G. A. Holdings Limited
G. A. 控股有限公司

(incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong under the trading name of German Automobiles International Limited)
(Stock Code: 8126)

Annual Report
2014

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

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

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

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

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

Contents

Corporate Information

DIRECTORS

Mr. Loh Boon Cha *(Chairman)*
Mr. Loh Nee Peng *(Executive Deputy Chairman)*
Mr. Choy Choong Yew *(Managing Director)*
Mr. Lee Kwok Yung*
Mr. Yin Bin*
Mr. Lin Ju Zheng
Ms. Song Qi Hong*
Mr. Wong Jacob*
Mr. Tan Cheng Kim
Mr. Yeung Chak Sang Johnson

* *Independent Non-Executive Directors*

AUDIT COMMITTEE

Mr. Lee Kwok Yung *(Chairperson)**
Mr. Yin Bin*
Ms. Song Qi Hong*
Mr. Wong Jacob*

REMUNERATION COMMITTEE

Mr. Lee Kwok Yung *(Chairperson)**
Mr. Yin Bin*
Mr. Wong Jacob*

NOMINATION COMMITTEE

Mr. Loh Boon Cha *(Chairperson)*
Mr. Yin Bin*
Mr. Wong Jacob*

COMPLIANCE OFFICER

Mr. Choy Choong Yew

AUTHORISED REPRESENTATIVES

Mr. Loh Boon Cha
Mr. Yeung Chak Sang Johnson

QUALIFIED ACCOUNTANT

Mr. Yeung Chak Sang Johnson

COMPANY SECRETARY

Mr. Yeung Chak Sang Johnson

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Bank of China Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE

51 Goldhill Plaza #15-05
Singapore 308900

PRINCIPAL PLACE OF BUSINESS

Unit 1203, 12th Floor, Eton Tower
No. 8 Hysan Avenue
Causeway Bay, Hong Kong

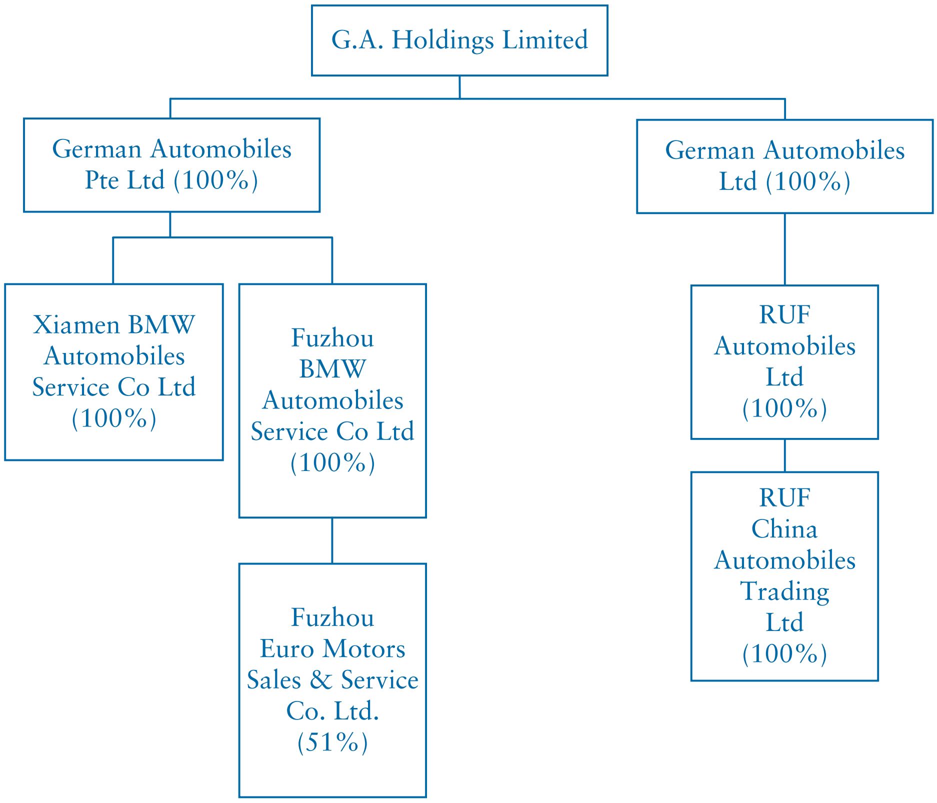
COMPANY WEBSITE

http://www.ga-holdings.com.hk/

STOCK CODE

8126

Group Structure



Only principal subsidiaries are presented

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of G.A. Holdings Limited (the "Company" and together with its subsidiaries, the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2014.

