2015 and 2016, profit for the year was approximately RMB32.1 million, RMB3.0 million, RMB18.8 million, RMB12.2 million and RMB6.4 million respectively.

Decrease in profit for the year from FY2013 to FY2014 was mainly due to (i) decrease in gross profit for the year; (ii) increase in employee benefit expense by RMB2.7 million. The increase in profit for the year from FY2014 to FY2015 was mainly due to (i) increase in other income, primarily due to the increase in the commission income from insurance companies by approximately RMB4.4 million; (ii) increase in gross profit for the year; and (iii) decrease in finance cost by approximately RMB8.6 million for the same period in 2015. The decrease in profit before income tax from the six months ended 30 June 2015 to the six months ended 30 June 2016 was mainly due to (i) increase in promotion and marketing expense of approximately RMB1.1 million; (ii) recognition of financial guarantee of approximately RMB4.1 million; (iii) decrease in other income which was attributed from the income from consulting services by approximately RMB3.9 million; and (iv) decrease in finance cost by approximately RMB3.4 million for the same period in 2016.

Financial position

The non-current assets mainly comprised of property, plant and equipment, and leasehold land; while its current assets mainly comprised of inventories, trade receivables, prepayments and other receivables, pledged deposits, and cash and bank balances. The current liabilities mainly comprised of trade and bills payables, other payables, receipt in advance, bank and other borrowings and tax payables.

As at 31 December 2013

The non-current assets and current assets of QZ Fubao as at 31 December 2013 were approximately RMB65.7 million and RMB644.5 million, respectively.

The non-current liabilities and current liabilities of QZ Fubao as at 31 December 2013 were nil and RMB566.4 million, respectively.

As at 31 December 2013, QZ Fubao had net current assets of approximately RMB78.0 million.

As at 31 December 2014

The non-current assets and current assets of QZ Fubao as at 31 December 2014 were approximately RMB59.6 million and RMB696.2 million, respectively. The decrease in non-current assets as at 31 December 2014 when compared with that as at 31 December 2013 mainly due to the decreased in investment in subsidiary as a result of disposal of subsidiary, 泉州星德寶汽車銷售服務有限公司 ("**QZ Xingdebao**") for RMB5.1 million. The increase in current assets as at 31 December 2014 compared with that as at 31 December 2013 mainly due to increase in inventories by approximately RMB18 million and pledged deposits by approximately RMB23.6 million. The non-current liabilities and current liabilities of QZ

Fubao as at 31 December 2014 were nil and RMB609.0 million, respectively. The increase in current liabilities as at 31 December 2014 when compared with that as at 31 December 2013 mainly due to increase in trade and bills payables for approximately RMB82.1 million. As at 31 December 2014, QZ Fubao had net current assets of approximately RMB87.1 million. The increase in net current assets from approximately RMB78.0 million for FY2013 to approximately RMB87.1 million for FY2014 was primarily reflected the increases in inventories, trade receivables and trade and bills payable in FY2014.

As at 31 December 2015

The non-current assets and current assets of QZ Fubao as at 31 December 2015 were approximately RMB56.1 million and RMB612.2 million, respectively. The decrease in non-current when compared with that as at 31 December 2014 was mainly due to net effect on property, plant and equipment of addition of approximately RMB8.0 million, disposal of approximately RMB6.0 million, and depreciation for the year of approximately RMB5.0 million. The decrease in current assets as at 31 December 2015 when compared with that as at 31 December 2014 was mainly due to decrease in inventories for approximately RMB46.4 million and pledged deposits for approximately RMB32.6 million. The non-current liabilities and current liabilities of QZ Fubao as at 31 December 2015 were nil and RMB502.8 million, respectively. The decrease in current liabilities as at 31 December 2015 when compared with that as at 31 December 2014 mainly due to decrease in trade and bills payable for approximately RMB96.6 million and bank and other borrowings for approximately RMB27.0 million. As at 31 December 2015, QZ Fubao had net current assets of approximately RMB109.5 million. The increase in net current assets from approximately RMB87.1 million for FY2014 to approximately RMB109.5 million for FY2015 was primarily reflected the decrease in trade and bills payables and bank and other borrowings.

As at 30 June 2016

The non-current assets and current assets of QZ Fubao as at 30 June 2016 were approximately RMB52.8 million and RMB562.2 million, respectively. The decrease in non-current assets as at 30 June 2016 when compared with that as at 31 December 2015 was mainly due to depreciation on property, plant and equipment for RMB2.7 million. The decrease in current assets as at 30 June 2016 when compared with that as at 31 December 2015 was mainly due to decrease in trade receivables for RMB131.2 million resulting from the repayment from related party companies. The non-current liabilities and current liabilities of QZ Fubao as at 30 June 2016 were nil and RMB523.1 million, respectively. The increase in current liabilities as at 30 June 2016 when compared with that as at 31 December 2015 was mainly due to increase in trade and bills payables for approximately RMB44.2 million. As at 30 June 2016, QZ Fubao had net current assets of approximately RMB39.1 million. The decrease in net current assets from approximately RMB109.5 million for FY2015 to approximately RMB39.1 million for 30 June 2016 was mainly due to decrease in trade receivables.

Liquidity and financial resources

QZ Fubao recorded a net cash inflow of approximately RMB7.7 million for FY2013, contributed by amount received from bank and other borrowings, which was partially offset by repayment of bank and other borrowings and cash outflow from operating activities. For FY2014, QZ Fubao recorded a net cash inflow of approximately RMB3.2 million, contributed by cash inflows from operating activities and bank and other borrowings, which was partially offset by repayment of bank and other borrowings. For FY2015, QZ Fubao recorded a net cash outflow of approximately RMB34.0 million, contributed by net cash outflow from operating activities, which was partially offset by net cash inflow from investing activities. For the six months ended 30 June 2016, QZ Fubao recorded a net cash inflow of approximately RMB1.7 million, contributed by cash inflows from operating activities, which was partially offset by cash outflow from financing activities.

Bank and other borrowings

The bank and other borrowings of QZ Fubao as at 31 December 2013, 2014 and 2015 and 30 June 2016 are set out as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings				
Secured	32,000	13,607	13,600	13,600
Unsecured	216,944	189,500	142,500	122,500
Other borrowings	19,273	25,564	45,602	25,309
Total borrowings	268,217	228,671	201,702	161,409

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount repayable within one year	268,217	228,671	201,702	161,409

The amounts above due are based on scheduled repayment dates set out in the loan agreements.

Notes:

1. QZ Fubao's bank borrowings amounting to RMB32.0 million, RMB13.6 million, RMB13.6 million and RMB13.6 million at 31 December 2013, 2014 and 2015, and 30 June 2016 respectively were secured by the leasehold land under QZ Fubao. Other bank borrowings were unsecured and guaranteed by inter-group companies of QZ Target Company.

2. Bank and other borrowings as at 31 December 2013, 2014 and 2015 and 30 June 2016 were subject to variable-rate interest at RMB Benchmark Loan Rate offered by the People's Bank of China. The effective interest rates on QZ Fubao's bank borrowings ranged from 3% to 4.5% per annum in above Relevant Periods.

3. QZ Fubao's other borrowings were secured by deposits and inventories of motor vehicles which disclosed in the notes 16 and 19 of Accountant's Report of QZ Fubao with interest rate at 7.5% per annum. It was guaranteed by inter-group companies and a former director of the immediate holding company.

For details of the bank and other borrowings of QZ Fubao as at 31 December 2013, 2014 and 2015 and 30 June 2016, please refer to the note 22 of the Accountants' Report of QZ Fubao as set out in Appendix II — Part 2 to this circular.

Charges on QZ Fubao assets

Plant and machinery of approximately RMB7.0 million, RMB6.0 million and RMB4.9 million as at 31 December 2013, 2014 and 2015 respectively at carrying amount were pledged for bank borrowings of an inter-group company.

Leasehold land of approximately RMB15.6 million, RMB15.2 million, RMB14.8 million and RMB14.6 million as at 31 December 2013, 2014 and 2015 and 30 June 2016 respectively were pledged for bank borrowings of QZ Fubao with amount of approximately RMB32.0 million, RMB13.6 million, RMB13.6 million and RMB13.6 million respectively.

The inventories of motor vehicles with amount of approximately RMB19.3 million, RMB25.6 million, RMB45.6 million and RMB25.3 million as at 31 December 2013, 2014 and 2015 and 30 June 2016 respectively were pledged for the other borrowing of QZ Fubao with amount of approximately RMB19.3 million, RMB25.6 million, RMB45.6 million and RMB25.3 million respectively.

Pledged deposits with amount of approximately RMB3.0 million, RMB4.2 million and RMB4.2 million as at 31 December 2014 and 2015 and 30 June 2016 respectively were pledged for QZ Fubao's other borrowing with amount of approximately RMB25.6 million, RMB45.6 million and RMB25.3 million respectively. The rest pledged deposits with amount of approximately RMB45.3 million, RMB65.9 million, RMB31.6 million and RMB34.8 million as at 31 December 2013, 2014 and 2015 and 30 June 2016 respectively were pledged for bills payables of QZ Fubao with amount of approximately RMB140.3 million, RMB190.9 million, RMB70.9 million and RMB116.1 million respectively.

Gearing ratio

The gearing ratio of QZ Fubao as at 31 December 2013, 2014 and 2015 and 30 June 2016 was approximately 68.1%, 66.5%, 56.1% and 70.1%, respectively. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bills payable and bank and other borrowings) less cash and bank balances and pledged deposits. Total capital is calculated as total equity as plus net debt.

Material related party transaction

During FY2013, FY2014, FY2015 and the six months ended 30 June 2015 and 2016, the material related party transactions of QZ Fubao mainly include the following:

	FY2013	FY2014	FY2015	Six months ended 30 June 2015	Six months ended 30 June 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sales of motor vehicles	124,272	65,514	35,990	18,933	20,946
Sales of auto parts	3,159	2,346	829	456	544
Purchase of motor vehicles	(124,109)	(83,700)	(51,427)	(26,698)	(14,314)
Purchase of auto parts	(662)	(1,060)	(295)	(151)	(133)

For details of material related party transaction of QZ Fubao as at 31 December 2013, 2014 and 2015 and 30 June 2015 and 2016, please refer to the note 27 of the Accountants' Report of QZ Fubao as set out in Appendix II — Part 2 to this circular.

Operating lease commitments

QZ Fubao had the following operating lease commitments as at 31 December 2013, 2014 and 2015 and 30 June 2016:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,440	1,560	1,560	1,560
In the second to fifth years	8,040	8,160	6,600	5,820
Over five years	1,680	—	—	—
	11,160	9,720	8,160	7,380

For details of the operating lease commitments of QZ Fubao as at 31 December 2013, 2014 and 2015 and 30 June 2016, please refer to the note 24 of the Accountants' Report of QZ Fubao as set out in Appendix II — Part 2 to this circular.

Contingent liabilities

QZ Fubao had the following contingent liabilities as at 31 December 2013, 2014 and 2015 and 30 June 2016:

	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015	As at 30 June 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB000*
Guarantees given to banks in respect of banking facilities provided to a inter-group company	48,000	48,000	48,000	88,000

For details of the contingent liabilities of QZ Fubao as at 31 December 2013, 2014 and 2015 and 30 June 2016, please refer to the note 28 of the Accountants' Report of QZ Fubao as set out in Appendix II — Part 2 to this circular.

Financial risk management

For FY2013, FY2014 and FY2015 and the six months ended 30 June 2016, QZ Fubao was mainly exposed to interest rate, credit and liquidity risks arising in the normal course of business. For details of the exposure to such risks and the relevant risk management policies and practices adopted by QZ Fubao, please refer to note 26 of the Accountants' Report of QZ Fubao as set out in Appendix II — Part 2 to this circular.

As the operations of QZ Fubao were principally based in PRC for FY2013, FY2014 and FY2015 and the six months ended 30 June 2016, the principal assets and liabilities of QZ Fubao were denominated in Renminbi and therefore QZ Fubao considered that it did not have any material exposure to fluctuations in exchange rate and no hedging measures were taken.

Material acquisitions and disposals

QZ Fubao has disposed of its non-wholly owned subsidiary, QZ Xingdebao, on 4 March 2014 at a consideration of RMB5.1 million. Save and except for the disposal of QZ Xingdebao no other material acquisition and disposal for FY2013, FY2014 and FY2015 and the six months ended 30 June 2016.

Significant investments

QZ Fubao did not have any material equity investments as at 31 December 2013, 2014 and 2015 and 30 June 2016.

Employee and remuneration policies

As at 31 December 2013, 2014 and 2015 and 30 June 2016, QZ Fubao had 241, 272, 253 and 262 employees respectively.

QZ Fubao adopts a remuneration policy based on the market-competitiveness of the remuneration, the work performance of the employees, the qualifications and work experience of the employees and the applicable laws and regulations. For FY2013, FY2014 and FY2015 and the six months ended 30 June 2016, QZ Fubao provided welfare benefits to its employees, including retirement benefit plans, medical benefits, housing allowances and statutory contributions, in accordance with applicable local regulations.

Dividend

The Board has resolved not to declare dividend for FY2013, FY2014 and FY2015. A dividend of RMB80,000,000 declared by QZ Fubao was approved by its equity holder on 15 June 2016.

Future plan

Subsequent to Completion of QZ Fubao Acquisition, QZ Fubao will continue to focus on its existing businesses. Save as disclosed above, as at 31 December 2013, 2014 and 2015 and 30 June 2016, QZ Fubao did not have any future plan for material investments or capital assets. In the event that any material investments or capital assets acquisitions are identified, QZ Fubao is expected to finance them by its internal resources and/or debt financing.

Set out below is the management discussion and analysis of LY Zhongbao for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016 is based on the financial information of LY Zhongbao as set out in Appendix III to this circular.

The financial year begins from 1 January and ends on 31 December. All references to "FY2013", "FY2014" and "FY2015" mean the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015 respectively.

Financial performance

The table sets out below the key financial information of LY Zhongbao for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016:

	FY2013	**FY2014**	**FY2015**	**Six months ended 30 June 2015**	**Six months ended 30 June 2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue					
— Sales of motor vehicles	234,968	233,094	182,278	86,338	68,486
— After sales services	33,238	42,117	38,305	18,792	19,739
Sub total	268,206	275,211	220,583	105,130	88,225
Cost of sales and services					
— Sales of motor vehicles	(216,549)	(231,887)	(181,399)	(86,968)	(68,124)
— After sales services	(17,736)	(21,082)	(20,456)	(10,168)	(10,749)
Sub total	(234,285)	(252,969)	(201,855)	(97,136)	(78,873)
Gross profit/(loss)					
— Sales of motor vehicles	18,419	1,207	879	(630)	362
— After sales services	15,502	21,035	17,849	8,624	8,990
Sub total	33,921	22,242	18,728	7,994	9,352
Profit/(loss) before income tax	9,169	9	2,914	(377)	4,440

Revenue

Revenue increased by approximately RMB7.0 million or 2.6%, from approximately RMB268.2 million for FY2013 to approximately RMB275.2 million for FY2014 which was mainly due to increase in after sales services. Revenue decreased by approximately RMB54.6 million or 19.8%, from approximately RMB275.2 million for FY2014 to approximately RMB220.6 million for FY2015 which was mainly due to decrease in revenue from sales of motor vehicles for the same period in 2015. Revenue decreased by approximately RMB16.9 million or 16.1%, from approximately RMB105.1 million for the six months ended 30 June 2015 to approximately RMB88.2 million for the six months ended 30 June 2016, as a result of decrease in revenue from sales of motor vehicles partially offset by the increase in revenue from after sales services for the same period in 2016.

For FY2013, FY2014 and FY2015 and the six months ended 30 June 2015 and 2016, LY Zhongbao had two reportable segments, including (i) the sales of motor vehicles, and (ii) servicing of motor vehicles and sales of auto parts ("**after sales services**").

Revenue from sales of motor vehicles decreased by approximately RMB1.9 million or 0.8%, from approximately RMB235.0 million for FY2013 to approximately RMB233.1 million for FY2014 which was mainly due to decrease in sales volume by about 40 units of motor vehicles, particularly BMW 3 series. Revenue from sales of motor vehicles decreased by approximately RMB50.8 million or 21.8%, from approximately RMB233.1 million for FY2014 to approximately RMB182.3 million for FY2015 which was mainly due to decrease in sales volume by approximately 100 units, particularly BMW 5 and X series for the same period in 2014. Revenue from sales of motor vehicles decreased by approximately RMB17.8 million or 20.7%, from approximately RMB86.3 million for the six months ended 30 June 2015 to approximately RMB68.5 million for the six months ended 30 June 2016, as a result of decrease in sales volume by approximately 50 units, particularly BMW 1 series and 5 series for the same period in 2016.

Revenue from after sales services increased by approximately RMB8.9 million or 26.8%, from approximately RMB33.2 million for FY2013 to approximately RMB42.1 million for FY2014 which was mainly due to increase in revenue from repairing services for the same period in 2014. Revenue from after sales services decreased by approximately RMB3.8 million or 9.0%, from approximately RMB42.1 million for FY2014 to approximately RMB38.3 million for FY2015 which was mainly due to decrease in revenue from repairing services. Revenue from after sales services increased by approximately RMB0.9 million or 4.8%, from approximately RMB18.8 million for the six months ended 30 June 2015 to approximately RMB19.7 million for the six months ended 30 June 2016, as a result of increase in revenue from repairing services.

Cost of sales and services

Cost of sales and services refers to (i) changes in inventories, and (ii) auto parts and accessories used, the motor vehicles purchased for the year/period.

Cost of sales and services increased by approximately RMB18.7 million or 8.0%, from approximately RMB234.3 million for FY2013 to approximately RMB253.0 million for FY2014, resulting from increase in sales volume on motor vehicles and auto parts and accessories. Cost of sales and services decreased by approximately RMB51.1 million or 20.2%, from approximately RMB253.0 million for FY2014 to approximately RMB201.9 million for FY2015. Such decrease was in line with the decrease in revenue for the same period in 2015. Cost of sales and services decreased by approximately RMB18.2 million or 18.7%, from approximately RMB97.1 million for the six months ended 30 June 2015 to approximately RMB78.9 million for the six months ended 30 June 2016, which was generally in line with the decrease in revenue for the same period.

Gross profit and gross profit margin

For FY2013, FY2014 and FY2015 and the six months ended 30 June 2015 and 2016, the overall gross profit was approximately RMB33.9 million, RMB22.2 million, RMB18.7 million, RMB8.0 million and RMB9.4 million respectively, while the overall gross profit margin was approximately 12.6%, 8.1%, 8.5%, 7.6% and 10.6% for the same periods respectively. The decrease in gross profit margin from approximately 12.6% for FY2013 to approximately 8.1% for FY2014 was due to increase in cost of sales for 8.0% which is greater than the increase in revenue for 2.6%. The increase in gross profit margin from approximately 8.1% for FY2014 to approximately 8.5% for FY2015 was mainly attributable to the increased contribution for sales of after sales services in FY2015. The increase in gross profit margin from approximately 7.6% for the six months ended 30 June 2015 to approximately 10.6% for the six months ended 30 June 2016 was mainly attributed by sales of after sales services for the same period in 2016. The gross profit margin of the sales of after sales services had much higher gross profit margin than sales of motor vehicles in all periods.

The gross profit/(loss) margin from sales of motor vehicles was approximately 7.8%, 0.5%, 0.5%, -0.7% and 0.5% for FY2013, FY2014, FY2015 and the six months ended 30 June 2015 and 2016 respectively. The decrease in gross profit margin from approximately 7.8% for FY2013 to approximately 0.5% for FY2014 was mainly due to decrease in rebate received from suppliers as achieved sales and marketing target as compared to FY2013. The gross profit margin for FY2015 was stable compared to that for FY2014. The increase in the gross profit/(loss) margin from approximately -0.7% for the six months ended 30 June 2015 to approximately 0.5% for the six months ended 30 June 2016 was mainly due to increase in rebate per vehicle from suppliers as compared to the same period in 2015.

The gross profit margin from after sales services was approximately 46.6%, 49.9%, 46.6%, 45.9% and 45.5% for FY2013, FY2014, FY2015 and the six months ended 30 June 2015 and 2016 respectively, which were relatively stable and in line with the revenue trend in the respective periods.

Other income

Other income mainly represent commission income and consultant service income, which amounted to approximately RMB1.9 million, RMB2.1 million, RMB4.4 million, RMB1.8 million, and RMB3.2 million for FY2013, FY2014 and FY2015 and the six months ended 30 June 2015 and 2016 respectively.

Increase in other income from approximately RMB1.9 million for FY2013 to approximately RMB2.1 million for FY2014 was mainly due to increase in sundry income for approximately RMB0.4 million. Increase in other income from approximately RMB2.1 million for FY2014 to approximately RMB4.4 million for FY2015 was mainly due to increase in commission income for approximately RMB1.3 million and consulting service income for approximately RMB1.1 million resulting from the increased commission rates granted by insurance companies and launching of consulting services during FY2015. Increase from approximately RMB1.8 million for the six months ended 30 June 2015 to approximately RMB3.2 million for the six months ended 30 June 2016 was mainly due to increase in commission income for approximately RMB1.0 million resulting from the increased commission rates granted by insurance companies.