2014 is a year full of opportunities and challenges for the Group. Despite the profit after tax for the year 2014 was amounted to HK$50,437,000, representing a decrease of 32.1% as compared to 2013, the Group has formally commenced a dealership of top tier automobile brands in China.

Due to the continuous anti-extravagance policy in China since 2013, the technical fee income dropped as a result of the decline in sales of assembled BMW cars sold by our principal business partners in Southern China. Sales of imported luxury cars was also not satisfactory. Nevertheless, the revenue from the new dealership business was great enough to almost offset the poor performance in the abovesaid lines of business and the performance in servicing of motor vehicles and sale of auto parts keep strong during the year. As a whole, the total revenue of our core business increased by approximately 3.6%, amounted to HK$422,862,000.

After acquiring the new dealership business in 2013, our first dealership store of the ultra-luxury automobile brands has operated since second half of 2014 and satisfactory numbers of orders have been received. This not only expanded our presence on sales of ultra-luxury brands but also enhanced our leading position in the premium car industry in Southern China.

In view of retaining adequate working capital for the new dealership and related development and operation, the Board does not propose any payment of dividend for the year ended 31 December 2014.

During the year, a share option scheme was adopted so as to allow the Group to recruit and retain high-calibre employees to strengthen our competence in daily operation and corporate management through proper reward and enhancement to our valuable staff.

With the official opening of the dealership store for ultra-luxury brands and the expected introduction of more new models by the premium carmakers which we preliminarily focus, the Group is confident in a promising performance in 2015.

On behalf of the Board, I would like to express our sincere gratitude to all our customers, business partners, employees and shareholders for their valuable contributions and continuous support.

Yours sincerely,
Loh Boon Cha
Chairman

Hong Kong, 23 March 2015

Biographical Information of Directors

EXECUTIVE DIRECTORS

Mr. Loh Boon Cha, *Chairman*

Mr. Loh Boon Cha, aged 74, is the Chairman of the Group and the Director of L&B Holdings Pte Ltd ("L&B") in Singapore. He is responsible for the daily operations and business development of L&B. He possesses over 35 years of extensive working experience and knowledge especially in the area in import and export trading in the People's Republic of China. Over the years, he has maintained good and well established working relationships and strategic business connections with various government-linked companies and bankers.

Mr. Loh Nee Peng, *Executive Deputy Chairman*

Mr. Loh Nee Peng, aged 47, was graduated from the University of San Francisco in 1988 with a bachelor degree in business administration. Mr. Loh currently holds the position as an Executive Deputy Chairman since April 2012 and he is a co-founder of the Group. Mr. Loh is responsible for the business development in the PRC and has extensive experience and in-depth knowledge in the PRC's auto industry.

Mr. Choy Choong Yew, *Managing Director and Compliance Officer*

Mr. Choy, aged 62, is currently the Managing Director and compliance officer of the Group, as well as the general manager of Fuzhou BMW Automobiles Service Co Ltd, 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 of 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. Choy was appointed as the Managing Director and compliance officer since May 2012.

Mr. Lin Ju Zheng

Mr. Lin Ju Zheng, aged 67, 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. Tan Cheng Kim

Mr. Tan, aged 48, is currently the general manager of the motor vehicle distribution division of the Group. He joined the Group in 1993 and is a seasoned executive with an illustrious career spanning, primarily in the automobiles industry. He was one of the pioneers in the establishment of German Automobiles in Singapore and has been instrumental in achieving great success for the Group. He has a keen business sense, an ability to identify untapped markets, strong leadership and people skills, an in-depth knowledge of various management functions and the ability to run entire businesses successfully. This has helped him consistently increase market share, profitability and product offerings in the roles he has held. Mr. Tan's extensive practical experience is backed by solid educational qualifications, having earned MBA (The University of North Carolina at Charlotte) and a Diploma in Mechanical Engineering (Ngee Ann Polytechnic). Mr. Tan was appointed as an Executive Director of the Company since May 2012.

Biographical Information of Directors

Mr. Yeung Chak Sang Johnson

Mr. Yeung, aged 50, is currently the qualified accountant and the company secretary of the Company and the financial controller of German Automobiles Ltd, a wholly-owned subsidiary of the Company. He joined the Group in 2005 and has extensive experience in the field of accounting, auditing and financial management. He holds a bachelor degree in business, and a master degree in science from the Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Yeung was appointed as an Executive Director of the Company since May 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Kwok Yung

Mr. Lee Kwok Yung, aged 59, was appointed as an Independent Non-Executive Director of the Company since June 2002. Mr. Lee is a solicitor admitted to practice law in Hong Kong and a member of the Law Society of Hong Kong. He is currently a partner at Messrs Hau, Lau, Li & Yeung, Solicitors & Notaries in Hong Kong. Mr. Lee has extensive experience in law practicing. He holds a diploma from the College of Radiographers and an honor degree in law from the University of London, and a postgraduate certificate in law from the University of Hong Kong. Mr. Lee is experienced in commercial law, litigation and conveyance.

Mr. Yin Bin

Mr. Yin Bin, aged 43, 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 has been appointed as an Independent Non-Executive Director of the Company since July 2004.

Ms. Song Qi Hong

Ms. Song, aged 43, holds a bachelor degree in economics and a master degree in business administration from Huazhong Agricultural University (華中農業大學). She is a certified tax planner registered with China Enterprise Confederation and a member of each of The Chinese Institute of Certified Public Accountants and The Institute of Internal Auditors. Ms. Song has extensive experience in the fields of auditing, accounting and financial management. She was a senior project manager of a bank in China and then served a chief financial officer of in the commercial sector.

She is currently the general manager of finance and auditing department and a committee member of the credit guarantee risk appraisal committee of Guangdong Yinda Guaranty Investment Group Company Limited (廣東銀達擔保投資集團有限公司). She was appointed as an Independent Non-Executive Director of the Company since August 2010.

Mr. Wong Jacob

Mr Wong, Jacob, aged 52, holds a bachelor degree in general business from University of San Francisco. He is a senior management professional with exceptional skills and experience in business development, account management, client development, sales and partnership management. He is a director of marketing for Asia Pacific region of an investment company in San Francisco. Mr. Wong was appointed as an Independent Non-Executive Director of the Company since March 2012.

Management Discussion And Analysis

BUSINESS REVIEW

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

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

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

Comments on Segment Information

SALES OF MOTOR VEHICLES

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

TECHNICAL FEE INCOME

The Group received technical income from Xiamen Zhong Bao Automobiles Co., Ltd. ("Xiamen Zhong Bao") and certain of its subsidiaries, collectively (the "Zhong Bao Group") for providing management consulting and technical assistance for the PRC locally assembled BMW motor vehicles sold.

Technical fee income for the year 2014 was HK$26,304,000, decreased by 11.8% as compared to HK$29,809,000 in year 2013. The decrease was due to the decrease in sales of locally assembled BMW sold by Zhong Bao Group during the year.

SERVICING OF MOTOR VEHICLES AND SALES OF AUTO PARTS

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

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

CAR RENTAL BUSINESS

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

Management Discussion And Analysis

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).

Capital Structure of the Group

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

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

Significant Investment or Capital Assets

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

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

For comparative purposes, on 24 October 2013, the Group acquired 100% interest in Fuzhou Euro Motors Sales & Service Co. Limited ("Fuzhou Euro"), a company whose principal activity is sales of high-end motor vehicles, from an independent third party at a cash consideration of RMB12,900,000. The Group, on 28 October 2013, disposed of a 49% equity interest in Fuzhou Euro to another independent third party for cash proceeds of approximately RMB24,500,000, for the purposes of bringing in additional source of capital for the development of the distributorship business of Fuzhou Euro. Details were set out in the Company's announcements dated 28 October 2013 and 31 October 2013.