Administrative and other expense

Administrative and other expense mainly represents employee benefit expenses, depreciation and amortisation, and other expenses, amounted to approximately RMB18.0 million, RMB16.7 million, RMB14.6 million, RMB7.2 million and RMB7.5 million for FY2013, FY2014, FY2015 and the six months ended 30 June 2015 and 2016 respectively. The decrease in administrative and other expense from approximately RMB18.0 million for FY2013 to approximately RMB16.7 million for FY2014 was mainly due to decrease in other expenses for approximately RMB2.0 million, which was led by the decrease in promotion and marketing expense. Decrease in administrative and other expense from approximately RMB16.7 million for FY2014 to approximately RMB14.6 million for FY2015 was mainly due to decrease in employee benefit expenses by approximately RMB0.4 million attributed to the decrease in commission paid to staff and decrease in other expenses resulting from decreased bank charges and fewer marketing activities. The increase in administrative and other expense from approximately RMB7.2 million for the six months ended 30 June 2015 to approximately RMB7.5 million for the six months ended 30 June 2016 was mainly due to increase in employee benefit expenses for approximately RMB0.4 million, which is led by increase in commission paid to staff.

Finance costs

Finance costs decreased by RMB1.0 million or 11.0% from approximately RMB8.6 million for FY2013 to approximately RMB7.7 million for FY2014, resulting from the decrease in borrowings made during FY2014. Finance costs decreased by RMB2.1 million or 26.9% from approximately RMB7.7 million for FY2014 to approximately RMB5.6 million for FY2015, resulting from the decrease in borrowings made during FY2015. Finance costs decreased by RMB2.4 million or 80.0% from approximately RMB3.0 million for the six months ended 30 June 2015 to approximately RMB0.6 million for the six months ended 30 June 2016, resulting from the decrease in borrowings made in six months ended 30 June 2016.

Income tax expense

The income tax expense mainly represented the PRC enterprise income tax based on the assessable profits in the PRC of LY Zhongbao. The income tax expense was approximately RMB78,000, RMB0.5 million, RMB1.0 million, nil and RMB1.1 million for FY2013, FY2014 and FY2015 and the six months ended 30 June 2015 and 2016 respectively. The effective income tax rates for FY2013, FY2014 and FY2015 and the six months ended 30 June 2015 and 2016 was approximately 0.9%, 57.2 times, 34.2%, nil and 25.0% respectively.

The effective income tax rate for FY2014 was significantly higher than the enacted tax rate applicable to LY Zhongbao which was mainly due to expense not deductible for tax, such as entertainment and miscellaneous expenses, of approximately RMB2.0 million. The effective income tax rate for FY2015 was significantly higher than the enacted tax rate applicable to LY Zhongbao which was mainly due to expense not deductible for tax of approximately RMB1.1 million. For further details of the income tax expense, please refer to note 10 of the Accountants' Report of LY Zhongbao in Appendix III — Part 2 to this circular.

Profit/(loss) for the year/period

For FY2013, FY2014, FY2015 and the six months ended 30 June 2015 and 2016, profit/loss for the year/period was approximately RMB9.1 million, RMB(0.5)million, RMB1.9 million, RMB(0.4) million and RMB3.3 million respectively. The decrease in profit for the year from FY2013 to FY2014 was mainly due to decrease in the gross profit for the period for 34.4%. The increase in profit for the year from FY2014 to FY2015 was mainly due to (i) increase in other income, primarily due to the increase in the commission income from insurance companies and consulting fee by approximately RMB2.4 million; (ii) decrease in finance cost by approximately RMB2.1 million; (iii) decrease in promotion and marketing expense of approximately RMB0.5 million for the same period in 2015; and (iv) decrease in gross profit for the year. The increase in profit for the six months ended 30 June 2015 and 2016 was mainly due to (i) increase in the gross profit for the period; (ii) increase in the commission income from insurance companies by approximately RMB1.0 million; and (iii) the decrease in finance cost by approximately RMB2.4 million for the same period in 2016.

Financial position

The non-current assets mainly comprised of property, plant and equipment, and leasehold land; while its current assets mainly comprised of inventories, trade receivables, prepayments and other receivables, pledged deposits, cash and bank balances and tax recoverable.

The current liabilities mainly comprised of trade and bills payables, other payables, receipt in advance, bank and other borrowings.

As at 31 December 2013

The non-current assets and current assets of LY Zhongbao as at 31 December 2013 were approximately RMB35.6 million and RMB172.4 million, respectively. The non-current liabilities and current liabilities of LY Zhongbao as at 31 December 2013 were nil and approximately RMB179.4 million, respectively. As at 31 December 2013, LY Zhongbao had net current liabilities of approximately RMB7.0 million.

As at 31 December 2014

The non-current assets and current assets as at 31 December 2014 were approximately RMB33.9 million and RMB155.4 million, respectively. The decreased in non-current assets when compared with that as at 31 December 2013 mainly due to depreciation of property, plant and equipment. The decreased in current assets as at 31 December 2014 when compared with that as at 31 December 2013 mainly due to decrease in trade receivables by approximately RMB12.1 million, and prepayments and other receivables by approximately RMB19.2 million. The non-current liabilities and current liabilities as at 31 December 2014 were nil and approximately RMB161.1 million, respectively. The decreased in current liabilities as at 31 December 2014 when compared with that as at 31 December 2013 mainly due to decrease in bank and other borrowing by approximately RMB18.8 million. As at 31 December 2014, LY Zhongbao had net current liabilities of approximately RMB5.7 million. The decrease in net current liabilities from FY2013 to FY2014 was primarily reflected the decrease in bank and other borrowings in FY2014.

As at 31 December 2015

The non-current assets and current assets as at 31 December 2015 were approximately RMB33.0 million and RMB121.7 million, respectively. The decreased in non-current assets as at 31 December 2015 when compared with that as at 31 December 2014 mainly due to depreciation in property, plant and equipment. The decrease in current assets as at 31 December 2015 when compared with that as at 31 December 2014 mainly due to decrease in inventories by approximately RMB17.6 million and trade receivables by approximately RMB10.1 million. The non-current liabilities and current liabilities as at 31 December 2015 were nil and approximately RMB124.7 million, respectively. The decrease in current liabilities as at 31 December 2015 when compared with that as at 31 December 2014 mainly due to decrease in bank and other borrowings by approximately RMB41.8 million. As at 31 December 2015, LY Zhongbao had net current liabilities of approximately RMB3.0 million. The decrease in net current liabilities from FY2014 to FY2015 primarily reflected the decrease in bank and other borrowings in FY2015.

As at 30 June 2016

The non-current assets and current assets of LY Zhongbao as at 30 June 2016 were approximately RMB31.5 million and RMB117.1 million, respectively. The decrease in non-current assets as at 30 June 2016 when compared with that as at 31 December 2015 mainly due to depreciation of property, plant and equipment. The decrease in current assets as at 30 June 2016 when compared with that as at 31 December 2015 mainly due to decrease in pledged deposits by approximately RMB6.9 million. The non-current liabilities and current liabilities of LY Zhongbao as at 30 June 2016 were nil and approximately RMB115.2 million, respectively. The decrease in current liabilities as at 30 June 2016 when compared with that as at 31 December 2015 mainly due to decrease in trade and bills payables by approximately RMB18.6 million. As at 30 June 2016, LY Zhongbao had net current assets of approximately RMB1.9 million. The increase in net current assets from FY2015 to 30 June 2016 reflected the decrease in trade and bills payable.

Liquidity and financial resources

LY Zhongbao recorded a net cash outflow of approximately RMB30.7 million for FY2013, contributed by cash outflow from operating and investing activities. For FY2014, LY Zhongbao recorded a net cash inflow of approximately RMB2.7 million, contributed by cash inflows from operating activities, which was partially offset by repayment of bank and other borrowings. For FY2015, LY Zhongbao recorded a net cash outflow of approximately RMB5.5 million, contributed by cash inflows from operating activities, which was partially offset by repayment of bank and other borrowings. For the six months ended 30 June 2016, LY Zhongbao recorded a net cash inflow of approximately RMB1.7 million, contributed by cash inflow from investing activities, which was partially offset by cash outflow from operating activities.

Bank and other borrowings

The borrowings of LY Zhongbao as at 31 December 2013, 2014 and 2015 and 30 June 2016 are set out as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings				
— Secured	55,001	55,000	15,000	5,000
— Unsecured	38,400	15,000	—	—
Other borrowings	2,084	6,661	19,908	29,152
Total borrowings	95,485	76,661	34,908	34,152

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount repayable within one year	95,485	76,661	34,908	34,152

The amounts above due are based on scheduled repayment dates set out in the loan agreements.

Notes:

1. LY Zhongbao's bank borrowings amounting to approximately RMB55.0 million, RMB55.0 million and RMB15.0 million and RMB5.0 million at 31 December 2013, 2014, 2015 and 30 June 2016 respectively were secured by pledged deposits and leasehold land and building. In addition, all bank borrowings were guaranteed by the inter-group companies.

2. The other borrowings were secured by deposits and inventories of motor vehicles which disclosed in the notes 15 and 18 of Accountant's Report of LY Zhongbao with interest rate at 7.5% per annum. It was guaranteed by inter-group companies and a former director of the immediate holding company.

3. LY Zhongbao's bank and other borrowings as at 31 December 2013, 2014 and 2015 were subject to variable-rate interest at RMB Benchmark Loan Rates offered by the People's Bank of China. The effective interest rates on LY Zhongbao's bank borrowings ranged from 6.60% to 7.75% per annum, 6.72% to 7.56% per annum, and 5.44% to 7.28% per annum respectively.

For details of the bank and other borrowings of LY Zhongbao as at 31 December 2013, 2014 and 2015 and 30 June 2016, please refer to the note 21 of the Accountants' Report of LY Zhongbao as set out in Appendix III — Part 2 to this circular.

Charges on LY Zhongbao assets

Plant and machinery of approximately RMB3.1 million, RMB2.4 million and RMB1.8 million as at 31 December 2013, 2014 and 2015 respectively at carrying amount were pledged for bank borrowings of an inter-group company.

Leasehold land and building of approximately RMB27.6 million, RMB27.0 million, RMB26.4 million and RMB26.1 million as at 31 December 2013, 2014 and 2015 and 30 June 2016 respectively were pledged for bank borrowings of LY Zhongbao with amount of approximately RMB55.0 million, RMB55.0 million, RMB15.0 million and RMB5.0 million respectively.

The inventories of motor vehicles with amount of approximately RMB2.1 million, RMB6.7 million, RMB19.9 million and RMB29.2 million as at 31 December 2013, 2014 and 2015 and 30 June 2016 respectively were pledged for the other borrowing of LY Zhongbao with amount of approximately RMB2.1 million, RMB6.7 million, RMB19.9 million and RMB29.2 million respectively.

Pledged deposits with amount of approximately RMB0.5 million, RMB2.0 million, RMB3.0 million and RMB2.4 million as at 31 December 2013, 2014 and 2015 and 30 June 2016 respectively were pledged for LY Zhongbao's other borrowing with amount of approximately RMB2.1 million, RMB6.7 million, RMB19.9 million and RMB29.2 million respectively. The rest pledged deposits with amount of approximately RMB5.7 million, RMB8.6 million and RMB5.9 million as at 31 December 2013, 2014 and 2015 respectively were pledged for bills payables of LY Zhongbao with amount of approximately RMB20.8 million, RMB20.3 million and RMB19.7 million respectively.

Gearing ratio

The gearing ratio of LY Zhongbao as at 31 December 2013, 2014 and 2015 and 30 June 2016 was approximately 78.5%, 73.4%, 59.0% and 45.6%, respectively. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bills payable and bank and other borrowings) less cash and bank balances and pledged deposits. Total capital is calculated as total equity as plus net debt.

Material related party transaction

During FY2013, FY21014, FY2015 and the six months ended 30 June 2015 and 2016, the material related party transactions of LY Zhongbao mainly include the following:

	FY2013	**FY2014**	**FY2015**	**Six months ended 30 June 2015**	**Six months ended 30 June 2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of motor vehicles	82,832	60,926	23,886	16,912	5,608
Sales of auto parts	551	507	186	132	95
Purchase of motor vehicles	36,509	24,489	16,850	8,727	5,287
Purchase of auto parts	251	216	220	106	409

For details of the material related party transaction of LY Zhongbao as at 31 December 2013, 2014 and 2015 and 30 June 2015 and 2016, please refer to the note 25 of the Accountants' Report of LY Zhongbao as set out in Appendix III — Part 2 to this circular.

Contingent liabilities

LY Zhongbao did not have any material contingent liabilities as at 31 December 2013, 2014 and 2015 and 30 June 2016.

Financial risk management

For FY2013, FY2014 and FY2015 and the six months ended 30 June 2016, LY Zhongbao was mainly exposed to interest rate, credit and liquidity risks arising in the normal course of business. For details of the exposure to such risks and the relevant risk management policies and practices adopted by LY Zhongbao, please refer to note 24 of the Accountants' Report of LY Zhongbao as set out in Appendix III — Part 2 to this circular.

As the operations of LY Zhongbao were principally based in PRC for FY2013, FY2014 and FY2015 and the six months ended 30 June 2016, the principal assets and liabilities of LY Zhongbao were denominated in Renminbi and therefore LY Zhongbao considered that it did not have any material exposure to fluctuations in exchange rate and no hedging measures were taken.

Material acquisitions and disposals

LY Zhongbao had no material acquisition and disposal for FY2013, FY2014 and FY2015 and the six months ended 30 June 2016.

Significant investments

LY Zhongbao did not have any material equity investments as at 31 December 2013, 2014 and 2015 and 30 June 2016.

Employee and remuneration policies

As at 31 December 2013, 2014 and 2015 and 30 June 2016, LY Zhongbao had 119, 104, 108 and 84 employees respectively.

LY Zhongbao adopts a remuneration policy based on the market-competitiveness of the remuneration, the work performance of the employees, the qualifications and work experience of the employees and the applicable laws and regulations. For FY2013, FY2014 and FY2015 and the six months ended 30 June 2016, LY Zhongbao provided welfare benefits to its employees, including retirement benefit plans, medical benefits, housing allowances and statutory contributions, in accordance with applicable local regulations.

Dividend

The Board has resolved not to declare dividend for FY2013, FY2014, FY2015 and the six months ended 30 June 2016.

Future plan

Subsequent to Completion of LY Zhongbao Acquisition, LY Zhongbao will continue to focus on its existing businesses. Save as disclosed above, as at 31 December 2013, 2014 and 2015, and 30 June 2016, LY Zhongbao did not have any future plan for material investments or capital assets. In the event that any material investments or capital assets acquisitions are identified, LY Zhongbao is expected to finance them by its internal resources and/or debt financing.

Set out below is the management discussion and analysis of FJ Xingdebao for the period since its incorporation on 24 April 2015 and up to 31 December 2015 and the six months ended 30 June 2016, the following financial information is based on the financial information of FJ Xingdebao as set out in Appendix IV to this circular.

Financial performance

The table sets out below the summary of financial information of FJ Xingdebao for the period since its incorporation on 24 April 2015 and up to 31 December 2015 (the "**Period 2015**") and the six months ended 30 June 2016:

	Period 2015	**Six months ended 30 June 2016**
	RMB'000	*RMB'000*
Revenue		
— Sales of motor vehicles	4,331	83,713
— After sales services	195	7,491
Total	4,526	91,204
Cost of sales and services		
— Sales of motor vehicles	(4,536)	(82,994)
— After sales services	(99)	(4,719)
Total	(4,635)	(87,713)
Gross (loss)/profit		
— Sales of motor vehicles	(205)	719
— After sales services	96	2,772
Total	(109)	3,491
Loss before income tax	(1,365)	(1,779)

Revenue

Revenue for the Period 2015 and the six months ended 30 June 2016 was approximately RMB4.5 million and RMB91.2 million respectively. Such increase was mainly due to the full business operation of FJ Xingdebao during the six months ended 30 June 2016.

For the Period 2015 and the six months ended 30 June 2016, FJ Xingdebao had two reportable segments, including (i) the sales of motor vehicles and (ii) after sales services.

Revenue from sales of motor vehicles for the Period 2015 and the six months ended 30 June 2016 was approximately RMB4.3 million and RMB83.7 million respectively. For the six months ended 30 June 2016, FJ Xingdebao had sold 250 units of vehicle which was mainly BMW 3 series and 5 series.

Revenue from after sales services for the Period 2015 and the six months ended 30 June 2016 was approximately RMB0.2 million and RMB7.5 million respectively, which was mainly contributed by the revenue from repair services to the vehicles owners.

Cost of sales and services

Cost of sales and services comprises (i) changes in inventories, and (ii) auto parts and accessories used, the motor vehicles purchased for the periods.

Cost of sales and services for the Period 2015 and the six months ended 30 June 2016 was approximately RMB4.6 million, and RMB87.7 million respectively. Such increase was in line with the revenue growth subsequent to the full business operation of FJ Xingdebao during the six months ended 30 June 2016.

Gross (loss)/profit and gross profit margin

For the Period 2015 and the six months ended 30 June 2016, the overall gross (loss)/profit was approximately RMB-0.1 million and RMB3.5 million respectively, while the overall gross profit margin was approximately -2.4% and 3.8% for the same periods respectively. The gross profit margin of the sales of after sales services had much higher gross profit margin than sales of motor vehicles in all periods.

Gross (loss)/profit margin from sales of motor vehicles was approximately -4.7% and 0.9% for the Period 2015 and the six months ended 30 June 2016 respectively. Such increase was mainly due to sale rebate from suppliers as sales target achieved for the six months ended 30 June 2016. While the gross profit margin from after sales services was approximately 49.2% and 37.0% for the same periods respectively. Such decrease was mainly due to the increase in revenue from repairing services which has a relatively lower gross profit margin than other after sales services for the same period in 2016.

Other income

Other income mainly represents commission income and consultancy service income, which amounted to approximately RMB77,000, and RMB1.8 million for the Period 2015 and the six months ended 30 June 2016 respectively. Such increase was mainly due to increase in commission income by approximately RMB0.6 million and consultant service income by approximately RMB0.8 million after the full operation of FJ Xingdebao during the six months ended 30 June 2016.

Administrative and other expense

Administrative and other expense mainly represents employee benefit expenses, depreciation and amortisation and other expense, amounted to approximately RMB1.3 million, and RMB6.5 million for the Period 2015 and the six months ended 30 June 2016 respectively.

The increase in administrative and other expense from approximately RMB1.3 million for the Period 2015 to approximately RMB6.5 million for the six months ended 30 June 2016 was mainly due to increase in employee benefit expenses by approximately RMB1.2 million and increase in other expense by approximately RMB2.1 million. Such increase was mainly due to the full business operation of FJ Xingdebao during the six months ended 30 June 2016.

Finance costs

Finance costs for the Period 2015 and the six months ended 30 June 2016 was approximately nil and RMB0.5 million respectively. Such increase was mainly due to the increase in bank and other borrowings incurred during the six months ended 30 June 2016.

Income tax expense

No income tax expense incurred for the Period 2015 and the six months ended 30 June 2016 as FJ Xingdebao did not generate any assessable profits. For further details of the income tax expense, please refer to note 10 of the Accountants' Report of FJ Xingdebao in Appendix IV — Part 2 to this circular.

Loss for the period

For the Period 2015 and the six months ended 30 June 2016, loss for the period was approximately RMB1.4 million and RMB1.8 million respectively. Such increase was mainly due to (i) increase in other income, primarily due to the increase in the commission income from insurance companies and consultant service income by approximately RMB1.4 million; partially offset by (ii) increase in promotion and marketing expense by approximately RMB0.7 million; (iii) increase in depreciation and amortisation expense by approximately RMB2.0 million; (iv) increase in staff cost by approximately RMB1.5 million; and (v) increase in finance cost by approximately RMB0.5 million for the same period in 2016.

Financial position

Non-current assets mainly comprised of property, plant and equipment, and leasehold land; while current assets mainly comprised of inventories and cash and bank balances. The current liabilities mainly comprised of trade payables, other payables and accruals receipt in advance and bank and other borrowings.

As at 31 December 2015

The non-current assets and current assets as at 31 December 2015 were approximately RMB110.1 million and RMB9.9 million respectively. The non-current liabilities and current liabilities as at 31 December 2015 were approximately nil and RMB111.3 million respectively. As at 31 December 2015, FJ Xingdebao had net current liabilities of approximately RMB101.4 million.

As at 30 June 2016

The non-current assets and current assets as at 30 June 2016 were approximately RMB110.8 million and RMB55.7 million respectively. The non-current liabilities and current liabilities as at 30 June 2016 were approximately nil and RMB159.6 million respectively. As at 30 June 2016, FJ Xingdebao had net current liabilities of approximately RMB103.9 million, which was primarily reflected the increase in trade payables and bank and other borrowings.

Liquidity and financial resources

FJ Xingdebao recorded a net cash inflow of approximately RMB3.2 million for the Period 2015, which was contributed by shareholder's fund, which was partially offset by purchases of items of property, plant and equipment and inventories.

For the six months ended 30 June 2016, FJ Xingdebao recorded a net cash outflow of approximately RMB0.4 million, which was contributed by cash outflow from purchases of inventories, which was partially offset by new bank and other borrowings.

Bank and other borrowings

The bank and other borrowings of FJ Xingdebao as at 31 December 2015 and 30 June 2016 are set out as follows:

	As at 31 December 2015 *RMB'000*	**As at 30 June 2016** *RMB'000*
Secured — Bank borrowings	—	12,000
Secured — Other borrowings	—	33,316
Total borrowings	—	45,316

	As at 31 December 2015 *RMB'000*	**As at 30 June 2016** *RMB'000*
Carrying amount repayable within one year	—	45,316

The amounts above due are based on scheduled repayment dates set out in the loan agreements.

Notes:

1. Bank borrowing amounting to approximately RMB12.0 million at 30 June 2016 was guaranteed by inter-group companies of FJ Xingdebao.