Employees

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

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

Management Discussion And Analysis

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

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

Contingent Liabilities

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

DIVIDEND

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

PROSPECT

Despite the 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.

Directors' Report

The Board of Directors ("Board") is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in distribution of motor vehicles and provision of car-related technical services, servicing of motor vehicles, sales of auto parts.

The business of each subsidiaries and details of its nature of business, country of incorporation or other establishment, and particulars of the issued share capital and debt securities are set out in note 18 to the financial statements. An analysis of the Group's revenue, other income and profit before income tax is set out in notes 6, 8 and 9 to the financial statements.

RESULTS, DIVIDENDS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Company and the Group are set out in the consolidated financial statements on pages 32 to 101 of this report.

The Board does not recommend the payment of any dividend for the year ended 31 December 2014. As far as the Company is aware, as at the date of this report, there was no arrangement under which any shareholder has waived or agreed to waive any dividend proposed to be distributed for the year 2014 (2013: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting is scheduled to be convened on Wednesday, 6 May 2015. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 4 May 2015 to Wednesday, 6 May 2015 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the Annual General Meeting, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 30 April 2015.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company had reserves available for distribution to shareholders amounted to approximately 23,145,000 (2013: HK$26,916,000). It comprised share premium of approximately HK$29,522,000 (2013: HK$29,522,000) less accumulated losses of approximately HK$6,377,000 (2013: HK$2,606,000).

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of property, plant and equipment of the Group during the year ended 31 December 2014 are set out in note 14 to the financial statements.

Directors' Report

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

As at 31 December 2014, the interests or short positions of Directors in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are notified to the Company and the Stock Exchange pursuant to SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares

		Number of ordinary shares held			Approximate
		Family	Corporate		percentage of
Name	Capacity	Interest	Interest	Total	shareholding
Loh Nee Peng *(note 1)*	Interest of a controlled corporation	–	77,960,320 *(Note 1)*	77,960,320	16.37%
Loh Boon Cha *(note 2)*	Deemed interest	32,676,320 *(Note 2)*	45,284,000 *(Note 2)*	77,960,320	16.37%

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., which are interested as to 100% and 64%, respectively by Mr. Loh Nee Peng. By virtue of the SFO, Mr. Loh Nee Peng is deemed to be interested in the shares held by Big Reap Investment Limited and Loh & Loh Construction Group Ltd.

2. Out of the 77,960,320 shares deemed to be interested by Mr. Loh Boon Cha, 45,284,000 shares are held by Loh & Loh Construction Group Ltd. which in turn is interested as to 21% by Mr. Loh Boon Cha, 15% by Mr. Loh Kim Her, and 64% by Mr. Loh Nee Peng. Out of the 77,960,320 shares deemed interested by Mr. Loh Boon Cha, 32,676,320 shares are held by Big Reap Investment Limited which in turn is interested as to 100% by Mr. Loh Nee Peng. By virtue of the SFO, Mr. Loh Boon Cha is deemed to be interested in the shares held by Loh & Loh Construction Group Ltd. and Big Reap Investment Limited as Mr. Loh Boon Cha is the father of Mr. Loh Nee Peng.

Save as disclosed above, as at 31 December 2014, none of the Directors or their associates, has any interests or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which are notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 31 December 2014, the persons or corporations (other than Directors or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Big Reap Investment Limited	Beneficial owner *(Note 1)*	32,676,320	6.86%
Loh & Loh Construction Group Ltd.	Beneficial owner *(Note 2)*	45,284,000	9.51%
Loh Kim Her	Interest of a controlled corporation *(Note 3)*	53,284,000	11.19%
Tycoons Investment International Limited	Beneficial owner *(Note 4)*	71,671,085	15.05%
Chan Hing Ka Anthony	Beneficial owner and Interest of a controlled corporation *(Note 5)*	72,047,085	15.13%
Fang Zhen Chun	Beneficial owner	90,792,000	19.06%