2. Other borrowings amounting to approximately RMB33.3 million at 30 June 2016 was secured by deposits and inventories of motor vehicles with interest rate at 7.5%. In addition, it was guaranteed by inter-group company and a former director of intermediate holding company of FJ Xingdebao.

3. FJ Xingdebao's bank borrowing as at 30 June 2016 were subject to variable-rate interest at RMB Benchmark Loan Rates offered by the People's Bank of China. The effective interest rates on the FJ Xingdebao's bank borrowing ranged from 3.5% to 5% per annum for the period from 1 January 2016 to 30 June 2016.

4. The effective interest rates on the FJ Xingdebao's other borrowings ranged from 7% to 10 % per annum for the period from 1 January 2016 to 30 June 2016.

For details of the bank and other borrowings of FJ Xingdebao as at 31 December 2015 and 30 June 2016, please refer to the note 20 of the Accountants' Report of FJ Xingdebao as set out in Appendix IV — Part 2 to this circular.

Charges on FJ Xingdebao assets

The inventories of motor vehicles with amount of approximately RMB33.3 million as at 30 June 2016 were pledged for the other borrowings of FJ Xingdebao.

Pledged deposits with amount of approximately RMB2.7 million were pledged for FJ Xingdebao's other borrowings as at 30 June 2016.

Gearing ratio

The gearing ratio as at 31 December 2015 and 30 June 2016 was nil and approximately 85.1% respectively. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank and other borrowings less cash and bank balances and pledged deposits. Total capital is calculated as total equity as plus net debt.

Material related party transactions

During the Period 2015 and the six months ended 30 June 2016, the material related party transactions mainly include the following:

	Period 2015 *RMB'000*	**Six months ended 30 June 2016** *RMB'000*
Sales of motor vehicles	999	6,506
Sales of auto parts	8	118
Purchase of motor vehicles	1,102	20,407
Purchases of auto parts	—	222

For details of the material related party transactions as at 31 December 2015 and 30 June 2016, please refer to the note 26 of the Accountants' Report of FJ Xingdebao as set out in Appendix IV — Part 2 to this circular.

Capital commitments

FJ Xingdebao had the following capital commitments as at 31 December 2015 and 30 June 2016:

	As at 31 December 2015 *RMB'000*	**As at 30 June 2016** *RMB'000*
Contracted, but not provided for: Property, plant and equipment	211	173

Contingent liabilities

FJ Xingdebao did not have any material contingent liabilities as at 31 December 2015 and 30 June 2016.

Financial risk management

For the Period 2015 and the six months ended 30 June 2016, FJ Xingdebao was mainly exposed to interest rate, credit and liquidity risks arising in the normal course of business. For details of the exposure to such risks and the relevant risk management policies and practices adopted by FJ Xingdebao, please refer to note 24 of the Accountants' Report of FJ Xingdebao as set out in Appendix IV — Part 2 to this circular.

As the operations of FJ Xingdebao were principally based in PRC for the Period 2015 and the six months ended 30 June 2016, the principal assets and liabilities of FJ Xingdebao were denominated in Renminbi and therefore FJ Xingdebao considered that it did not have any material exposure to fluctuations in exchange rate and no hedging measures were taken.

Material acquisitions and disposals

FJ Xingdebao acquired a leasehold land, infrastructure and building for the Period 2015 at a total consideration, infrastructure of approximately RMB106.0 million. The aggregate carrying amount of the leasehold land, infrastructure and building as at 31 December 2015 and 30 June 2016 was approximately RMB106.0 million and RMB104.4 million respectively.

Save as disclosed above, FJ Xingdebao had no other material acquisitions and disposal as at 31 December 2015 and 30 June 2016.

Significant investments

FJ Xingdebao did not have any material equity investments as at 31 December 2015 and 30 June 2016.

Employee and remuneration policies

As at 31 December 2015 and 30 June 2016, FJ Xingdebao had 20 and 61 employees respectively.

FJ Xingdebao adopts a remuneration policy based on the market-competitiveness of the remuneration, the work performance of the employees, the qualifications and work experience of the employees and the applicable laws and regulations. For the Period 2015 and the six months ended 30 June 2016, FJ Xingdebao provided welfare benefits to its employees, including retirement benefit plans, medical benefits, housing allowances and statutory contributions, in accordance with applicable local regulations.

Dividend

The Board has resolved not to declare dividend for the Period 2015 and the six months ended 30 June 2016.

Future plan

Subsequent to Completion of FJ Xingdebao Acquisition, FJ Xingdebao will continue to focus on its existing businesses. Save as disclosed above, as at 31 December 2015 and 30 June 2016, FJ Xingdebao did not have any future plan for material investments or capital assets. In the event that any material investments or capital assets acquisitions are identified, FJ Xingdebao is expected to finance them by its internal resources and/or debt financing.

The following is the text of a report prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuation on QZ Fubao as at 30 June 2016.

ROMA

Unit 3806, 38/F, China Resources Building,
26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

26 October 2016

G.A. Holdings Limited
Unit 1203, 12th Floor,
Eton Tower, No. 8 Hysan Avenue,
Causeway Bay, Hong Kong

Case Ref: KY/BVPPA3235p/JAN16(a)

Dear Sir/Madam,

Re: Business Valuation of 100% Equity Interest in 泉州福寶汽車銷售服務有限公司

In accordance with the instructions from G.A. Holdings Limited (hereinafter referred to as the "**Company**"), we have conducted a business valuation of 100% equity interest in 泉州福寶汽車銷售服務有限公司 (hereinafter referred to as "**QZ Fubao**"). We are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing our valuation as at 30 June 2016 (hereinafter referred to as the "**Date of Valuation**").

This report states the purpose of valuation, scope of work, economic and industry overviews, an overview of QZ Fubao, basis of valuation, investigation and analysis, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. The Company is a public company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. In addition, Roma Appraisals Limited (hereinafter referred to as "**Roma Appraisals**") acknowledges that this report will be made available to the Company for public documentation purpose and include in the Company's circular only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company, the management of QZ Fubao and/or their representative(s) (together referred to as the "**Management**").

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of QZ Fubao. As part of our analysis, we have reviewed such financial information and other pertinent data concerning QZ Fubao provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or a more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the business operation of QZ Fubao will approximate those projected because assumptions regarding future events by their nature are not capable of independent substantiation.

In applying these projections to the valuation of QZ Fubao, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

3. ECONOMIC OVERVIEW

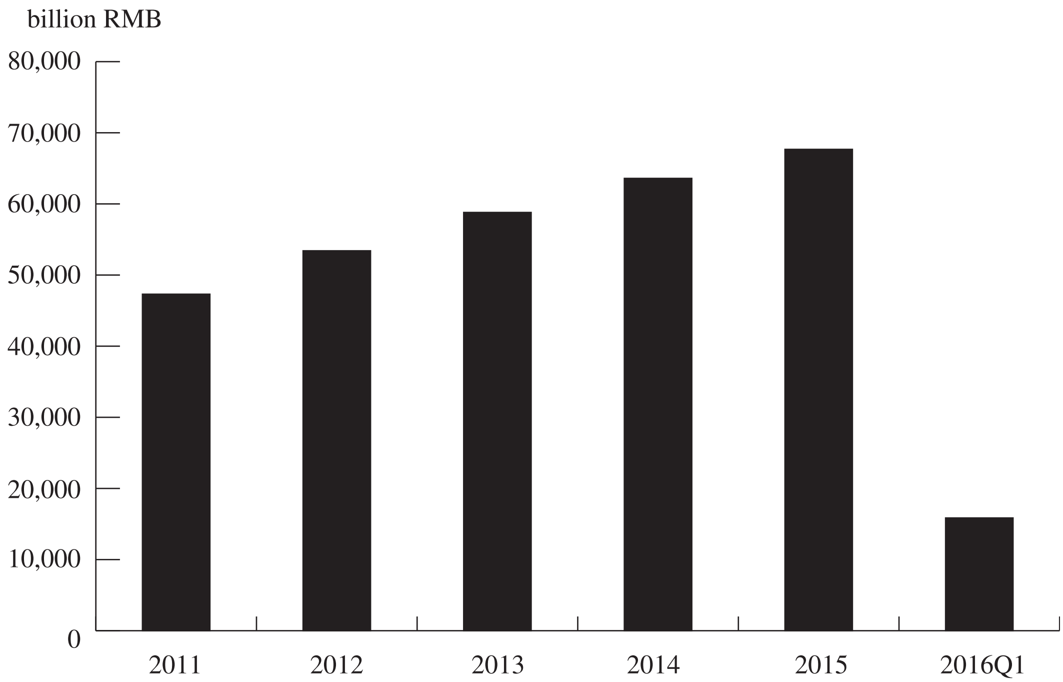
3.1 Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product ("**GDP**") of China in the first quarter of 2016 was RMB15,852.64 billion, a year over year increase of 7.2% comparing to March 2015. China was the third largest economy in the world, ranked after the European Union and the United States, in terms of nominal GDP measured by the International Monetary Fund ("**IMF**") in 2014. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth since 2011.

Over the past five years from 2011 to 2015, compound annual growth rate of China's nominal GDP was 11.0% whereas the Chinese government targeted to grow its GDP by around 7.0% annually for the period from 2011 to 2015. Figure 1 illustrates the nominal GDP of China from 2011 to the first quarter of 2016.

Figure 1 — China's Nominal GDP from 2011 to First Quarter of 2016

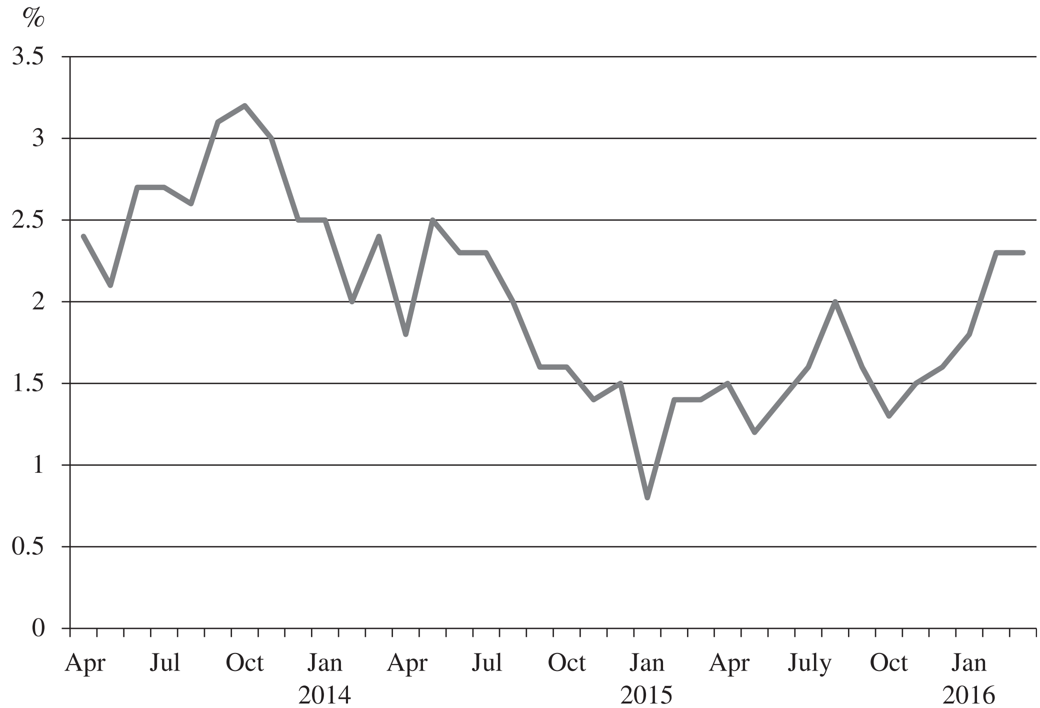


Source: National Bureau of Statistics of China

3.2 Inflation in China

Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class' demand for food and commodities has been rising continuously. Inflation in China has been driven mainly by food prices, which have been stayed high in 2011. According to the National Bureau of Statistics of China, the consumer price index ("**CPI**") demonstrated an uptrend in the first half of 2011. Thanks to the government's policies in suppressing commodity prices, the inflation in CPI slowed in the second half of 2011 and first half of 2012 and maintained at around 2.0% to 3.2% during 2013. During 2014, the CPI dropped and reached 1.5% in December 2014. During first half of 2015, the CPI maintained at around 0.8% to 1.5%, and fluctuated around 1.3% to 2.0 % in second half year of 2015. In the first quarter of 2016, the CPI remained at a steady rate of 2.3%. Figure 2 shows the year-over-year change in CPI of China from April 2013 to March 2016.

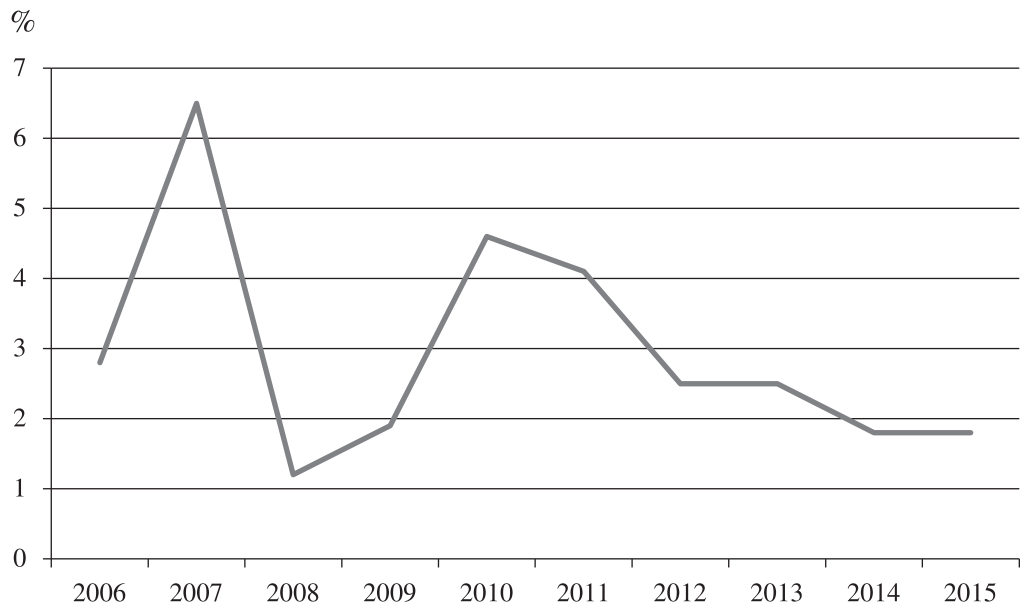
Figure 2 — Year-over-year Change in China's CPI from April 2013 to March 2016



Source: Bloomberg

China's inflation rate was volatile during the past decade. According to the IMF, the inflation rate in China increased from 2.8% in 2006 to 6.5% in 2007, and then dropped to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate increased to 4.6% in 2010 and maintained at 4.1% in 2011. The inflation rate dropped again to 2.5% in 2012 and 2013, and further to 1.8% in 2014. Finally, it maintained at 1.8% in 2015. According to IMF's forecast, the long-term inflation rate of China is expected to be around 3.0%. Figure 3 shows the historical trend of China's inflation rate from 2006 to 2015.

Figure 3 — China's Inflation Rate from 2006 to 2015



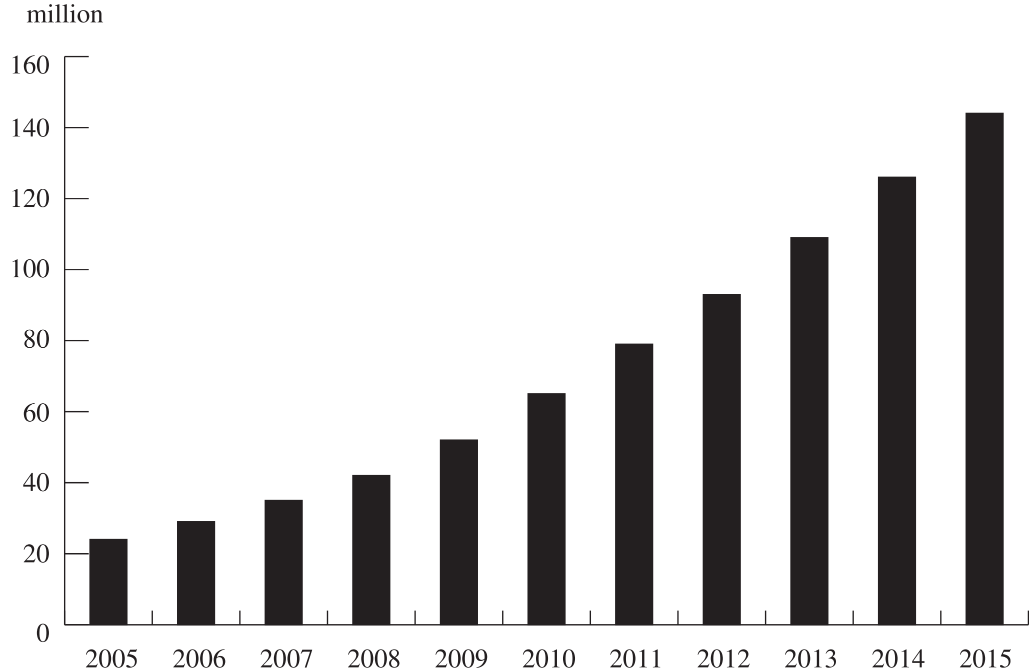
Source: International Monetary Fund

4. INDUSTRY OVERVIEW

4.1 Overview of the Automotive Retail Industry in China

China has been undergoing a rapid growth on the number of passenger automobiles from 2005 to 2015. According to the National Bureau of Statistics of China, the number of passenger automobiles in China ("私人汽車保有量") has increased from around 24 million to 144 million from 2005 to 2015. Over the past eleven years from 2005 to 2015, compound annual growth rate of number of passenger automobiles was 19.8%. Figure 4 shows the number of passenger automobiles in China from 2005 to 2015.

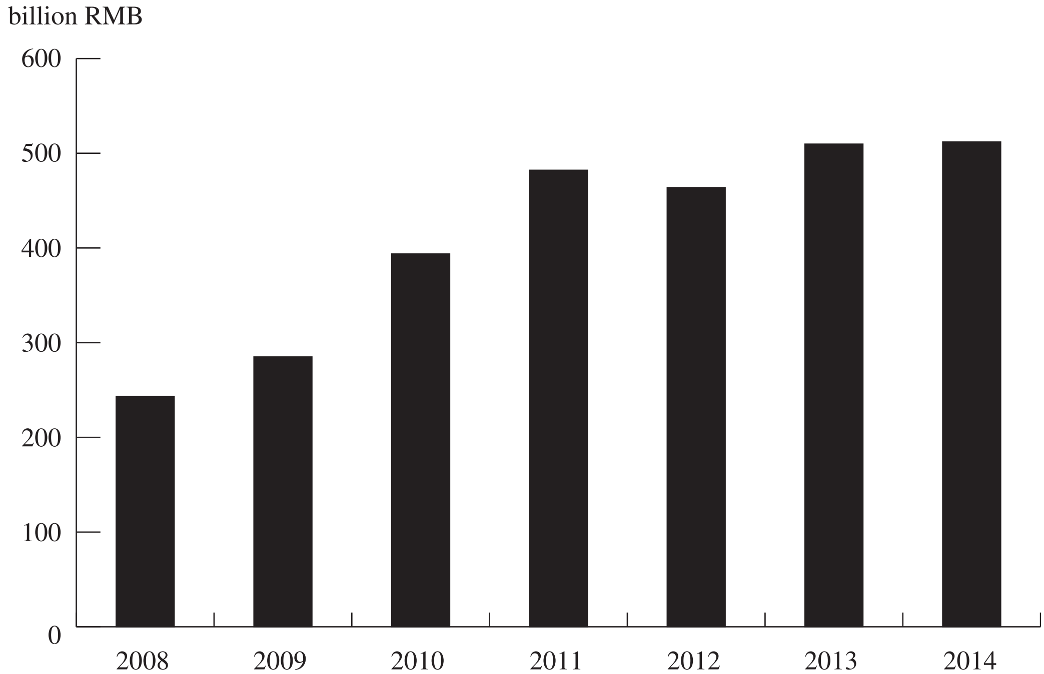
Figure 4 — Number of Passenger Automobiles in China from 2005 to 2015



Source: National Bureau of Statistics of China

China has been undergoing a steady increase in the turnover of automotive market from 2008 to 2014. According to the National Bureau of Statistics of China, the turnover of automotive market in China has increased from around 243 billion to 512 billion from 2008 to 2014. Over the past seven years from 2008 to 2014, the turnover of automotive market has been increased by more than double. Figure 5 shows the turnover of automotive market in China from 2008 to 2014.

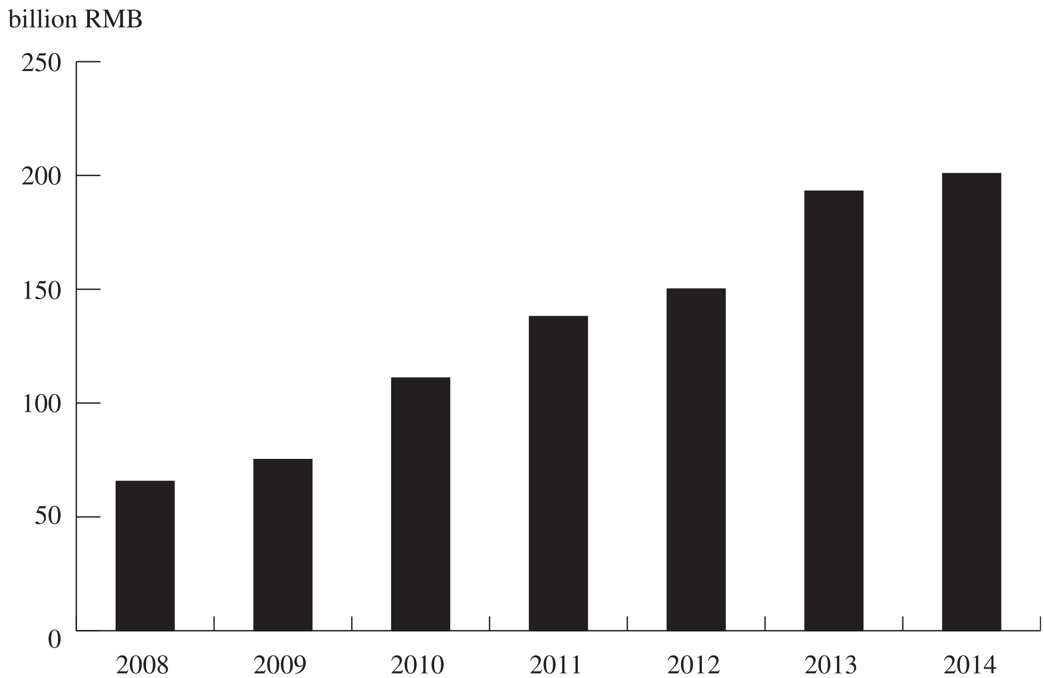
Figure 5 — Turnover of Automotive Market in China from 2008 to 2014



Source: National Bureau of Statistics of China

While the number of passenger automobiles and the turnover of automotive market increased, the profit of automotive retail industry in China experienced a steady growth from 2008 to 2014. According to the National Bureau of Statistics of China, the profit of automotive retail industry in China has increased from around RMB66 billion to RMB201 billion from 2008 to 2014. Over the past seven years from 2008 to 2014, the profit of automotive retail industry in China has increased by around three times. Figure 6 shows the profit of automotive retail industry in China from 2008 to 2014.

Figure 6 — Profit of Automotive Retail Industry in China from 2008 to 2014



Source: National Bureau of Statistics of China

5. OVERVIEW OF QZ FUBAO

QZ Fubao is a company incorporated in the People's Republic of China (the "**PRC**") on 29 November 2005 with limited liability. QZ Fubao principally engaged in automobile dealership, exhibitions of automobiles, provision of automotive parts and after-sales services in the PRC.

6. BASIS OF VALUATION

Our valuation was based on going concern premise and conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2011, **market value** is defined as "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of QZ Fubao. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the economy and automobile dealership industry in China as we considered necessary for the purpose of the valuation.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning QZ Fubao provided to us by the Management and have considered such information and data as attainable and reasonable.

The valuation of QZ Fubao requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of QZ Fubao;
- The financial condition of QZ Fubao;
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;
- Relevant licenses and agreements;
- The business risks of QZ Fubao such as the ability in maintaining competent technical and professional personnel; and
- Investment returns and market transactions of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of QZ Fubao, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

8.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("**equity and long term debt**"). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity ("**equity**") and investors who lend money to the business entity ("**debt**"). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

8.4 Business Valuation

In the process of valuing QZ Fubao, we have taken into account of the development and operations of QZ Fubao and the nature of the automobile dealership industry it is participating.

The Income-Based Approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. In view of the track record of financial performance of QZ Fubao which its net profit margin fluctuated over the past three years, we have not been provided a financial projection with sufficient basis for the purpose of this business valuation. Hence, the Income-Based Approach was not considered appropriate and was not adopted. We have not reviewed any financial projections of QZ Fubao for this business valuation. The Asset-Based Approach was also not adopted because it could not capture the future earning potential of QZ Fubao and therefore it could not reflect the market value of QZ Fubao. Market value arrived from Market-Based Approach was considered to reflect the market expectations over the corresponding industry since the price multiples of the comparable companies were arrived from market consensus. We have therefore considered the adoption of the Market-Based Approach in arriving at the market value of QZ Fubao.

By adopting the guideline public company method under the Market-Based Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered price-to-sales ("**P/S**"), price-to-earnings ("**P/E**") and price-to-book ("**P/B**") multiples. However, P/S and P/B multiples were not adopted since they cannot capture the differences in cost structure across companies. Therefore, we have adopted P/E multiple in the valuation for QZ Fubao.

We adopted several listed companies with business scopes and operations similar to those of QZ Fubao as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are engaged in automobile dealership businesses in China;
- The companies are listed in Hong Kong;
- The companies have sufficient listing and operating histories; and
- The financial information of the companies is available to the public.

Details of the comparable companies adopted were listed as follows:

Company Name	Stock Code	Listing Location	Business Description
Zhongsheng Group Holdings Ltd.	881.HK	Hong Kong	Zhongsheng Group Holdings Ltd. retails automobiles. The company imports and retails primarily luxury and mid to high-end automobile brands.
China Meidong Auto Holdings Limited	1268.HK	Hong Kong	China Meidong Auto Holdings Limited is an automobile dealership and maintenance group in China.

Company Name	Stock Code	Listing Location	Business Description
Baoxin Auto Group Ltd	1293.HK	Hong Kong	Baoxin Auto Group Ltd is an owner operator of luxury automobile dealerships in China. The company's focus is on luxury and ultra-luxury branded cars. Baoxin operates 4S dealership stores, showrooms and repair centers.
China Greenland Rundong Auto Group Ltd	1365.HK	Hong Kong	China Greenland Rundong Auto Group Ltd sells automobiles. The company operates dealerships that sell mid-grade, luxury, and ultra-luxury brand motor vehicles. The company operates in the Eastern coastal regions of China.
China ZhengTong Auto Services Holdings Limited	1728.HK	Hong Kong	China ZhengTong Auto Services Holdings Limited operates automotive dealerships throughout China. The company specializes in retailing luxury automobiles as well as providing maintenance services for the cars it sells.
Sunfonda Group Holdings Limited	1771.HK	Hong Kong	Sunfonda Group Holdings Limited is an automobile dealer. The company offers luxury and ultra-luxury automobiles in northwestern China.
China Yongda Automobiles Services Holdings Ltd.	3669.HK	Hong Kong	China Yongda Automobiles Services Holdings Ltd. retails passenger vehicles. The company sells new and used vehicles and offers automobile rentals. The company also provides service.

Company Name	Stock Code	Listing Location	Business Description
China Harmony New Energy Auto Holding Limited	3836.HK	Hong Kong	China Harmony New Energy Auto Holding Limited is a dealership group that deals exclusively in luxury and ultra-luxury passenger vehicles in China. The company's dealership outlets are located in populous and affluent cities in China.
G.A. Holdings Limited	8126.HK	Hong Kong	G.A. Holdings Limited, through its subsidiaries, distributes passenger vehicles to resellers in Hong Kong and China, and provides marketing and technical assistance to business alliance in China. The company also provides after-sales service such as motor vehicle repair and maintenance services in China and trades auto parts and accessories in Hong Kong and China.

Source: Bloomberg

The P/E multiples of the aforementioned comparable companies were listed as follows:

Company Name	Stock Code	P/E Multiple
Zhongsheng Group Holdings Ltd.	881.HK	17.14
China Meidong Auto Holdings Limited	1268.HK	7.33*
Baoxin Auto Group Ltd	1293.HK	40.77*
China Greenland Rundong Auto Group Ltd	1365.HK	14.11
China ZhengTong Auto Services Holdings Limited	1728.HK	8.73
Sunfonda Group Holdings Limited	1771.HK	52.32*
China Yongda Automobiles Services Holdings Ltd.	3669.HK	7.93
China Harmony New Energy Auto Holding Limited	3836.HK	8.84
G.A. Holdings Limited	8126.HK	6.38*
Average excluding highest two and lowest two (denoted by *):		**11.35**

Source: Bloomberg

Note: The highest two and lowest two P/E multiples were excluded from the calculation of average P/E multiples to minimize effect of extreme data.

The trade receivables to sales ratios and trade payables to sales ratios of the aforementioned comparable companies were listed as follows:

Company Name	Stock Code	Trade Receivables/ Sales	Trade Payables/ Sales
Zhongsheng Group Holdings Ltd.	881.HK	1.58%	1.73%
China Meidong Auto Holdings Limited	1268.HK	0.65%	0.86%
Baoxin Auto Group Ltd	1293.HK	1.51%	1.13%
China Greenland Rundong Auto Group Ltd	1365.HK	1.69%	0.50%
China ZhengTong Auto Services Holdings Limited	1728.HK	18.03%	1.52%
Sunfonda Group Holdings Limited	1771.HK	0.68%	1.47%
China Yongda Automobiles Services Holdings Ltd.	3669.HK	0.86%	0.91%
China Harmony New Energy Auto Holding Limited	3836.HK	0.81%	1.48%
G.A. Holdings Limited	8126.HK	31.33%	10.09%
Median:		**1.51%**	**1.47%**

Source: Bloomberg

Note: The medians of the trade receivables to sales ratios and trade payables to sales ratios of the comparable companies were adopted to minimize effect of extreme data respectively.

In estimating the adopted P/E multiple, trade receivables to sales ratio and trade payables to sales ratio, we have considered and analyzed data of the same set of comparable companies.

The P/E multiple adopted was the average of the P/E multiples excluding the highest two and lowest two of the P/E ratio of the above comparable companies as at the Date of Valuation as extracted from Bloomberg. The estimated trailing 12-month net profit of QZ Fubao of RMB11,471,000 (hereinafter referred to as the "Estimated Trailing 12-Month Net Profit") is the estimated net profit of QZ Fubao of the period from 1 July 2015 to 30 June 2016. It is estimated by the sum of half of the audited net profit (excluding non-recurring items) for the year ended 31 December 2015 and audited net profit (excluding non-recurring items) for the six months ended 30 June 2016.

After discussion with the Management regarding the industry QZ Fubao is participating in, we understand there should be minimal seasonal effect that would distort the net profit of QZ Fubao. Therefore, we considered the sum of half of the audited net profit for the year ended 31 December 2015 and audited net profit for the six months ended 30 June 2016 was reasonable and sufficient in estimating the Estimated Trailing 12-Month Net Profit. Net profit for the six months ended 30 June 2015 was not considered in estimating the Estimated Trailing 12-Month Net Profit as it was unaudited figure that might be subject to potential adjustments after an audit.

As discussed with the Management in relation to the nature of the other income as stated in the audited financial statement for QZ Fubao as at 30 June 2016, the following items were considered non-operating related/non-recurring income and were excluded in the calculation of Estimated Trailing 12-Month Net Profit: amortization of financial guarantee, gain on disposal of property, plant and equipment, interest income and sundry income were considered non-operating related income.

To determine the market value of QZ Fubao as at the Date of Valuation, we obtained the market value of QZ Fubao by applying the average P/E multiple to the Estimated Trailing 12-Month Net Profit. To address the value originated from company specific factor(s), it is a common practice to consider and apply adjustments in market approach where necessary.

We have discussed with the Management in relation to the nature of the trade receivables and trade payables of QZ Fubao, and compared the trade receivables to sales ratio of QZ Fubao to the ratios of the aforementioned comparable companies. As discussed with the Management, we understand that QZ Fubao is mainly engaged in the sales of automobile vehicles, the trade payables of QZ Fubao are closely related to the number of vehicles bought by QZ Fubao, and the number of vehicles bought is closely related to the number of vehicles sold by QZ Fubao and hence closely related to the revenue of QZ Fubao. We consider taking the trade payable to revenue ratio could be as good as taking the trade payable to cost of sales ratio, as revenue is also a financial indicator of sales and purchase volume, especially when the gross margin should be similar within the same industry. Since there is no absolute formula for the estimation of excess payable, we consider using the trade payable to revenue ratio in calculating adjustments to be reasonable. We have therefore adopted the trade payables to sales ratio in the calculation of excess trade payables of QZ Fubao, and compared the trade payables to sales ratio of QZ Fubao to the ratios of the aforementioned comparable companies. The ratios of QZ Fubao are on the high side compared to the ratios of the comparable companies. Due to the differences in the ratios of QZ Fubao and the comparable companies, adopting P/E multiple solely is considered not sufficient to capture all of the value of QZ Fubao. We have observed that the trade receivable to sales ratio and trade payable to sales ratio of QZ Fubao were generally higher than that of the comparable companies, we considered it was appropriate to apply adjustments on excess assets and liabilities in estimating the market value of QZ Fubao, which is a commonly adopted approach in valuing the equity interest of a company. We are not aware of any relevant empirical studies on the adjustments in public domains as the nature of such adjustments was company specific to QZ Fubao. The adjustments made on the trade receivable and trade payable were appeared in the form below:

	Trade Receivables of QZ Fubao as at 30 June 2016 (RMB)	89,297,000
	Estimated Trailing 12-Month Sales of QZ Fubao as at 30 June 2016 (RMB)	841,393,000
	Trade Receivables to Sales of QZ Fubao as at 30 June 2016	10.61%
–	Median Trade Receivables to Sales of the Aforementioned Comparable Companies	1.51%
	Difference in Trade Receivables to Sales Ratio	9.11%
x	Estimated Trailing 12-Month Sales of QZ Fubao (RMB)	841,393,000
	Excess Trade Receivables (RMB)	76,622,603
	Trade Payables of QZ Fubao as at 30 June 2016 (RMB)	197,019,000
	Estimated Trailing 12-Month Sales of QZ Fubao as at 30 June 2016 (RMB)	841,393,000
	Trade Payables to Sales of QZ Fubao as at 30 June 2016	23.42%
–	Median Trade Payables to Sales of the Aforementioned Comparable Companies	1.47%
	Difference in Trade Payables to Sales Ratio	21.94%
x	Estimated Trailing 12-Month Sales of QZ Fubao (RMB)	841,393,000
	Excess Trade Payables (RMB)	184,643,008
	Excess Trade Receivables (RMB)	76,622,603
–	Excess Trade Payables (RMB)	184,643,008
	Excess Trade Receivables and Trade Payables (RMB)	(108,020,404)

Note: The estimated trailing 12-month sales of QZ Fubao as at 30 June 2016 was estimated by the sum of half of the audited revenue for the year ended 31 December 2015 and audited revenue for the six months ended 30 June 2016. Revenue for the six months ended 30 June 2015 was not considered in estimating the estimated trailing 12-month sales as it was unaudited figure that might be subject to potential adjustments after an audit.

The excess trade receivables and trade payables of RMB(108,020,404) of QZ Fubao was adjusted in arriving at the market value of QZ Fubao as at the Date of Valuation.

We have discussed with the Management in relation to the nature of the other receivables, other payables and the amounts due from/to inter-group companies of QZ Fubao. We understand these items were balances that had arisen when working capital was arranged and transferred within the inter-group companies, and since they are inter-group company balances, there is no definite terms on the repayment, unlike balances with third parties. We have compared the other receivables, other payables and amounts due from/to inter-group companies of the comparable companies, however, it is impossible for us to gain knowledge on the nature and the amount of such balances, aggregated as assets or as liabilities, and whether they were in excess. Furthermore, based on the information extracted from the annual reports of the comparable companies, no representative pattern of the balances could be identified. Since we could not identify a representative pattern for the aforementioned balances of similar nature among the comparable companies, they were considered company specific and were considered assets and liabilities in addition to the aforementioned excess trade receivables and trade payables. Since we considered these excess assets/liabilities of QZ Fubao company specific, the direct valuation derived by applying peers' multiple to its earning could not reflect the value originated from them. Therefore, further excess assets/liabilities of RMB90,327,000 arising from other receivables, other payables and amounts due from/to inter-group companies were adjusted in arriving at the market value of QZ Fubao as at the Date of Valuation.

8.5 Marketability Discount and Control Premium

The marketability discount was the percentage difference between the private placement price per share and the market trading price per share. Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. We have made reference to the 2016 edition of the FMV Restricted Stock Study Companion Guide (the "Guide") by FMV Opinions, Inc., one of the national preeminent firms offering a broad range of financial advisory services to private and public companies. According to the Guide, a total of 736 private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through September 2015 were examined. With reference to the Guide, we have adopted the median marketability discount for the 736 transactions of 16.11% in arriving at the market value of QZ Fubao as at the Date of Valuation. The median marketability discount was adopted to minimize effect of extreme data. This median figure was concluded in the Guide and we have not adjusted nor selected the data.

In addition, as we are considering the value of QZ Fubao from the perspective of controlling interest, the median control premium for international transaction of 26.70% has been adopted to reflect the higher marketability of a controlling interest compared to a minority interest with reference to the Mergerstat Control Premium Study (1st Quarter 2016) (the "**Study**") published by FactSet Mergerstat, LLC., an independent information provider for merger and acquisition transaction data. The median control premium was adopted to minimize effect of extreme data. The Study examined 116 transactions (comprising 56 U.S. transactions and 60 international transactions) whereby 50.01% or more of a company was acquired for the 1st quarter of 2016. The control premium was the percentage difference between the purchase price per share and the market trading price per share unaffected by the acquisition announcement.

8.6 Calculation Details

The calculation details of the market value of QZ Fubao were illustrated as follows:

	Estimated Trailing 12-month Net Profit (RMB)	11,471,000
x	Average P/E Multiple	11.35
x	Adjusted for Control Premium	(1 + 26.70%)
	Market Value before applying Marketability Discount and Adjustments (RMB)	164,986,411
+	Excess Trade Receivables and Trade Payables (RMB)	(108,020,404)
+	Further Excess Assets/(Liabilities) Adjustments (RMB)	90,327,000
	Market Value before applying Marketability Discount (RMB)	147,293,006
x	Adjusted for Marketability Discount	(1 - 16.11%)
	Market Value (RMB)	123,564,103
	Rounded Value (RMB)	**124,000,000**

Note: The totals may not sum due to rounding.

8.7 Sensitivity Analysis

To determine how the different values of an independent variable would impact a particular dependent variable under a given set of assumptions, we carried out a sensitivity analysis on the market value of QZ Fubao in respect of 1 and 2 absolute deviation in the P/E multiple from the status quo. The results of the sensitivity analysis were as follows:

Absolute Change in P/E Multiple	Applied P/E Multiple	Market Value of QZ Fubao (RMB)
+2	13.35	148,000,000
+1	12.35	136,000,000
0	11.35	124,000,000
-1	10.35	111,000,000
-2	9.35	99,000,000

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- We have discussed with the Management in relation to the nature of the other receivables, trade payables and the amounts due from/to inter-group companies of QZ Fubao, we understand these items are further excess assets/liabilities as mentioned in section 8.5 of this report;
- The valuation was mainly based on the audited financial accounts of QZ Fubao for the period ended 30 June 2016 and for the year ended 31 December 2015;
- QZ Fubao will be operated and developed as planned by the Management;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which QZ Fubao operates or intends to operate would be officially obtained and renewable upon expiry;
- There will be sufficient supply of technical staff in the industry in which QZ Fubao operates, and QZ Fubao will retain competent Management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which QZ Fubao operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which QZ Fubao operate or intend to operate, which would adversely affect the revenues attributable to and profitability of QZ Fubao; and

- Interest rates and exchange rates in the localities for the operation of QZ Fubao will not differ materially from those presently prevailing.

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of QZ Fubao. The factors considered included, but were not necessarily limited to, the following:

- Audited financial accounts of QZ Fubao for the period ended 30 June 2016 and for the year ended 31 December 2015;
- The nature, background and development of QZ Fubao;
- Copies of the relevant licenses and agreements;
- Market trends of the automobile dealership industry in China; and
- Economic outlook in China.

We have discussed the details with the Management. We have also conducted research from various sources to verify the reasonableness and fairness of information provided and we believe that such information is reasonable and reliable. We had assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion.

11. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background, business nature and financial information of QZ Fubao provided to us. To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. The information has not been audited or compiled by us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of QZ Fubao was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the market value of QZ Fubao.

We have not investigated the title to or any legal liabilities of QZ Fubao, and have assumed no responsibility for the title to QZ Fubao appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk. The title of this report shall not pass to the Company until all professional fee has been paid in full.

No change to any item in any part of this report shall be made by anyone except Roma Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

12. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Company, QZ Fubao, their associated companies or the values reported herein.

13. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of 100% equity interest in QZ Fubao as at the Date of Valuation, in our opinion, was reasonably stated as **RMB124,000,000 (RENMINBI ONE HUNDRED AND TWENTY FOUR MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

The following is the text of a report prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuation on FJ Xingdebao as at 30 June 2016.

ROMA

Unit 3806, 38/F, China Resources Building,
26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

26 October 2016

G.A. Holdings Limited
Unit 1203, 12th Floor,
Eton Tower, No. 8 Hysan Avenue,
Causeway Bay, Hong Kong

Case Ref: KY/BVPPA3235p/JAN16(b)

Dear Sir/Madam,

Re: Business Valuation of 100% Equity Interest in 龍岩中寶汽車有限公司

In accordance with the instructions from G.A. Holdings Limited (hereinafter referred to as the "**Company**"), we have conducted a business valuation of 100% equity interest in 龍岩中寶汽車有限公司 (hereinafter referred to as "**LY Zhongbao**"). We are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing our valuation as at 30 June 2016 (hereinafter referred to as the "**Date of Valuation**").

This report states the purpose of valuation, scope of work, economic and industry overviews, overview of LY Zhongbao, basis of valuation, investigation and analysis, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks, and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. The Company is a public company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. In addition, Roma Appraisals Limited (hereinafter referred to as "**Roma Appraisals**") acknowledges that this report will be made available to the Company for public documentation purpose and include in the Company's circular only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and information provided by the management of the Company, the management of LY Zhongbao, and/or their representative(s) (hereinafter referred to as the "**Management**").