Notes:

1. Big Reap Investment Limited is 100% held by Mr. Loh Nee Peng.
2. Loh & Loh Construction Group Ltd. is held as to 15% by Mr. Loh Kim Her, as to 64% by Mr. Loh Nee Peng and as to 21% by Mr. Loh Boon Cha.
3. The 53,284,000 shares held as to 8,000,000 shares by Affluence Investment International Limited, and as to 45,284,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 15% respectively by Mr. Loh Kim Her. By virtue of the SFO, Mr. Loh Kim Her is deemed to be interested in the shares held by Affluence Investment International Limited, and Loh & Loh Construction Group Ltd.
4. Tycoons Investment International Limited is 100% held by Mr. Chan Hing Ka Anthony.
5. The 72,047,085 shares held as to 71,671,085 shares by Tycoons Investment International Limited which is interested as to 100% by Mr. Chan Hing Ka Anthony, and 376,000 shares held directly by Mr. Chan Hing Ka Anthony. By virtue of the SFO, Mr. Chan Hing Ka Anthony is deemed to be interested in the shares by Tycoons Investment International Limited.

Save as disclosed above, as at 31 December 2014, the Directors are not aware of any other person or corporation having an interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year ended 31 December 2014 and up to the date of this report are:

Executive Directors

Mr. Loh Boon Cha *(Chairman)*
Mr. Loh Nee Peng *(Executive Deputy Chairman)*
Mr. Choy Choong Yew *(Managing Director)*
Mr. Lin Ju Zheng
Mr. Tan Cheng Kim
Mr. Yeung Chak Sang Johnson

Independent Non-Executive Directors

Mr. Lee Kwok Yung
Mr. Yin Bin
Ms. Song Qi Hong
Mr. Wong Jacob

In accordance with Article 84(1) of the Company's Articles of Association, at each annual general meeting ("AGM") one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at AGM at least once every three years. At the AGM, Mr. Loh Nee Peng, Mr. Lin Ju Zheng, Mr. Choy Choong Yew, being executive Directors and Ms. Song Qi Hong, an Independent Non-Executive Director, will retire by rotation and, being eligible, will offer themselves for re-election thereof.

Mr. Loh Nee Peng and Mr. Loh Boon Cha have entered into a service contract with the Company for a renewal term of five years and three years, commencing from 1 January 2011 and 4 August 2012 respectively, subject to early termination by the Company giving not less than three months' notice of termination or payment in lieu. Mr. Lin Ju Zheng has entered into a service contract with the Company for a renewal term of five years, commencing from 1 June 2010 while Mr. Choy Choong Yew, Mr. Tan Cheng Kim and Mr. Yeung Chak Sang Johnson have entered into a service contract with the Company for an initial term of three years, commencing from 16 May 2012 respectively.

Two Independent Non-Executive Directors, Mr. Yin Bin and Ms. Song Qi Hong have entered into appointment letters with the Company for a term of five years commencing from 1 July 2011 and 1 August 2010 respectively. Another two Independent Non-Executive Directors, Mr. Lee Kwok Yung and Mr. Wong Jacob have entered into appointment letters with the Company for a term of three years commencing from 1 June 2014 and 30 March 2012 respectively.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

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

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

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

GROUP'S EMOLUMENT POLICY

The Group's employees are selected, remunerated and promoted based on their merit, qualifications and competence. The emoluments of the Directors of the Company are determined with regard to the performance of individual; the Company's operating results and market standards.

DIRECTORS' EMOLUMENTS AND THE HIGHEST PAID EMPLOYEES

Details of Directors' emoluments are set out in note 13 of the financial statements.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the connected transactions and related party transactions are set out in note 35 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out in the financial summary on page 102 of this annual report. This summary does not form part of the audited financial statements.

MANAGEMENT OF RISKS

Details of risk management are set out in note 37 to the financial statements.

Directors' Report

SEGMENTAL INFORMATION

Details of the segmental information of the Group are set out in note 7 to the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of Directors are set out on pages 6 to 7 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Confirmation of independence has been received from each of Independent Non-Executive Directors of the Company and the Company considers all existing Independent Non-Executive Directors to be independent according to the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, the percentage of sales and purchases attributable to the Group's major customers and suppliers are set out as below:

Sales	
– The largest customer	10.5%
– The total of five largest customers	30.3%
Purchases	
– The largest supplier	48.6%
– The total of five largest suppliers	85.1%

As far as the Directors aware, neither the Directors nor their associates nor any shareholders (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in the five largest customers and suppliers of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2014 and up to the date of this annual report, the Company has maintained the prescribed public float as required by the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws in Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2014 were audited by BDO Limited, who will retire and a resolution to re-appoint BDO Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. Yeung Chak Sang Johnson, aged 50, is the qualified accountant and the company secretary of the Group. He joined the Group in 2005 and has more than 20 years of experience in the field of accounting, auditing and financial management. He holds a bachelor degree in business, and a master degree in science from the Chinese University of Hong Kong. He is also an associate member of the Hong Kong Society of Accountants and a fellow member of Association of Chartered Certified Accountants.

COMPLIANCE OFFICER

Mr. Choy Choong Yew, aged 62, has appointed as the Managing Director and compliance officer of the Group since May 2012. Mr. Choy is currently the general manager of Fuzhou BMW Automobiles Service Co Ltd, a wholly-owned subsidiary of the Company. Mr. Choy joined the Group in 1987 and 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, 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. Foreign Investment and Foreign Enterprise in China (Zhongshan University and Hong Kong Management Association), Master of 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).

COMPETING INTERESTS

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

Directors' Report

SHARE OPTION SCHEME

For the year ended 31 December 2014, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives to participants in the Share Option Scheme to contribute to the Group and enabling the Company to recruit high-calibre employees and attract human resources that are valuable to the Group.

Details of the Share Option Scheme are set out in note 40 to the financial statements.

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

ADVANCES TO ENTITIES

As defined in GEM Rule 17.14, "relevant advance to an entity" means the aggregate of amounts due from and all guarantees given on behalf of (i) an entity; (ii) the entity's controlling shareholder; (iii) the entity's subsidiaries; (iv) the entity's affiliated companies; and (v) any other entity with the same controlling shareholders.

Pursuant to the GEM Rules 17.16 and 17.18, a disclosure obligation arises where the increment of relevant advance amount to an entity from the Group exceeds 3% under the assets ratio as defined under Rule 19.07(1) of the GEM Listing Rules (the "Assets Ratio").

As at 31 December 2014, the Company's total assets were approximately HK$760,562,000.

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

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

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

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

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

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

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

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

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

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

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

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

Hong Kong, 23 March 2015

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting good corporate governance, with the objectives of (i) the maintenance of responsible decision making, (ii) the improvement in transparency and disclosure of information to shareholders, (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of the shareholders, and (iv) the improvement in management of risk and the enhancement of performance by the Group.

The Group has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules (the "Code Provision") throughout the year ended 31 December 2014. Detail of the deviation is set out in the relevant section below.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

Board Composition

As at the date of this report, the Board consists of six Executive Directors and four Independent Non-Executive Directors.

Executive Directors

Mr. Loh Boon Cha *(Chairman)*
Mr. Loh Nee Peng *(Executive Deputy Chairman)*
Mr. Choy Choong Yew *(Managing Director)*
Mr. Lin Ju Zheng
Mr. Tan Cheng Kim
Mr. Yeung Chak Sang Johnson

Independent Non-Executive Directors

Mr. Lee Kwok Yung
Mr. Yin Bin
Ms. Song Qi Hong
Mr. Wong Jacob

Relationship

Mr. Loh Boon Cha (Chairman) is the father of Mr. Loh Nee Peng (Executive Deputy Chairman).