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of LY Zhongbao. As part of our analysis, we have reviewed such financial information and other pertinent data concerning LY Zhongbao provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the business operation of LY Zhongbao will approximate those projected because assumptions regarding future events by their nature are not capable of independent substantiation.

In applying these projections to the valuation of LY Zhongbao, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

3. ECONOMIC OVERVIEW

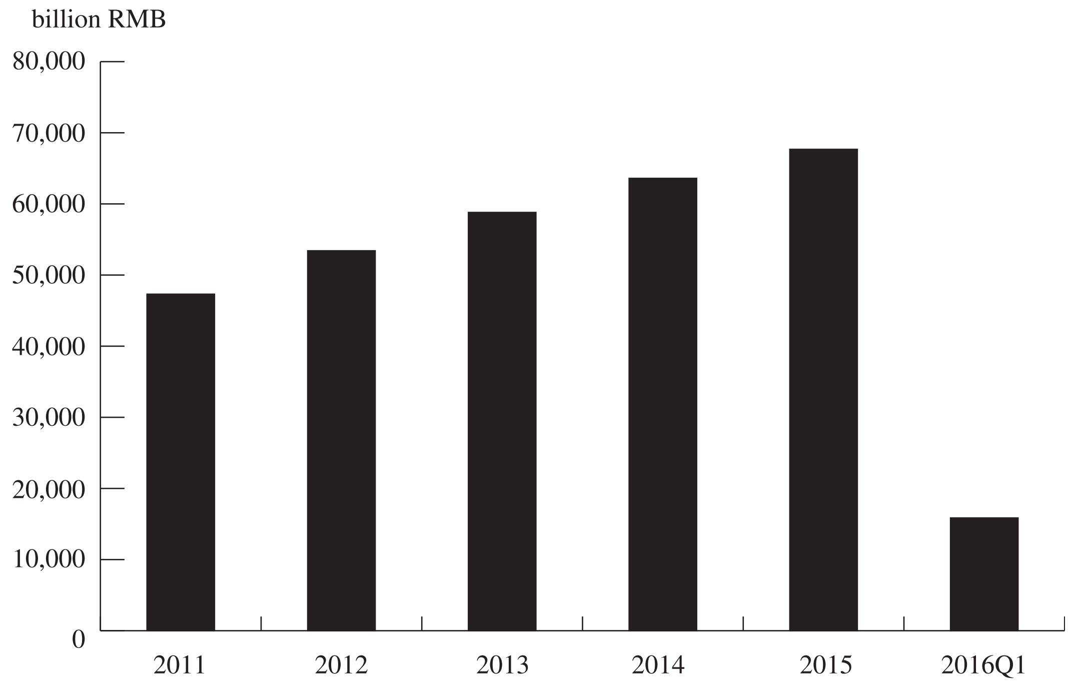
3.1 Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product ("**GDP**") of China in the first quarter of 2016 was RMB15,852.64 billion, a year over year increase of 7.2% comparing to March 2015. China was the third largest economy in the world, ranked after the European Union and the United States, in terms of nominal GDP measured by the International Monetary Fund ("**IMF**") in 2014. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth since 2011.

Over the past five years from 2011 to 2015, compound annual growth rate of China's nominal GDP was 11.0% whereas the Chinese government targeted to grow its GDP by around 7.0% annually for the period from 2011 to 2015. Figure 1 illustrates the nominal GDP of China from 2011 to the first quarter of 2016.

Figure 1 — China's Nominal GDP from 2011 to First Quarter of 2016

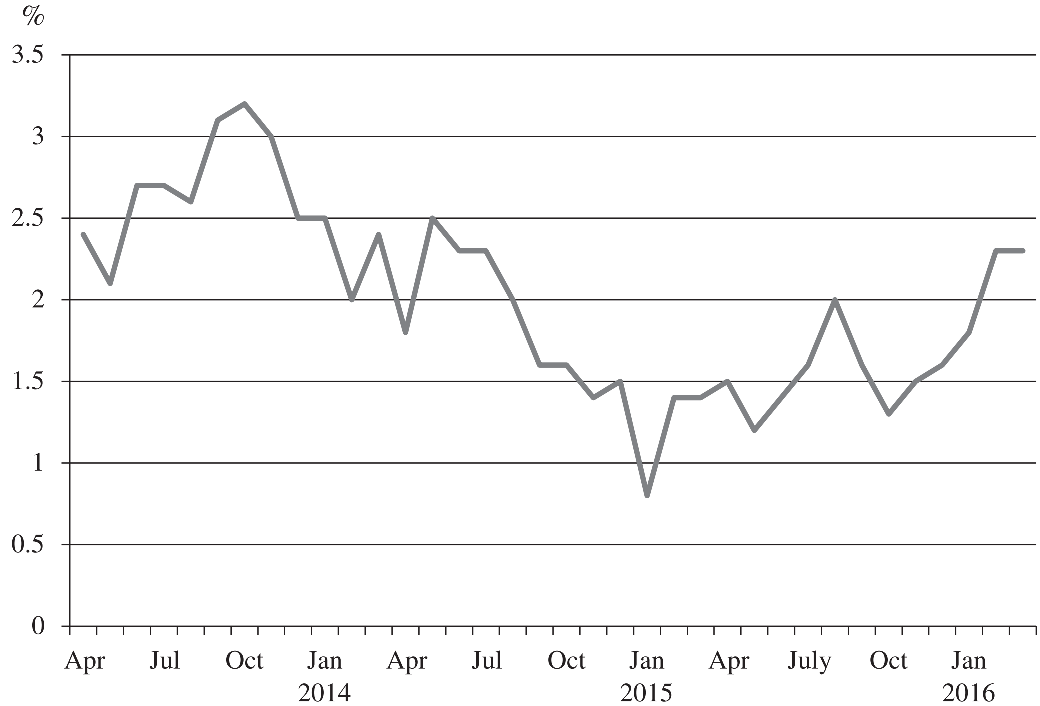


Source: National Bureau of Statistics of China

3.2 Inflation in China

Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class' demand for food and commodities has been rising continuously. Inflation in China has been driven mainly by food prices, which have been stayed high in 2011. According to the National Bureau of Statistics of China, the consumer price index ("**CPI**") demonstrated an uptrend in the first half of 2011. Thanks to the government's policies in suppressing commodity prices, the inflation in CPI slowed in the second half of 2011 and first half of 2012 and maintained at around 2.0% to 3.2% during 2013. During 2014, the CPI dropped and reached 1.5% in December 2014. During first half of 2015, the CPI maintained at around 0.8% to 1.5%, and fluctuated around 1.3% to 2.0% in second half year of 2015. In the first quarter of 2016, the CPI remained at a steady rate of 2.3%. Figure 2 shows the year-over-year change in CPI of China from April 2013 to March 2016.

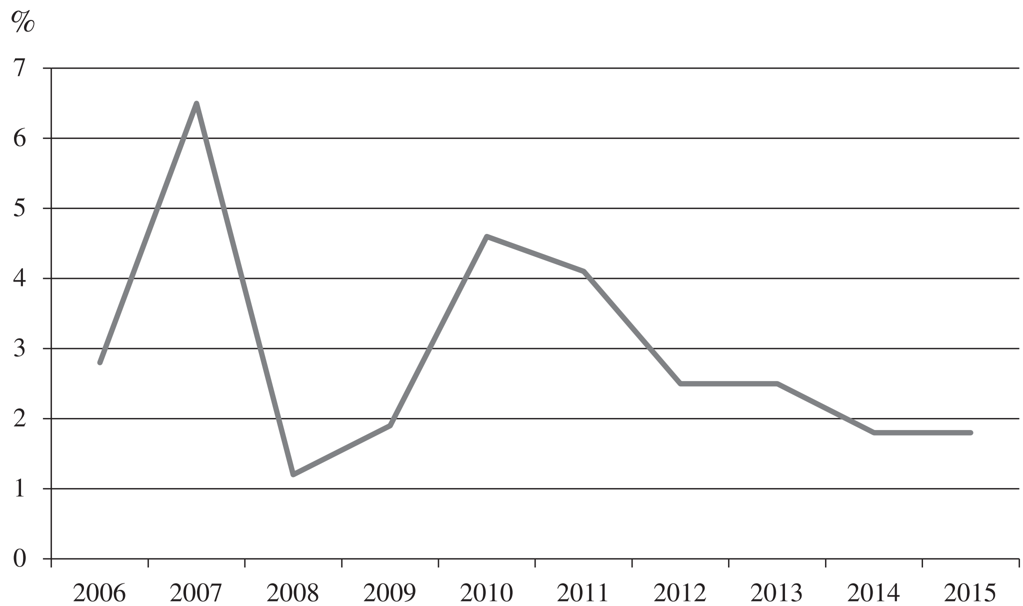
Figure 2 — Year-over-year Change in China's CPI from April 2013 to March 2016



Source: Bloomberg

China's inflation rate was volatile during the past decade. According to the IMF, the inflation rate in China increased from 2.8% in 2006 to 6.5% in 2007, and then dropped to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate increased to 4.6% in 2010 and maintained at 4.1% in 2011. The inflation rate dropped again to 2.5% in 2012 and 2013, and further to 1.8% in 2014. Finally, it maintained at 1.8% in 2015. According to IMF's forecast, the long-term inflation rate of China is expected to be around 3.0%. Figure 3 shows the historical trend of China's inflation rate from 2006 to 2015.

Figure 3 — China's Inflation Rate from 2006 to 2015



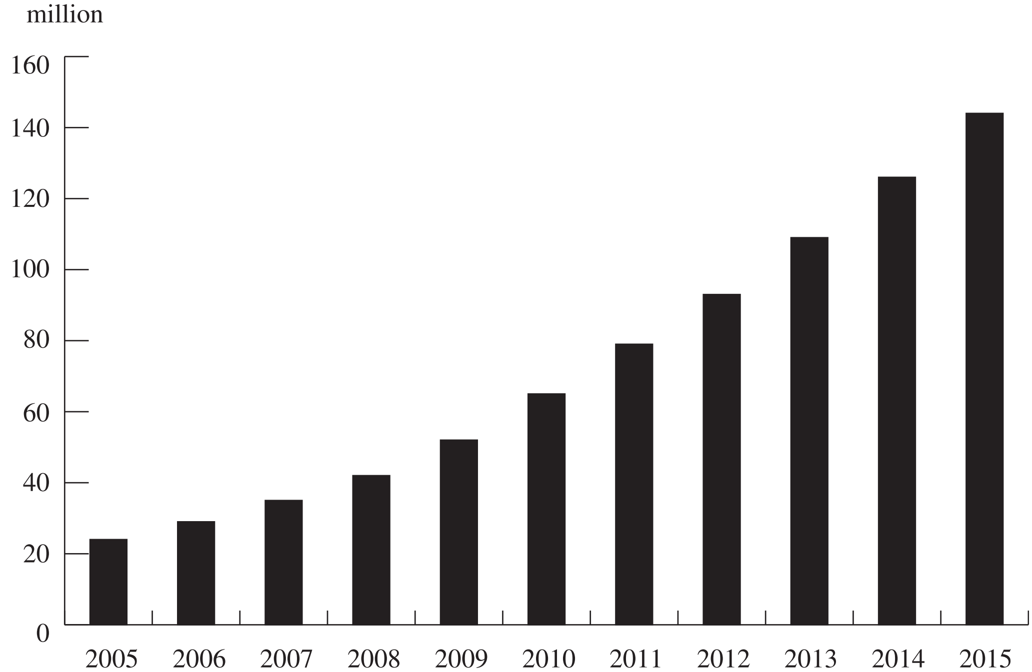
Source: International Monetary Fund

4. INDUSTRY OVERVIEW

4.1 Overview of the Automotive Retail Industry in China

China has been undergoing a rapid growth on the number of passenger automobiles from 2005 to 2015. According to the National Bureau of Statistics of China, the number of passenger automobiles in China ("私人汽車保有量") has increased from around 24 million to 144 million from 2005 to 2015. Over the past eleven years from 2005 to 2015, compound annual growth rate of number of passenger automobiles was 19.8%. Figure 4 shows the number of passenger automobiles in China from 2005 to 2015.

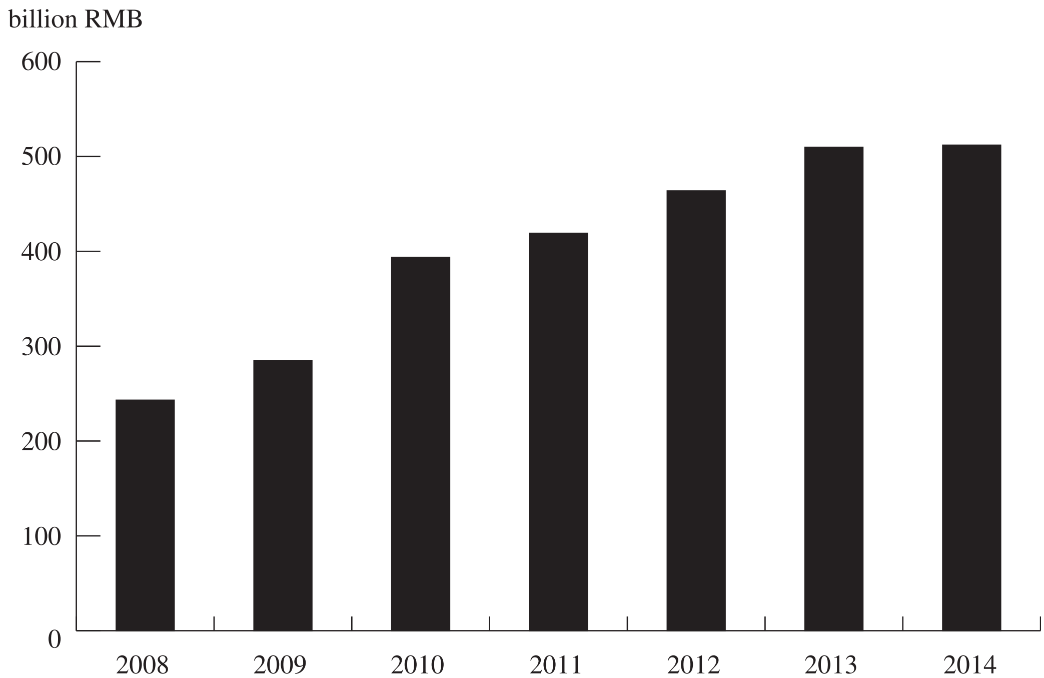
Figure 4 — Number of Passenger Automobiles in China from 2005 to 2015



Source: National Bureau of Statistics of China

China has been undergoing a steady increase in the turnover of automotive market from 2008 to 2014. According to the National Bureau of Statistics of China, the turnover of automotive market in China has increased from around 243 billion to 512 billion from 2008 to 2014. Over the past seven years from 2008 to 2014, the turnover of automotive market has been increased by more than double. Figure 5 shows the turnover of automotive market in China from 2008 to 2014.

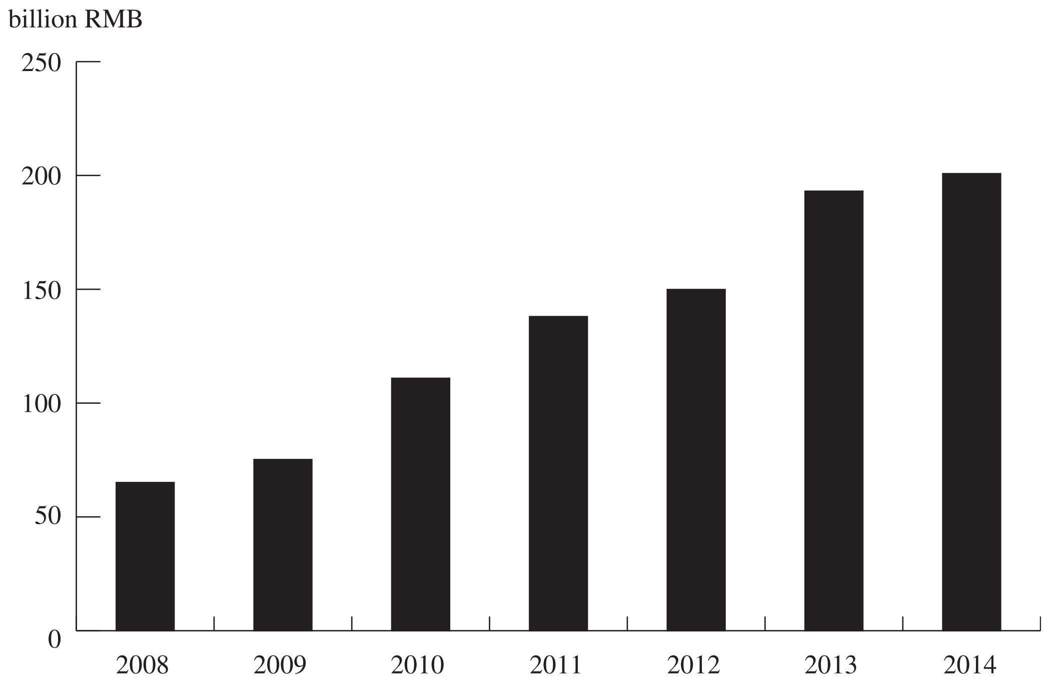
Figure 5 — Turnover of Automotive Market in China from 2008 to 2014



Source: National Bureau of Statistics of China

While the number of passenger automobiles and the turnover of automotive market increased, the profit of automotive retail industry in China experienced a steady growth from 2008 to 2014. According to the National Bureau of Statistics of China, the profit of automotive retail industry in China has increased from around RMB66 billion to RMB201 billion from 2008 to 2014. Over the past seven years from 2008 to 2014, the profit of automotive retail industry in China has increased by around three times. Figure 6 shows the profit of automotive retail industry in China from 2008 to 2014.

Figure 6 — Profit of Automotive Retail Industry in China from 2008 to 2014



Source: National Bureau of Statistics of China

5. OVERVIEW OF LY ZHONGBAO

LY Zhongbao is a company incorporated in the People's Republic of China (the "**PRC**") on 20 January 2009 with limited liability. LY Zhongbao principally engaged in automobile dealership, exhibitions of automobiles, provision of auto parts and after-sales services in the PRC.

6. BASIS OF VALUATION

Our valuation was based on going concern premise and conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2011, **market value** is defined as "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of LY Zhongbao. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the economy and automobile dealership industry in China as we considered necessary for the purpose of the valuation.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning LY Zhongbao provided to us by the Management and have considered such information and data as attainable and reasonable.

The valuation of LY Zhongbao requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of LY Zhongbao;
- The financial condition of LY Zhongbao;
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;
- Relevant licenses and agreements;
- The business risks of LY Zhongbao such as the ability in maintaining competent technical and professional personnel; and
- Investment returns and market transactions of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of LY Zhongbao, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

8.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("**equity and long term debt**"). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity ("**equity**") and investors who lend money to the business entity ("**debt**"). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

8.4 Business Valuation

In the process of valuing LY Zhongbao, we have taken into account of the development and operations of LY Zhongbao and the nature of the automobile dealership industry it is participating.

The Income-Based Approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. According to the audited financial statements of LY Zhongbao provided by the Company, we noticed the net profit of LY Zhongbao was not stable over the past three year, and the margin of LY Zhongbao was thin for the previous year, therefore the profit forecast would be uncertain if it is projected based on the past track record. We have not reviewed any financial projections of LY Zhongbao for this business valuation. Moreover, as discussed with the Management, due to the fluctuating profit of LY Zhongbao, the profit of LY Zhongbao for the previous year may not represent a long term profit level, hence the Market-Based Approach was not adopted. We have therefore considered the adoption of the Asset-Based Approach in arriving at the market value of LY Zhongbao.

The Asset-Based Approach is based on the economic principle of substitution; it essentially measures what is the net asset value as at the Date of Valuation and how much it would cost to replace those assets. Either one of the replacement value, liquidation value and adjusted net asset value method is used to estimate the current market value of the business or its assets.

Adjustment(s) on net asset value are common in the Asset-Based Approach. The reason for making the adjustment(s) is that the book values of the asset held may not reflect their corresponding market values. Under the Asset-Based Approach, the adjustments on the net asset value of LY Zhongbao as at the Date of Valuation were as follows:

	Book Value[1]	Adjustment	Adjusted Value
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	22,621	1,652	24,273
— Buildings[2,3]	17,205	1,395	18,600[4]
— Plant and machinery, motor vehicles, and furniture and equipment[2]	5,416	257	5,673
Leasehold land[2]	8,910	13,790	22,700[4]
TOTAL NON-CURRENT ASSETS	31,531	15,442	46,973
CURRENT ASSETS			
Inventories	31,478	—	31,478
Trade receivables	71,327	—	71,327
Prepayments and other receivables	7,276	—	7,276
Tax recoverable	923	—	923
Pledged deposits	3,680	—	3,680
Cash and bank balances	2,430	—	2,430
TOTAL CURRENT ASSETS	117,114	—	117,114
TOTAL ASSETS	148,645	—	164,087
CURRENT LIABILITIES			
Trade and bills payables	(4,294)	—	(4,294)
Other payables	(71,962)	—	(71,962)
Receipt in advance	(4,826)	—	(4,826)
Bank and other borrowings	(34,152)	—	(34,152)
TOTAL CURRENT LIABILITIES	(115,234)	—	(115,234)
TOTAL LIABILITIES	(115,234)	—	(115,234)
NET ASSETS	33,411	15,442	48,853

Notes:

1. The book values of the assets and liabilities of LY Zhongbao were sourced from the audited financial accounts of LY Zhongbao as at 30 June 2016, as shown in Appendix III — Accountant's report of LY Zhongbao.

2. The only adjustments were made on the non-current assets, which include the leasehold land and building held by LY Zhongbao. Please refer section 8.5 of this report for the methodology of deriving the adjusted values of the non-current assets.

3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter-alia, the following: LY Zhongbao has not obtained a proper legal title to the building portion of the property, but has no material legal obstacle to obtain a proper legal title to the property and has no legal obstacle to let the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government. The market value of the property, plant and equipment is subject to LY Zhongbao obtaining the building certificate.

4. The sum of the adjusted values of the leasehold land and the buildings corresponds to the market value of RMB41,300,000 of the land and building of LY Zhongbao as depicted in Appendix XII of this circular.

8.5 Fixed Assets

As advised by the Management, the fixed assets (hereinafter referred to as the "**Fixed Assets**") of LY Zhongbao as at the Date of Valuation consist of:

(i) Plant and machinery, furniture and equipment, motor vehicles (together referred as "**Assets**");

(ii) Property as defined in the property valuation report dated 26 October 2016 prepared by Roma Appraisals as depicted in Appendix XII of this circular (hereinafter referred to as the "**Property**");

There are three recognized and accepted approaches to value the Fixed Assets, namely market data or comparative sales approach, cost approach (depreciated replacement cost approach), and income or earnings approach.

8.5.1 Market Data or Comparative Sales Approach

This considers prices recently paid for similar fixed assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised fixed assets relative to the market comparative fixed assets for which there is established market comparable appraised by this approach.

8.5.2 Cost Approach (Depreciated Replacement Cost Approach)

This considers the cost to reproduce or replace in new condition the appraised fixed assets in accordance with current market prices for fixed assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present, taking into consideration past and present maintenance policy and rebuilding history. This approach generally furnishes the most reliable indication of value for the fixed assets in the absence of known market based on comparable sales.

8.5.3 Income or Earnings Approach

This is a technique in which the estimated stream of future benefits may be enjoyed by reason of ownership, usually the anticipated or projected earnings, is processed to indicate the amount measured through capitalization of net income or application of multiples derived from financial analysis of similar industries.

8.5.4 Conclusion

In the course of our valuation, all three approaches should be considered, as one or more approaches may be applicable in the valuation of the Fixed Assets. Since there is no means to observe the estimated earnings of certain fixed assets, Income or Earnings Approach was not used in our valuation. For Market Data or Comparative Sales Approach, as there is no identical market comparable of the Fixed Assets, it was not adopted in the valuation. We have adopted the Cost Approach on the Fixed Assets because this approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets.

During our inspection of the Fixed Assets, we observed that the Fixed Assets had been observed to be in generally good operating conditions. Any deferred maintenance, physical wear and tear, operating malfunctions, lack of utility, or other observable conditions distinguishing the appraised assets from Fixed Assets of like kind in new condition were noted and made part of our judgment in arriving at the values. We have assumed the Fixed Assets are kept in reasonable condition and should be capable of operating the purpose for which they were designed and produced. In addition, our valuation has been prepared based upon assumptions that the Fixed Assets will continue in the existing uses.

8.6 Marketability Discount

The marketability discount was the percentage difference between the private placement price per share and the market trading price per share. Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. We have made reference to the 2016 edition of the FMV Restricted Stock Study Companion Guide (the "**Guide**") by FMV Opinions, Inc., one of the national preeminent firms offering a broad range of financial advisory services to private and public companies. According to the Guide, a total of 736 private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through September 2015 were examined. With reference to the Guide, we have adopted the median marketability discount for the 736 transactions of 16.11% in arriving at the market value of LY Zhongbao as at the Date of Valuation. This median figure was concluded in the Guide and we have not adjusted nor selected the data.

We considered that the marketability discount has to be considered regardless of the valuation methodology adopted. Despite adopting the Asset-Based Approach, the valuation subject is the equity interest in LY Zhongbao rather than the total sum of values of all assets and liabilities, marketability discount was hence applicable on the equity interest of LY Zhongbao, which is a private company holding the assets and liabilities.

8.7 Calculation Details

The calculation details of LY Zhongbao under the Asset-Based Approach were illustrated as follows:

Adjusted Net Asset Value *(RMB'000)*	48,853
Adjusted for Marketability Discount	(1 - 16.11%)
100% Market Value *(RMB'000)*	40,983
Rounded Value *(RMB'000)*	**41,000**

Note: The totals may not sum due to rounding.

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- As at the Date of Valuation, the building certificate of LY Zhongbao has not been obtained, the legality for LY Zhongbao to operate in the related properties as at the Date of Valuation is assumed;
- The valuation was mainly based on the audited financial accounts of LY Zhongbao for the period ended 30 June 2016;
- LY Zhongbao will be operated and developed as planned by the Management;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which LY Zhongbao operate or intend to operate would be officially obtained and renewable upon expiry;
- There will be sufficient supply of technical staff in the industry in which LY Zhongbao operates, and LY Zhongbao will retain competent Management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which LY Zhongbao operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which LY Zhongbao operate or intend to operate, which would adversely affect the revenues attributable to and profitability of LY Zhongbao; and

- Interest rates and exchange rates in the localities for the operation of LY Zhongbao will not differ materially from those presently prevailing.

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of LY Zhongbao. The factors considered included, but were not necessarily limited to, the following:

- Audited financial accounts of LY Zhongbao for the period ended 30 June 2016;
- The nature, background and development of LY Zhongbao;
- Copies of the relevant licenses and agreements; and
- Economic outlook in China.

We have discussed the details with the Management. We have also conducted research from various sources to verify the reasonableness and fairness of information provided and we believe that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

11. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background, business nature and financial information of LY Zhongbao provided to us.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. The information has not been audited or compiled by us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of LY Zhongbao was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the market value of LY Zhongbao.

We have not investigated the title to or any legal liabilities of LY Zhongbao, and have assumed no responsibility for the title to LY Zhongbao appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk. The title of this report shall not pass to the Company until all professional fee has been paid in full.

No change to any item in any part of this report shall be made by anyone except Roma Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

12. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Company, LY Zhongbao and the associated companies, or the values reported herein.

13. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of 100% equity interest in LY Zhongbao as at the Date of Valuation, in our opinion, was reasonably stated as **RMB41,000,000 (RENMINBI FORTY ONE MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

The following is the text of a report prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuation on FJ Xingdebao as at 30 June 2016.

ROMA

Unit 3806, 38/F, China Resources Building,
26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

26 October 2016

G.A. Holdings Limited
Unit 1203, 12th Floor,
Eton Tower, No. 8 Hysan Avenue,
Causeway Bay, Hong Kong

Case Ref: KY/BVPPA3235p/JAN16(c)

Dear Sir/Madam,

Re: Business Valuation of 100% Equity Interest in 福建星德寶汽車銷售服務有限公司

In accordance with the instructions from G.A. Holdings Limited (hereinafter referred to as the "**Company**"), we have conducted a business valuation of 100% equity interest in 福建星德寶汽車銷售服務有限公司 (hereinafter referred to as "**FJ Xingdebao**"). We are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing our valuation as at 30 June 2016 (hereinafter referred to as the "**Date of Valuation**").

This report states the purpose of valuation, scope of work, economic and industry overviews, overview of FJ Xingdebao, basis of valuation, investigation and analysis, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks, and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. The Company is a public company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. In addition, Roma Appraisals Limited (hereinafter referred to as "**Roma Appraisals**") acknowledges that this report will be made available to the Company for public documentation purpose and include in the Company's circular only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and information provided by the management of the Company, the management of FJ Xingdebao, and/or their representative(s) (hereinafter referred to as the "**Management**").

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of FJ Xingdebao. As part of our analysis, we have reviewed such financial information and other pertinent data concerning FJ Xingdebao provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the business operation of FJ Xingdebao will approximate those projected because assumptions regarding future events by their nature are not capable of independent substantiation.

In applying these projections to the valuation of FJ Xingdebao, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

3. ECONOMIC OVERVIEW

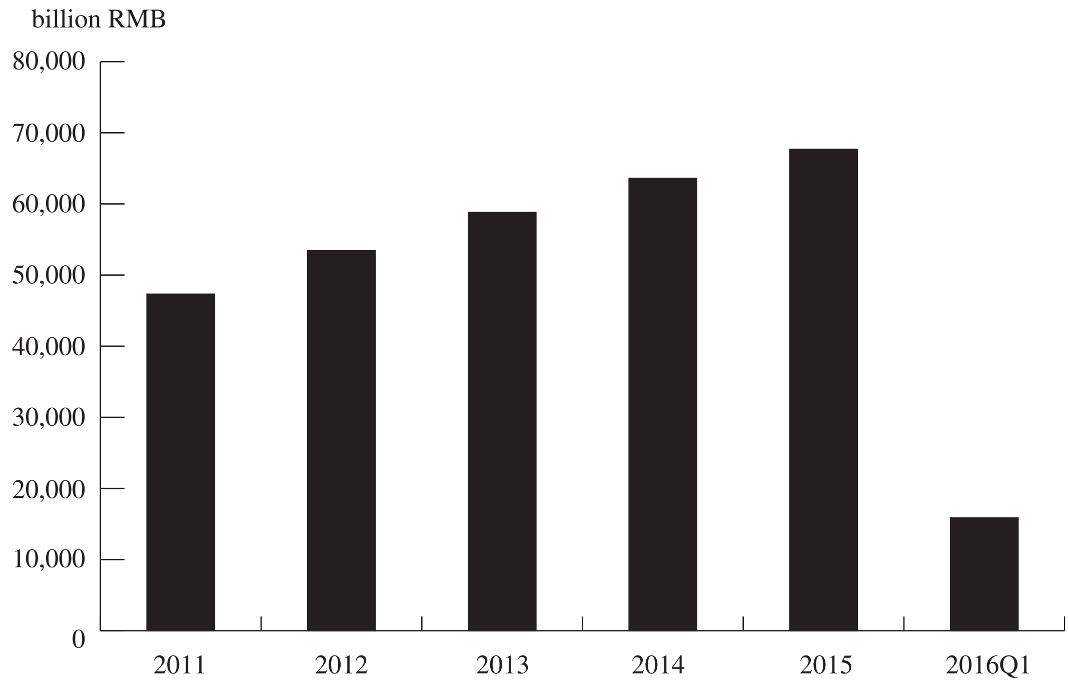
3.1 Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product ("**GDP**") of China in the first quarter of 2016 was RMB15,852.64 billion, a year over year increase of 7.2% comparing to March 2015. China was the third largest economy in the world, ranked after the European Union and the United States, in terms of nominal GDP measured by the International Monetary Fund ("**IMF**") in 2014. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth since 2011.

Over the past five years from 2011 to 2015, compound annual growth rate of China's nominal GDP was 11.0% whereas the Chinese government targeted to grow its GDP by around 7.0% annually for the period from 2011 to 2015. Figure 1 illustrates the nominal GDP of China from 2011 to the first quarter of 2016.

Figure 1 — China's Nominal GDP from 2011 to First Quarter of 2016

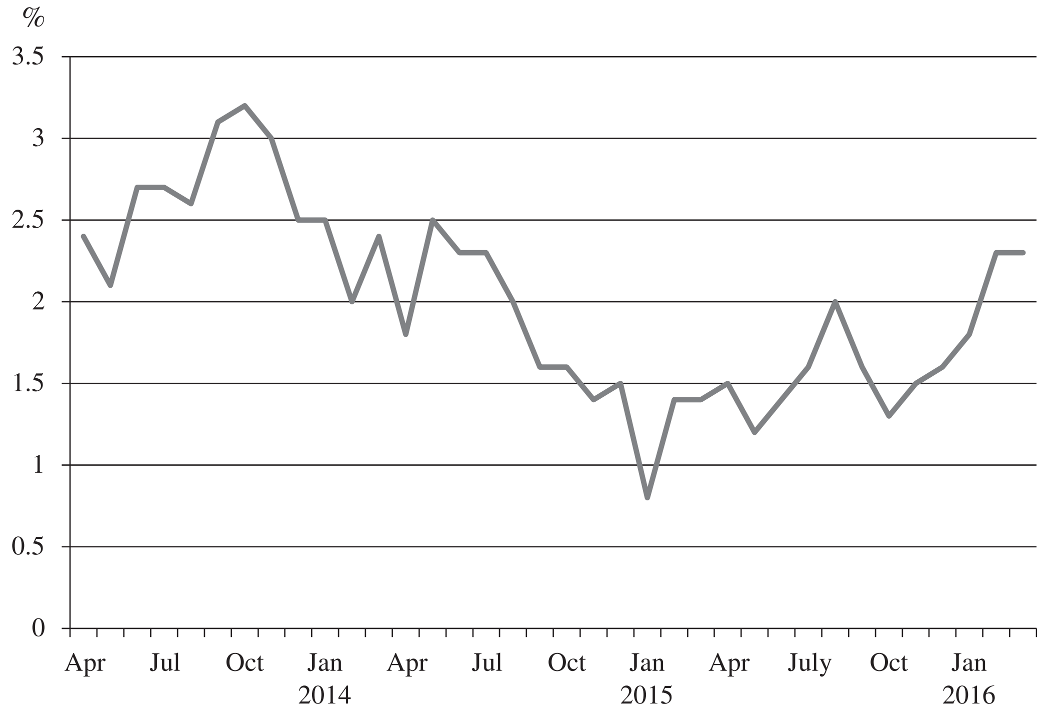


Source: National Bureau of Statistics of China

3.2 Inflation in China

Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class' demand for food and commodities has been rising continuously. Inflation in China has been driven mainly by food prices, which have been stayed high in 2011. According to the National Bureau of Statistics of China, the consumer price index ("**CPI**") demonstrated an uptrend in the first half of 2011. Thanks to the government's policies in suppressing commodity prices, the inflation in CPI slowed in the second half of 2011 and first half of 2012 and maintained at around 2.0% to 3.2% during 2013. During 2014, the CPI dropped and reached 1.5% in December 2014. During first half of 2015, the CPI maintained at around 0.8% to 1.5%, and fluctuated around 1.3% to 2.0 % in second half year of 2015. In the first quarter of 2016, the CPI remained at a steady rate of 2.3%. Figure 2 shows the year-over-year change in CPI of China from April 2013 to March 2016.

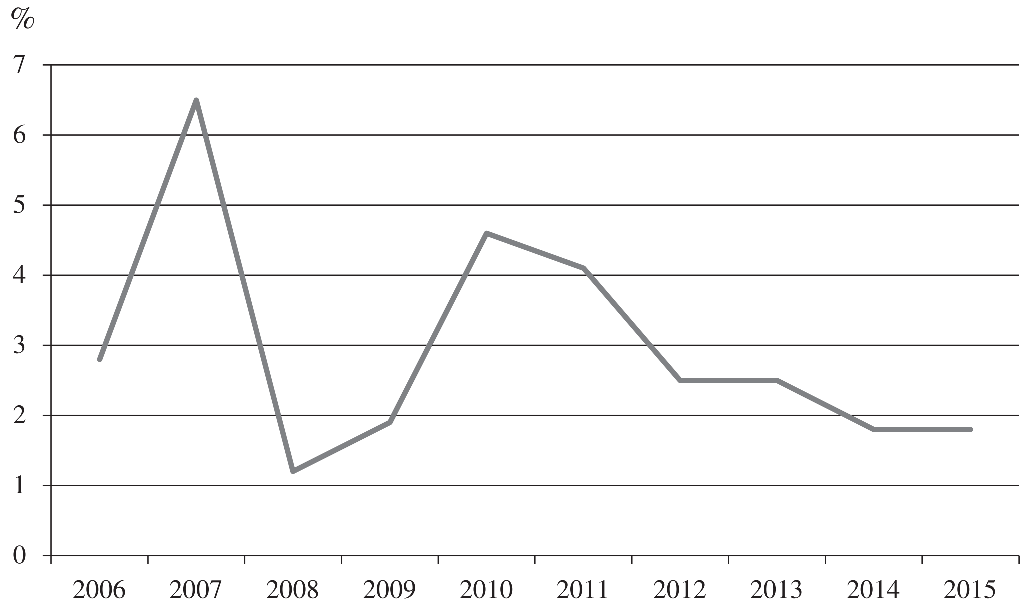
Figure 2 — Year-over-year Change in China's CPI from April 2013 to March 2016



Source: Bloomberg

China's inflation rate was volatile during the past decade. According to the IMF, the inflation rate in China increased from 2.8% in 2006 to 6.5% in 2007, and then dropped to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate increased to 4.6% in 2010 and maintained at 4.1% in 2011. The inflation rate dropped again to 2.5% in 2012 and 2013, and further to 1.8% in 2014. Finally, it maintained at 1.8% in 2015. According to IMF's forecast, the long-term inflation rate of China is expected to be around 3.0%. Figure 3 shows the historical trend of China's inflation rate from 2006 to 2015.

Figure 3 — China's Inflation Rate from 2006 to 2015



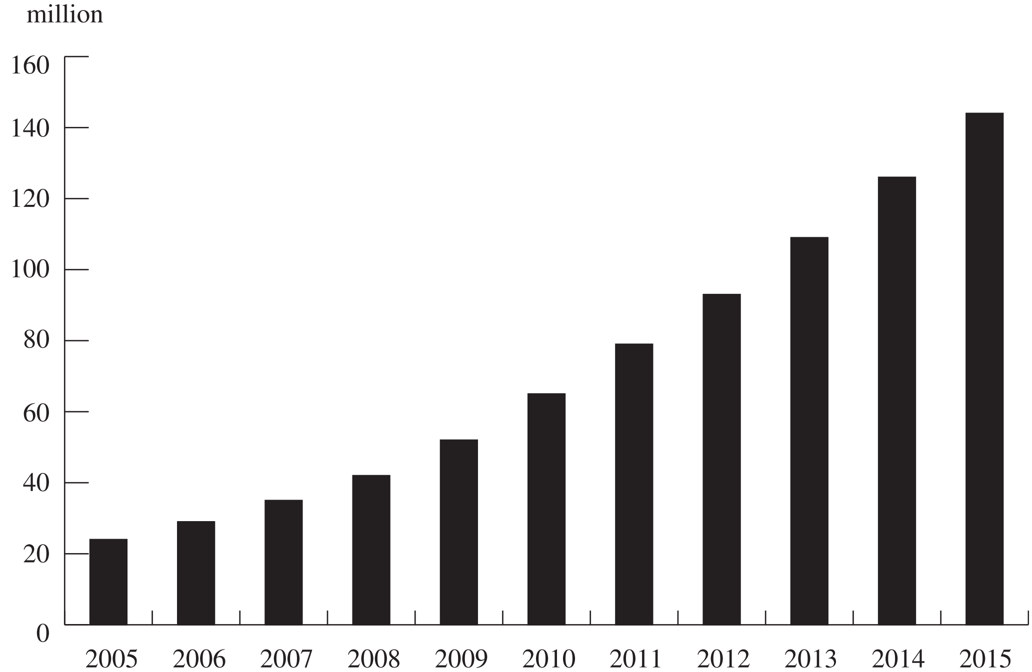
Source: International Monetary Fund

4. INDUSTRY OVERVIEW *(TO BE UPDATED)*

4.1 Overview of the Automotive Retail Industry in China

China has been undergoing a rapid growth on the number of passenger automobiles from 2005 to 2015. According to the National Bureau of Statistics of China, the number of passenger automobiles in China ("私人汽車保有量") has increased from around 24 million to 144 million from 2005 to 2015. Over the past eleven years from 2005 to 2015, compound annual growth rate of number of passenger automobiles was 19.8%. Figure 4 shows the number of passenger automobiles in China from 2005 to 2015.

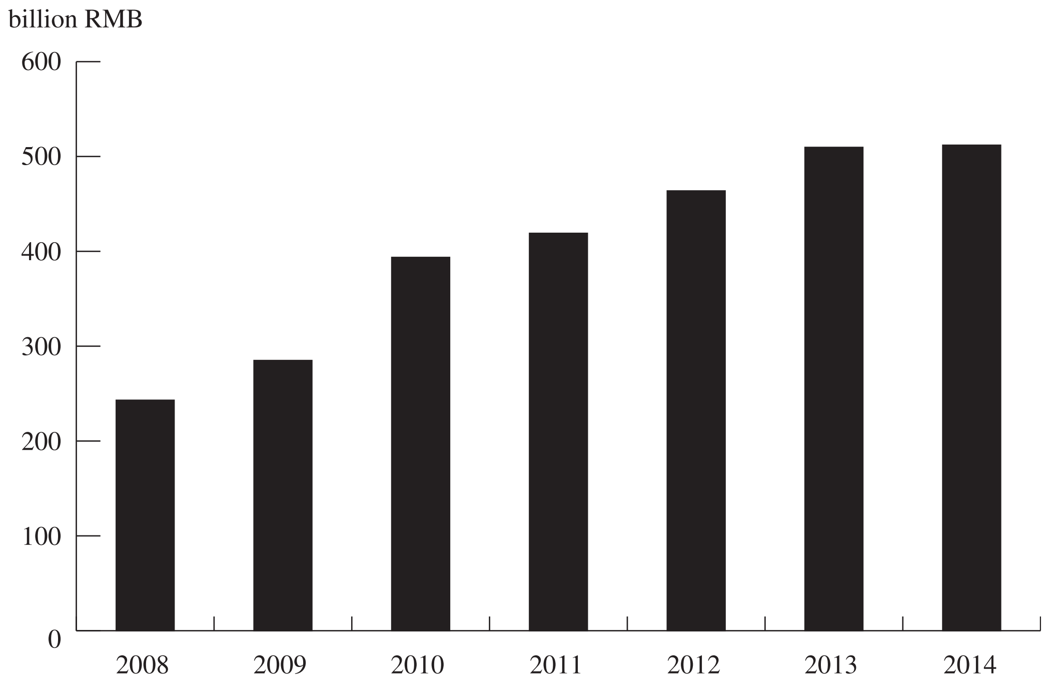
Figure 4 — Number of Passenger Automobiles in China from 2005 to 2015



Source: National Bureau of Statistics of China

China has been undergoing a steady increase in the turnover of automotive market from 2008 to 2014. According to the National Bureau of Statistics of China, the turnover of automotive market in China has increased from around 243 billion to 512 billion from 2008 to 2014. Over the past seven years from 2008 to 2014, the turnover of automotive market has been increased by more than double. Figure 5 shows the turnover of automotive market in China from 2008 to 2014.

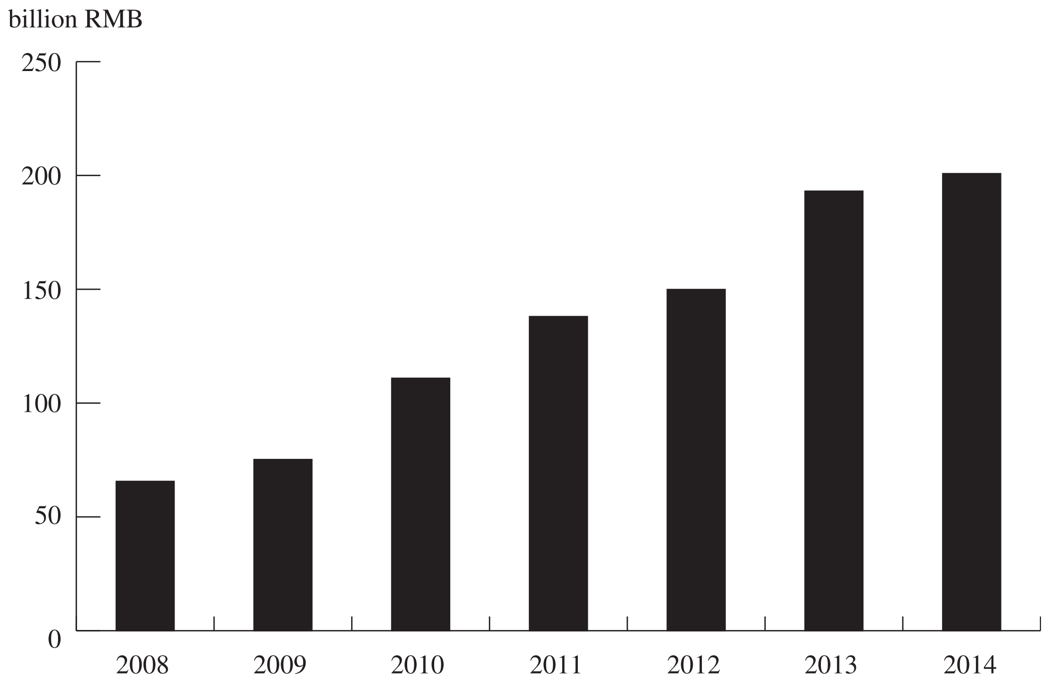
Figure 5 — Turnover of Automotive Market in China from 2008 to 2014



Source: National Bureau of Statistics of China

While the number of passenger automobiles and the turnover of automotive market increased, the profit of automotive retail industry in China experienced a steady growth from 2008 to 2014. According to the National Bureau of Statistics of China, the profit of automotive retail industry in China has increased from around RMB66 billion to RMB201 billion from 2008 to 2014. Over the past seven years from 2008 to 2014, the profit of automotive retail industry in China has increased by around three times. Figure 6 shows the profit of automotive retail industry in China from 2008 to 2014.

Figure 6 — Profit of Automotive Retail Industry in China from 2008 to 2014



Source: National Bureau of Statistics of China

5. OVERVIEW OF FJ XINGDEBAO

FJ Xingdebao is a company incorporated in the People's Republic of China (the "**PRC**") on 24 April 2015 with limited liability. FJ Xingdebao principally engaged in automobile dealership, exhibitions of automobiles, provision of auto parts and after-sales services in the PRC.

6. BASIS OF VALUATION

Our valuation was based on going concern premise and conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2011, **market value** is defined as "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of FJ Xingdebao. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the economy and automobile dealership industry in China as we considered necessary for the purpose of the valuation.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning FJ Xingdebao provided to us by the Management and have considered such information and data as attainable and reasonable.

The valuation of FJ Xingdebao requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of FJ Xingdebao;
- The financial condition of FJ Xingdebao;
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;
- Relevant licenses and agreements;
- The business risks of FJ Xingdebao such as the ability in maintaining competent technical and professional personnel; and
- Investment returns and market transactions of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of FJ Xingdebao, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

8.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("**equity and long term debt**"). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity ("**equity**") and investors who lend money to the business entity ("**debt**"). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

8.4 Business Valuation

In the process of valuing FJ Xingdebao, we have taken into account of the development of FJ Xingdebao and operation related to the nature of the automobile dealership industry it is participating.

The Income-Based Approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. In view of the short listing operating history of FJ Xingdebao, which was established since 24 April 2015 with length of operating history of less than 2 years as at the Date of Valuation, we have not been provided a financial projection with sufficient basis for the purpose of this business valuation. Hence, the Income-Based Approach was not considered appropriate and was not adopted. We have not reviewed any financial projections of FJ Xingdebao for this business valuation.

The Market-Based Approach was not adopted in this case because there was insufficient operating history of FJ Xingdebao, the financial performance of FJ Xingdebao for the previous year may not represent a long term performance level in estimating market value of FJ Xingdebao under the Market-Based Approach. We have therefore considered the adoption of the Asset-Based Approach in arriving at the market value of FJ Xingdebao.

The Asset-Based Approach is based on the economic principle of substitution; it essentially measures what is the net asset value as at the Date of Valuation and how much it would cost to replace those assets. Either one of the replacement value, liquidation value and adjusted net asset value method is used to estimate the current market value of the business or its assets.

Adjustment(s) on net asset value are common in the Asset-Based Approach. The reason for making the adjustment(s) is that the book values of the asset held may not reflect their corresponding market values. Under the Asset-Based Approach, the adjustments on the net asset value of FJ Xingdebao as at the Date of Valuation were as follows:

	Book Value[1]	**Adjustment**	**Adjusted Value**
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	91,459	301	91,760
— Infrastructure[2]	18,228	—	18,228
— Buildings[2,3]	66,896	504	67,400[4]
— Plant and machinery, motor vehicles, and furniture and equipment[2]	6,335	(203)	6,132
Leasehold land[2,3]	19,317	1,183	20,500[4]
TOTAL NON-CURRENT ASSETS	110,776	1,484	112,260
CURRENT ASSETS			
Inventories	38,438	—	38,438
Trade receivables	2,666	—	2,666
Prepayments and other receivables	8,573	—	8,573
Pledged deposits	3,200	—	3,200
Cash and bank balances	2,824	—	2,824
TOTAL CURRENT ASSETS	55,701	—	55,701
TOTAL ASSETS	166,477	1,484	167,961
CURRENT LIABILITIES			
Trade payables	(8,580)	—	(8,580)
Other payables and accruals	(104,484)	—	(104,484)
Receipt in advance	(1,241)	—	(1,241)
Bank and other borrowings	(45,316)	—	(45,316)
TOTAL CURRENT LIABILITIES	(159,621)	—	(159,621)
TOTAL LIABILITIES	(159,621)	—	(159,621)
NET ASSETS	6,856	1,484	8,340

Notes:

1. The book values of the assets and liabilities of FJ Xingdebao were sourced from the audited financial accounts of FJ Xingdebao as at 30 June 2016, as shown in Appendix IV — Accountant's report of FJ Xingdebao.

2. The only adjustments were made on the non-current assets, which include the leasehold land and building held by FJ Xingdebao. Please refer section 8.5 of this report for the methodology of deriving the adjusted values of the non-current assets.

3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter-alia, the following: FJ Xingdebao has not obtained a proper legal title to the property, but has no material obstacle to obtain a proper legal title to the property and has no legal obstacle to let the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government. The market values of the Property are subject to FJ Xingdebao obtaining the building and land certificate.

4. The sum of the adjusted values of the leasehold land and the building corresponds to the sum of the capitalized loan interest in relation to the construction works of the Property of RMB5,900,000 and the market value of RMB82,000,000 of the land and building of FJ Xingdebao as depicted in Appendix XII of this circular.

8.5 Fixed Assets

As advised by the Management, the fixed assets (hereinafter referred to as the "**Fixed Assets**") of FJ Xingdebao as at the Date of Valuation consist of:

(i) Plant and machinery, furniture and equipment, motor vehicles (together referred as "**Assets**");

(ii) Property as defined in the property valuation report dated 26 October 2016 prepared by Roma Appraisals as depicted in Appendix XII of this circular (hereinafter referred to as the "**Property**");

(iii) Capitalized loan interest of approximately RMB5,900,000 in relation to the construction works of the Property (hereinafter referred to as the "**Loan Interest**"); and

(iv) Infrastructure (hereinafter referred to as the "**Infrastructure**").

There are three recognized and accepted approaches to value the Fixed Assets, namely market data or comparative sales approach, cost approach (depreciated replacement cost approach), and income or earnings approach.

8.5.1 Market Data or Comparative Sales Approach

This considers prices recently paid for similar fixed assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised fixed assets relative to the market comparative fixed assets for which there is established market comparable appraised by this approach.

8.5.2 *Cost Approach (Depreciated Replacement Cost Approach)*

This considers the cost to reproduce or replace in new condition the appraised fixed assets in accordance with current market prices for fixed assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present, taking into consideration past and present maintenance policy and rebuilding history. This approach generally furnishes the most reliable indication of value for the fixed assets in the absence of known market based on comparable sales.

8.5.3 *Income or Earnings Approach*

This is a technique in which the estimated stream of future benefits may be enjoyed by reason of ownership, usually the anticipated or projected earnings, is processed to indicate the amount measured through capitalization of net income or application of multiples derived from financial analysis of similar industries.

8.5.4 *Conclusion*

In the course of our valuation, all three approaches should be considered, as one or more approaches may be applicable in the valuation of the Fixed Assets. Since there is no means to observe the estimated earnings of certain fixed assets, Income or Earnings Approach was not used in our valuation. For Market Data or Comparative Sales Approach, as there is no identical market comparable of the Fixed Assets, it was not adopted in the valuation. We have adopted the Cost Approach on the Fixed Assets because this approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets.

According to the Management, the construction works of the Property has incurred the Loan Interest of approximately RMB5,900,000. Regarding to the valuation of the Loan Interest, we have adopted the book value of the Loan Interest as the market value after discussion with the Management.

After discussion with the Management and analyzing the nature of the Infrastructure, we have adopted the book value of the Infrastructure as at the Date of Valuation.

During our inspection of the Fixed Assets, we observed that the Fixed Assets had been observed to be in generally good operating conditions. Any deferred maintenance, physical wear and tear, operating malfunctions, lack of utility, or other observable conditions distinguishing the appraised assets from Fixed Assets of like kind in new condition were noted and made part of our judgment in arriving at the values. We assumed the Fixed Assets are kept in reasonable condition and should be capable of operating the purpose for which they were designed and produced. In addition, our valuation has been prepared based upon assumptions that the Fixed Assets will continue in the existing uses.

8.6 Marketability Discount

The marketability discount was the percentage difference between the private placement price per share and the market trading price per share. Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. We have made reference to the 2016 edition of the FMV Restricted Stock Study Companion Guide (the "**Guide**") by FMV Opinions, Inc., one of the national preeminent firms offering a broad range of financial advisory services to private and public companies. According to the Guide, a total of 736 private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through September 2015 were examined. With reference to the Guide, we have adopted the median marketability discount for the 736 transactions of 16.11% in arriving at the market value of FJ Xingdebao as at the Date of Valuation. This median figure was concluded in the Guide and we have not adjusted nor selected the data.

We considered that the marketability discount has to be considered regardless of the valuation methodology adopted. Despite adopting the Asset-Based Approach, the valuation subject is the equity interest in FJ Xingdebao rather than the total sum of values of all assets and liabilities, marketability discount was hence applicable on the equity interest of FJ Xingdebao, which is a private company holding the assets and liabilities.

8.7 Calculation Details

The calculation details of FJ Xingdebao under the Asset-Based Approach were illustrated as follows:

Adjusted Net Asset Value *(RMB'000)*	8,340
Adjusted for Marketability Discount	(1 - 16.11%)
100% Market Value *(RMB'000)*	6,996
Rounded Value *(RMB'000)*	**7,000**

Note: The totals may not sum due to rounding.

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- As at the Date of Valuation, the building and land certificate of FJ Xingdebao has not been obtained, the legality for FJ Xingdebao to operate in the related properties as at the Date of Valuation is assumed;

- The valuation was mainly based on the audited financial accounts of FJ Xingdebao for the period ended 30 June 2016;

- FJ Xingdebao will be operated and developed as planned by the Management;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which FJ Xingdebao operate or intend to operate would be officially obtained and renewable upon expiry;

- There will be sufficient supply of technical staff in the industry in which FJ Xingdebao operates, and FJ Xingdebao will retain competent Management, key personnel and technical staff to support its ongoing operations and developments;

- There will be no major change in the current taxation laws in the localities in which FJ Xingdebao operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which FJ Xingdebao operate or intend to operate, which would adversely affect the revenues attributable to and profitability of FJ Xingdebao; and

- Interest rates and exchange rates in the localities for the operation of FJ Xingdebao will not differ materially from those presently prevailing.

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of FJ Xingdebao. The factors considered included, but were not necessarily limited to, the following:

- Audited financial accounts of FJ Xingdebao for the period ended 30 June 2016;

- The nature, background and development of FJ Xingdebao;

- Copies of the relevant licenses and agreements; and

- Economic outlook in China.

We have discussed the details with the Management. We have also conducted research from various sources to verify the reasonableness and fairness of information provided and we believe that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

11. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background, business nature and financial information of FJ Xingdebao provided to us.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. The information has not been audited or compiled by us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of FJ Xingdebao was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the market value of FJ Xingdebao.

We have not investigated the title to or any legal liabilities of FJ Xingdebao, and have assumed no responsibility for the title to FJ Xingdebao appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk. The title of this report shall not pass to the Company until all professional fee has been paid in full.

No change to any item in any part of this report shall be made by anyone except Roma Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

12. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Company, FJ Xingdebao and the associated companies, or the values reported herein.

13. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of 100% equity interest in FJ Xingdebao as at the Date of Valuation, in our opinion, was reasonably stated as **RMB7,000,000 (RENMINBI SEVEN MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

The following is the text of a report prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with the valuation on properties of the Target Companies in the PRC as at 30 June 2016.

ROMA

Unit 3806, 38/F, China Resources Building,
26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

26 October 2016

G.A. Holdings Limited
Unit 1203, 12th Floor,
Eton Tower, No. 8 Hysan Avenue,
Causeway Bay, Hong Kong

Dear Sir/Madam,

Re: Various Properties in the People's Republic of China

In accordance with your instructions for us to value the properties intended to be acquired by G.A. Holdings Limited (the "**Company**") and/or its subsidiaries (together with the Company referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 June 2016 and 31 July 2016 for the purpose of incorporation in the circular of the Company dated 26 October 2016.

1. BASIS OF VALUATION

Our valuations of the properties are our opinion of the market values of the concerned properties which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGIES

For the properties in the PRC, due to the specific purpose for which most of the buildings and structures of the property have been constructed, there are no readily identifiable market comparables. Thus the buildings and structures have been valued on the basis of their depreciated replacement costs instead of direct comparison method. The depreciated replacement cost approach ("**DRC**") is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In practice, DRC approach may be used as a substitute for the market value of specialized property, due to the lack of market comparables available. Our valuation does not necessarily represent the amount that might be realized from the disposition of the property and the DRC is subject to adequate profitability of the concerned business.

3. TITLE INVESTIGATION

For the properties in the PRC, we have been shown copies of extracts of various title documents and have been advised by the Group that no further relevant documents have been produced, as confirmed in PRC legal opinion. Furthermore, due to the nature of the land registration system in the PRC, we have not been able to examine the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. Therefore, in the course of our valuations, we have relied on the advice and information given by the Group and its PRC legal advisor Shujin Law Firm regarding the titles of the properties in the PRC. All documents have been used for reference only.

We have also relied on the advice given by the Group that the Group has valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

4. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owners sell the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation is prepared in compliance with the requirements set out in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market issued by the Stock Exchange of Hong Kong Limited, and in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

7. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuations are in Renminbi (RMB).

Our Summary of Values and Valuation Certificates are attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Dr. Alan W K Lee
BCom(Property) MFin PhD(BA)
MHKIS RPS(GP) AAPI CPV CPV(Business)
Director

Note: Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 12 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region and European countries.

SUMMARY OF VALUES

No.	Property	Market Value in Existing State as at 30 June 2016	Market Value in Existing State as at 31 July 2016
1.	The land and building located at Hai Xia Qi Che Wen Hua Square, Shanggan Village, Minhou County, Fuzhou City, Fujian Province, The PRC 中國福建省 福州市閩侯縣尚幹鎮 海峽汽車文化廣場之土地及建築物	No commercial value.	No commercial value.
2.	The land and building located at No. 3 Chang Tai Road, Jiangnan Electronic High-Tech Park, Licheng District, Shanggan Village, Quanzhou City, Fujian Province, The PRC 中國福建省 泉州市鯉城區 江南高新科技電子產業園區 常泰路3號之土地及建築物	RMB48,900,000.	RMB48,900,000.
3.	The land and building located at No. 336 Wu Liu Main Road, Longmen Village, Xinluo District, Longyan City, Fujian Province, The PRC 中國福建省 龍岩市新羅區龍門鎮 物流大道336號之土地及建築物	RMB41,300,000.	RMB41,300,000.

VALUATION CERTIFICATE

Properties intended to be acquired by the Group in the PRC for owner-occupation

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2016	Market Value in Existing State as at 31 July 2016
1.	The land and building located at Hai Xia Qi Che Wen Hua Square, Shanggan Village, Minhou County, Fuzhou City, Fujian Province, The PRC 中國福建省福州市閩侯縣尚幹鎮海峽汽車文化廣場之土地及建築物	The property comprises a 5-storey commercial building erected on a land with site area of approximately 9,812 sq.m. (or about 105,616 sq.ft.), which was completed in about 2015. The gross floor area of the property is approximately 15,000 sq.m. (or about 161,460 sq.ft.). The land use rights of the property have been granted for a term of 40 years expiring on 1 January 2050 for commercial use.	As advised by the Group, the property is operating as automobile sales service shop.	No commercial value. For details, please refer to Note 3.	No commercial value. For details, please refer to Note 3.

Notes:

1. Pursuant to a Sales and Purchase Agreement entered into between 福州新榕城市建設發展有限公司 and 福州中寶汽車銷售服務有限公司 ("Fuzhou Zhongbao") on 12 July 2013, Fuzhou Zhongbao agreed to purchase the property with a gross floor area of approximately 15,000 sq.m. for a consideration of RMB49,605,000.

2. Pursuant to a confirmation letter between Fuzhou Zhongbao and 福建星德寶汽車銷售服務有限公司 ("FJ Xingdebao") dated 5 August 2016, the both parties confirmed that the expected legal rights of the subject property has been transferred to FJ Xingdebao in December 2015. Once 新榕城市建設發展有限公司 is eligible to obtain the pre-sales permit, Fuzhou Zhongbao will appoint FJ Xingdebao as the sole purchaser to purchase the subject property, FJ Xingdebao and 新榕城市建設發展有限公司 will enter into a Sales and Purchase Agreement and prepare the title certificate, without any objections and claims from Fuzhou Zhongbao with reference to the Sales and Purchase Agreement as mentioned in Notes No. 1.

3. As at 30 June 2016, a total of RMB29,613,340 of the consideration has been settled. As at 30 June 2016 and 31 July 2016, we are of the opinion that the reference value of the property on the assumptions that the outstanding payment has been settled between 福州新榕城市建設發展有限公司 and Fuzhou Zhongbao and the relevant title documents have been obtained and the property can be freely transferred in the open market would be in the sum of approximately RMB82,000,000.

4. Our inspection was performed by Jeffrey Wong, B. Eng in March 2016.

5. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter-alia, the following information:

   a. FJ Xingdebao has not obtained a proper legal title to the property, but has no material obstacle to obtain a property legal title to the property given that:

      i. There is no fundamental breach of contract between 福州新榕城市建設發展有限公司 and Fuzhou Zhongbao;

      ii. The outstanding payment of RMB19,991,660 is fully settled by Fuzhou Zhongbao; and

      iii. The Sales and Purchase Agreement between 新榕城市建設發展有限公司 and FJ Xingdebao is subsequently registered.

   Under the proper legal title FJ Xingdebao is entitled to legally possess, use, profit and dispose of (including lease, mortgage, gift, etc.) the property.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2016	Market Value in Existing State as at 31 July 2016
2.	The land and building located at No.3 Chang Tai Road, Jiangnan Electronic High-Tech Park, Licheng District, Shanggan Village, Quanzhou City, Fujian Province, The PRC 中國福建省泉州市鯉城區江南高新科技電子產業園區常泰路3號之土地及建築物	The property comprises a 6-storey commercial building erected on a land with site area of approximately 8,494.10 sq.m. (or about 91,430 sq.ft.), which was completed in about 2014. The property has a gross floor area of about 11,826.49 sq.m. (or about 127,300 sq.ft.). The land use rights of the property have been granted for a term of 40 years expiring on 10 December 2049 for commercial use.	As advised by the Group, the property is operating as automobile sales service shop.	RMB48,900,000.	RMB48,900,000.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate, Quan Guo Yong (2010) Di No.100001 (泉國用(2010)第100001號) dated 6 February 2010, the land use rights of the property with a total site area of approximately 8,494.10 sq.m. have been granted to 泉州福寶汽車銷售服務有限公司 ("**QZ Fubao**") for a term of 40 years expiring on 10 December 2049 for commercial use.

2. Pursuant to a Building Ownership Certificate, Quan Fang Quan Zheng Li Cheng Qu (Li) Zi Di No.201412237 (泉房權證鯉城區(鯉)字第201412237號), the property with a total gross floor area of approximately 11,826.49 sq.m. have been granted to QZ Fubao.

3. Our inspection was performed by Jeffrey Wong, B. Eng in March 2016.

4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter-alia, the following information:

   a. QZ Fubao is in possession of a proper legal title to the property and is entitled to legally possess, use , profit and dispose of (including lease, mortgage, gift, etc.) the property; and

   b. Pursuant to a Certificate of the other rights of land, Quan Ta Xiang (2015) Di No. 0179, and a Maximum Amount Mortgage Contract, 2015 Nian Zui Gao Di Zi Di No. 79–366, the land portion of the property is subject to a mortgage in favour of China Merchants Bank Quanzhou Branch at a consideration of RMB34,065,000.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2016	Market Value in Existing State as at 31 July 2016
3.	The land and building located at No.336 Wu Liu Main Road, Longmen Village, Xinluo District, Longyan City, Fujian Province, The PRC 中國福建省 龍岩市新羅區 龍門鎮 物流大道336號之土地及建築物	The property comprises a 2-storey commercial building erected on a land with site area of approximately 7,160 sq.m. (or about 77,070 sq.ft.), which was completed in about 2015. The property has a gross floor area of about 4,813.62 sq.m. (or about 51,814 sq.ft.). The land use rights of the property have been granted for a term of 40 years expiring on 3 May 2051 for commercial use.	As advised by the Group, the property is operating as automobile sales service shop.	RMB41,300,000.	RMB41,300,000.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate, Long Guo Yong (2011) Di No.200233 (龍國用(2011)第200233號) dated 29 June 2011, the land use rights of the property with a total site area of approximately 7,160 sq.m. have been granted to 龍岩中寶汽車有限公司 ("LY Zhongbao") for a term of 40 years expiring on 3 May 2051 for commercial use.

2. Pursuant to a Construction Land Planning Permit, Di Zi Di No.350800200911043 (地字第350800200911043號) dated 13 November 2009, the property with a total gross floor area of approximately 4,813.62 sq.m. has been approved for construction.

3. Our inspection was performed by Jeffrey Wong, B. Eng in March 2016.

4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter-alia, the following information:

   a. LY Zhongbao may subject to a fine of 3%–6% of the construction consideration for not obtaining the Construction Work Commencement Permit; and may be subject to the risk of rectification and forced demolishment within prescribed period by relevant government departments and be liable to compensation for any losses;

      Given that LY Zhongbao confirmed that there was never any administrative penalties caused by the use of property; the Urban Planning Bureau of Longyan City confirmed that no new planning project has been designated to the land; 廈門中寶汽車有限公司 and 廈門羅虎汽車銷售服務有限公司, shareholders of LY Zhongbao, and ultimately beneficial owner, Mr. Zhao Guiming, undertook that any losses suffered by LY Zhongbao due to title defects of the property will be borne by them, it is reasonably expected that the possibility that the property of LY Zhongbao to be required to carry out rectification and forced demolishment within prescribed period by government departments is remote and it will not have a material and adverse effect on the basic operations of LY Zhongbao;

b. Pursuant to a Certificate of the other rights of land, Long Ta Xiang (2014) Di No.704, the property is subject to a mortgage in favour of Bank of China Limited Longyan Branch at a consideration of RMB37,934,500; and

c. LY Zhongbao has not obtained a proper legal title to the building portion of the property, but has no material obstacle to obtain a proper legal title to the building portion of the property given the construction of the property fulfilled all the conditions from relevant government departments, and under the proper legal title LY Zhongbao is entitled to legally possess, use, profit and dispose of (including lease, mortgage, gift, etc.) the property.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interest of Directors

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

Long position in shares

Name	Capacity	Number of Shares held	Approximate percentage of shareholding
Zhang Xi	Personal interest	500,000	0.10%
Ma Hang Kon, Louis	Personal interest	500,000	0.10%
Xue Guo Qiang	Personal interest	13,292,000	2.79%

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

(ii) Substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following person (not being a Director or the chief executive of the Company) had, or were deemed to have, interests or short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is expected, directly or indirectly, to be interested in 5% of any class of voting shares in the Company, carrying rights to vote in all circumstances at general meetings of the Group, or substantial shareholders are recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Number of Shares held	Approximate percentage of shareholding
Loh Nee Peng	Interest of a controlled corporation *(Note 1)*	77,960,320	16.37%
Chan Hing Ka Anthony	Interest of a controlled corporation *(Note 2)*	69,631,085	14.62%
Tycoons Investment International Limited	Beneficial owner *(Note 2)*	69,631,085	14.62%
Loh & Loh Construction Group Ltd.	Beneficial owner *(Note 1)*	45,284,000	9.51%
Big Reap Investment Limited	Beneficial owner *(Note 1)*	32,676,320	6.86%

Notes:

1. The 77,960,320 Shares are held as to 32,676,320 Shares by Big Reap Investment Limited and as to 45,284,000 Shares by Loh & Loh Construction Group Ltd.. Big Reap Investment Limited is interested as to 100% by Mr. Loh Nee Peng and Loh & Loh Construction Group Ltd. is interested as to 64% by Mr. Loh Nee Peng. By virtue of Part XV of the SFO, Mr. Loh Nee Peng is deemed to be interested in the shares held by Big Reap Investment Limited and Loh & Loh Construction Group Ltd.

2. The 69,631,085 Shares are held by Tycoons Investment International Limited which is interested as to 100% by Mr. Chan Hing Ka Anthony. By virtue of the SFO, Mr. Chan Hing Ka Anthony is deemed to be interested in the shares held by Tycoons Investment International Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors or chief executive of the Company were not aware of any other person who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who is expected, interested in 5% or more of any class of voting shares in the Company, carrying rights to vote in all circumstances at general meetings of the Company.

3. INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or their respective close associates had an interest in any business, which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company which does not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

6. INTERESTS IN ASSETS OF THE ENLARGED GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group since 31 December 2015 (being the date to which the latest published audited accounts of the Group were made up).

7. INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangements subsisting as at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

8. BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Luo Wan Ju (formerly known as Mr. Loh Kim Her) ("**Mr. Luo**"), aged 62, the chairman of the Group, an executive Director, the chairman and a member of the nomination committee of the Board and an authorised representative of the Company under the GEM Listing Rules with effect from 4 July 2016. Mr. Luo joined the Group in November 1993 and was an executive Director from 5 June 2002 to 9 July 2004 when he was responsible for the overall strategic planning of the business of the Group, as well as the establishment and operation of the Group's authorized service centers in the PRC. Mr. Luo has over 20 years of experience in distribution and servicing of motor vehicles business in the Asia region. He is currently a director of certain subsidiaries of the Company, including Xiamen BMW, Fuzhou Xingbao, 福州歐利行汽車銷售服務有限公司 (Fuzhou Euro Motors Sales & Services Co. Ltd)*, 如虎中國汽車貿易有限公司 (RUF China Automobiles Trading Ltd)* and 廈門寶碼自控設備有限公司 (Xiamen Baoma Auto Control Equipment Co. Ltd)*.

Mr. Luo is the uncle of Mr. Loh Nee Peng who is a substantial shareholder of the Company through his 64% interest in Loh & Loh Construction Ltd. Mr. Luo is also interested as to 15% of Loh & Loh Construction Group Ltd. As at the Latest Practicable Date, Loh & Loh Construction Group Ltd. is interested in 45,284,000 shares of the Company, representing approximately 9.51% of the issued share capital of the Company.

Mr. Choy Choong Yew, aged 63, is currently the Managing Director and compliance officer of the Group, as well as the general manager of Fuzhou Xingbao, a wholly-owned subsidiary of the Company. He joined the Group in 1987 and has achieved results for the Group in several roles since then, including an administration and finance manager of the Group.

Mr. Choy has broad-based expertise in general management, operations and finance. He is known for his ability to drive excellent business outcomes, through insightful strategic planning, participative leadership, and focus on operational efficiency and sound financial management principles. Mr. Choy believes in continuous learning and has amassed an impressive array of educational qualifications which include a Professional Diploma for Finance Controllers & Finance Directors of Foreign Investment and Foreign Enterprise in China (Zhongshan University and Hong Kong Management Association), Master Degree in Finance (University of Royal Melbourne Institute of Technology), Diploma in Financial Management (Hong Kong Management Association) and Higher Diploma in Accounting (London Chamber of Commerce and Industry).

Mr. Lin Ju Zheng, aged 68, holds a bachelor degree in foreign language majoring in English from Fujian No.2 Normal College (福建第二師範學院) (which merged with other colleges to become Fujian Normal University (福建師範大學)). He is a senior economist with extensive experience in banking operations and management. Before joining the Company, Mr. Lin had worked in various senior positions in one of the major banks in China till December 2007. Mr. Lin was appointed as an independent non-executive Director in June 2010 and he has been re-designated as an executive Director of the Company since March 2012.

Mr. Zhang Xi, aged 33, is currently the deputy general manager of Xiamen BMW. Prior to joining the Group, Mr. Zhang has worked in international high-end automobiles companies as key management, mainly responsible for overseeing operational efficiency and strategic planning. Mr. Zhang holds a Bachelor degree of Information Management System from Beihang University (北京航空航天大學) and a Master degree in International Relations from the University of International Relations (國際關係學院).

Mr. Ma Hang Kon, Louis, aged 53, is an executive Director, the chief financial officer and the company secretary of the Company. He has over 30 years of working experience, mainly in professional services in Hong Kong, petrochemical, electronics and resources industries in the United States and in the Asia Pacific region. He also has extensive experience in managing businesses in listed companies both in Hong Kong and in the United States. Mr. Ma is a member of each of The Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Montana Board of Public Accountants and the Institute of Chartered Secretaries and Administrators. He graduated from the Kellogg

School of Business, Northwestern University in the United States, the Hong Kong University of Science and Technology and the Hong Kong Polytechnic (the predecessor of The Hong Kong Polytechnic University).

Mr. Ma was an executive director and the chief executive officer of Merdeka Financial Services Group Limited (previously known as CCT Resources Holdings Limited and Tradeeasy Holdings Limited) (stock code: 8163), a company listed on the GEM of the Stock Exchange, from October 2008 to January 2010 and from November 2010 to October 2013. Mr. Ma is also a director of various private companies.

Mr. Xue Guo Qiang, aged 39, an executive Director with effect from 4 July 2016. Mr. Xue, graduated from Yan Shan University (燕山大學) with a Bachelor degree in accounting in June 2013. Mr. Xue has over 20 years of experience with progressive responsibilities in the automotive sales and services industry in China with a leading chain of dealership for high-end and luxury vehicles and is experienced in the area of accounting, auditing, finance & control, risk management and treasury. As at the Latest Practicable Date, Mr. Xue is interested in 13,292,000 shares of the Company, representing approximately 2.79% of the issued share capital of the Company.

Mr. Zhou Ming, aged 43, graduated from China University of Political Science and Law (中國政法大學) and holds a master degree in law from Peking University Law School (北京大學法學院). Mr. Zhou joined Global Law Office (Beijing) in 2001 and was admitted as a partner in 2007. He was appointed as an independent non-executive Director since November 2015.

Mr. Yin Bin, aged 44, obtained a master degree in Economics from the Hunan University. Mr. Yin is the general manager of a trading financial service agent in the PRC and has extensive experience in trade and finance. He was appointed as an independent non-executive Director of the Company since July 2004. Mr. Yin is an independent director of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co.,Ltd. (蕪湖順榮三七互娛網絡科技股份有限公司, stock code 002555.SZ) a company listed on the Shenzhen Stock Exchange in the PRC.

Ms. Guan Xin, aged 40, is currently the financial controller of a leading company in China specialising in outdoor monitoring equipment and solutions. She has extensive experience in other major industries including finance, renewable energy, telecommunication and public accounting. Ms. Guan graduated from the Guanhua School of Management of Peking University with a master degree in professional accounting and is a certified public accountant in China. She was appointed as an independent non-executive Director of the Company since July 2016.

As at the Latest Practicable Date, save as disclosed herein, none of the above Directors holds any other position with the Company or other members of the Group or any directorship in other listed public companies in Hong Kong and overseas in the past three years. Save as disclosed above, none of the above Directors has any other interests or short positions in the Shares or underlying Shares of the Company or its associated corporations pursuant to Part XV of the SFO. As far as the directors of the Company are aware and disclosed above, none of the above Directors has any relationships with any other Directors, senior management, substantial Shareholders (as defined in the GEM Listing Rules) or controlling Shareholders (as defined in the GEM Listing Rules) of the Company.

9. AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive Directors, namely, Mr. Zhou Ming (chairman), Mr. Yin Bin and Ms. Guan Xin.

Mr. Zhou Ming, aged 43, graduated from China University of Political Science and Law (中國政法大學) and holds a master degree in law from Peking University Law School (北京大學法學院). Mr. Zhou joined Global Law Office (Beijing) in 2001 and was admitted as a partner in 2007. He was appointed as an independent non-executive Director of the Company since November 2015.

Mr. Yin Bin, aged 44, obtained a master degree in Economics from the Hunan University. Mr. Yin is the general manager of a trading financial service agent in the PRC and has extensive experience in trade and finance. He was appointed as an independent non-executive Director of the Company since July 2004. Mr. Yin is an independent director of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co.,Ltd. (蕪湖順榮三七互娛網絡科技股份有限公司, stock code 002555.SZ) a company listed on the Shenzhen Stock Exchange in the PRC.

Ms. Guan Xin, aged 40, is currently the financial controller of a leading company in China specialising in outdoor monitoring equipment and solutions. She has extensive experience in other major industries including finance, renewable energy, telecommunication and public accounting. Ms. Guan graduated from the Guanhua School of Management of Peking University with a master degree in professional accounting and is a certified public accountant in China. She was appointed as an independent non-executive Director of the Company since July 2016.

The primary duties of the audit committee are mainly: (a) to review the Group's annual reports, consolidated financial statements, interim reports and quarterly reports; and (b) to review and supervise the financial reporting process, risk management and the internal control procedures of the Group; and (c) to liaise with the external auditor at least twice a year and provide advice and comments thereon to the board of Directors. 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.

10. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years immediately preceding the date of this circular which are or may be material:

(i) the Revised Guarantee Agreement among the Purchaser and German Automobiles Pte Ltd, the holding company of the Purchaser and Vendor I, during the period from 29 April 2016 to 31 December 2017 to provide the guarantee in favour of Vendor I in relation to the banking facilities from Bank of East Asia (China) Limited Xiamen Branch ("**BEA**"), Bank of China Limited Xiamen Branch ("**BOC**") and China Minsheng Banking Corporation Limited Xiamen Branch ("**China Minsheng Bank**") in a maximum aggregate amount of RMB170 million. For further details of the Revised Guarantee Agreement, please refer to the announcements of the Company dated 29 April 2016, 20 May 2016 and 5 July 2016 and the circular of the Company dated 25 May 2016;

(ii) the guarantee agreement dated 18 November 2015 entered into between the Purchaser and Vendor I pursuant to which the Purchaser agreed to provide the guarantee in favour of Vendor I in relation to the banking facilities in a maximum aggregate amount of RMB190 million of a series of loans, notes, guarantees and letters of credit entered into by Vendor I and China Minsheng Bank, BOC and China CITIC Bank Xiamen Branch ("**CITIC Bank**") respectively from 1 January 2016 to 31 December 2017 (superseded by the Revised Guarantee Agreement);

(iii) the guarantee agreement dated 22 December 2014, which has been expired on 31 December 2015 entered into between the Purchaser and Vendor I in respect of the guarantees provided by the Purchaser in favour of Vender I in relation to a series of loans, notes, guarantees and letter of credit entered into by Vendor I and CITIC Bank, China Minsheng Bank and BOC respectively. For further details of this guarantee agreement, please refer to the circular of the Company dated 24 December 2014;

(iv) the respective facilities guarantee agreements entered into by the Purchaser and the BEA, BOC and China Minsheng Bank for the facilities covered under the three guarantee agreements as mentioned above;

(v) the Acquisition Agreement;

(vi) the guarantee agreement dated 27 October 2014 entered into by QZ Fubao and a bank in favour of Vendor II for facilities of RMB48 million (equivalent to approximately HK$55.7 million) (superseded by the guarantee agreement dated 22 January 2016);

(vii) the guarantee agreement dated 22 January 2016 entered into by QZ Fubao and a bank in favour of Vendor II for facilities of RMB48 million (equivalent to approximately HK$55.7 million); and

(viii) the guarantee agreement dated 18 May 2016 entered into by QZ Fubao and a bank in favor of Vendor II for facilities of RMB40 million (equivalent to approximately HK$46.4 million).

11. EXPERTS AND CONSENTS

The following are the qualifications of the expert contained in this circular:

Name	Qualification
Elite Partners CPA Limited	Certified Public Accountants, Hong Kong
Roma Appraisals Limited	Independent valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and/or the reference to its name or opinion in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the experts above were beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up).

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (public holidays excluded) at the principal place of business of the Company in Hong Kong at Unit 1203, 12th Floor, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the EGM:

(i) the memorandum of association and articles of association of the Company;

(ii) the annual reports of the Company for each of the three years ended 31 December 2013, 2014 and 2015;

(iii) the interim report of the Company for the six months ended 30 June 2016;

(iv) the quarterly reports of the Company for the three months ended 31 March 2016;

(v) the accountants' reports of QZ Fubao prepared by Elite Partners CPA Limited, the text of which is set out in Appendix II to this circular;

(vi) the accountants' reports of LY Zhongbao prepared by Elite Partners CPA Limited, the text of which is set out in Appendix III to this circular;

(vii) the accountants' reports of FJ Xingdebao prepared by Elite Partners CPA Limited, the text of which is set out in Appendix IV to this circular;

(viii) the letter from Elite Partners CPA Limited in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix V to this circular;

(ix) the valuation report of QZ Fubao issued by Roma Appraisals Limited, the text of which is set out in Appendix IX to this circular;

(x) the valuation report of LY Zhongbao issued by Roma Appraisals Limited, the text of which is set out in Appendix X to this circular;

(xi) the valuation report of FJ Xingdebao issued by Roma Appraisals Limited, the text of which is set out in Appendix XI to this circular;

(xii) the valuation report on the properties of the Target Companies issued by Roma Appraisals Limited, the text of which is set out in Appendix XII to this circular;

(xiii) the legal opinion given by ShuJin Law Firm (廣東信達律師事務所) regarding the titles to the properties and the interests of the Target Companies in the properties in the PRC;

(xiv) the written consents from the experts as referred to in the paragraph headed "Experts and Consents" in this appendix;

(xv) the material contracts as referred to in the paragraph headed "Material Contracts" in this appendix;

(xvi) the circular of the Company dated 25 May 2016; and

(xvii) this circular.

13. GENERAL INFORMATION

(i) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(ii) The head office of the Company is 51 Goldhill Plaza #15–05, Singapore 308900 and the principal place of business in Hong Kong is at Unit 1203, 12th Floor, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong.

(iii) Mr. Choy Choong Yew, an executive Director, also acts as the Managing Director and compliance officer of the Company.

(iv) The company secretary of the Company is Mr. Ma Hang Kon Louis. Mr. Ma is a member of each of The Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Montana Board of Public Accountants and the Institute of Chartered Secretaries and Administrators.

(v) The principal share registrar of the Company is Royal Bank of Canada Trust Company (Cayman) Limited at 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.

(vi) The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(vii) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the "**EGM**") of the shareholders of G.A. Holdings Limited (the "**Company**") will be held at 11:00 a.m., on Thursday, 17 November 2016, at Unit 1203, 12th Floor, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong for the following purposes. Unless otherwise indicated, capitalised terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 26 October 2016 of which the notice convening the EGM forms part.

To consider and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution.

ORDINARY RESOLUTION

"**THAT**

(a) the Acquisition Agreement entered into among the Purchaser, the Vendors and the Guarantor (a copy has been produced at this meeting marked "A" and initialed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder are hereby approved, confirmed and ratified; and

(b) the Directors be and are hereby authorised on behalf of the Company to do all such things and sign, seal, execute, perfect and deliver all such documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the Acquisition Agreement and the transactions contemplated thereunder."

By order of the Board
G.A. Holdings Limited
Luo Wan Ju
Chairman

Hong Kong, 26 October 2016

Registered office:
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Unit 1203, 12th Floor, Eton Tower
8 Hysan Avenue
Causeway Bay
Hong Kong

Head office in Singapore:
51 Goldhill Plaza#15–05
Singapore 308900

Notes:

1. The register of members of the Company will be closed from Tuesday, 15 November 2016 to Wednesday, 16 November 2016 (both dates inclusive), during which period no transfer of shares will be registered. In order to determine the identity of members who are entitled to attend and vote at the EGM to be held on Thursday, 17 November 2016, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share register in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Monday, 14 November 2016, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

2. Any member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or, if he holds two or more Shares, more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person.

4. If two or more persons are joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names stand in the principal or branch register of members of the Company in respect of the joint holding.