Board Meetings

The Board meets regularly over the Company's affairs and operations and held six board meetings in 2014. The attendance records of each member of the Directors are set out below:

Executive Directors	**Directors' Attendance**
Loh Boon Cha	5/6
Loh Nee Peng	6/6
Choy Choong Yew	6/6
Lin Ju Zheng	5/6
Tan Cheng Kim	6/6
Yeung Chak Sang Johnson	6/6
Independent Non-Executive Directors	
Lee Kwok Yung	5/6
Yin Bin	5/6
Song Qi Hong	5/6
Wong Jacob	5/6

Responsibilities, accountabilities and contributions of the board and management

The Board of Directors ("Directors") of the Company is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company which is delegated to the chairman and the management. In practice, the Board take responsibilities for decision making in all major matters of the Company. The day-to-day management, administration and operation of the Company are delegated to the senior executives. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities.

Details of the backgrounds and qualifications of the Chairman of the Company and the other Directors are set out on page 6 to 7 of this Annual Report. All Directors have given sufficient time and attention to the affairs of the Group.

Retirement of directors

Under the Code Provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. According to the existing Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. In order to comply with the Code Provision A.4.2, Mr. Loh Nee Peng, Mr. Lin Ju Zheng, Mr. Choy Choong Yew and Ms. Song Qi Hong will retire at the forthcoming annual general meeting of the Company, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Continuous Professional Development

Pursuant to Code Provision A.6.5, which has come into effect from 1 April 2012, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

Corporate Governance Report

Up to the date of this report, all Directors have participated in continuous professional development by reading relevant materials, attending a training conducted by an accredited service provider and in-house briefing on the topics related to corporate governance regulations or Directors' duties. All our Directors are also currently members of the Hong Kong Institute of Directors and are continual improving their Directors' skill and keeping up to date with all issues affecting their ability to fulfill their role.

All Directors also understand the importance of continuous professional development and are committed to participating any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

Directors' Insurance

The Company has also arranged appropriate insurance cover in respect of the legal action against the Directors for the year 2014 and onwards.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Code Provision A.2.1 stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual to ensure a balance of power and authority. The roles of Chairman, Executive Deputy Chairman and Chief Executive Officer are taken by Mr. Loh Boon Cha, Mr. Loh Nee Peng and Mr. Choy Choong Yew respectively.

The Executive Directors undertake the day-to-day management of the Company's business, whereas the Chairman is responsible for management of the Board and strategic planning for the Group and ensure that all Directors are properly briefed on issues arising at board meetings. The Board believes that the balance of power and authority is adequately ensured under the existing arrangement and the operations of the Board which comprises experienced and high caliber individuals with a substantial number thereof being Independent Non-Executive Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed four Independent Non-Executive Directors, i.e. Mr. Lee Kwok Yung, Mr. Yin Bin, Ms. Song Qi Hong and Mr. Wong Jacob, representing more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise.

Under Code Provision A.4.1, Independent Non-Executive Directors should be appointed for a specific term, subject to re-election. Two Independent Non-Executive Directors, Mr. Yin Bin and Ms. Song Qi Hong have entered into appointment letters with the Company for a term of five years commencing from 1 July 2011 and 1 August 2010 respectively. Another two Independent Non-Executive Directors, Mr. Lee Kwok Yung and Mr. Wong Jacob have entered into appointment letters with the Company for a renewal term of three years commencing from 1 June 2014 and 30 March 2012 respectively.

BOARD COMMITTEES

Corporate Governance Functions

During the year in regard to the amendments to the Code promulgated by the Stock Exchange, the Company has adopted a revised written terms of references for corporate governance on 30 March 2012 in compliance with the Code Provision D.3, effective from 1 April 2012. Pursuant to the terms of reference of the corporate governance function, the Board shall be responsible for developing, reviewing and/or monitoring the policies and practices on corporate governance of the Company; training and continuous professional development of Directors and senior management; and compliance with legal and regulatory requirements of the Company. This update report on corporate governance has been reviewed by the Board in discharge of its corporate governance function.

The Board Committees, including the Nomination, Remuneration and Audit Committees have all adopted the applicable practices and procedures used in board meetings for all committee meetings.

Nomination Committee

The Nomination Committee of the Company was established on 29 September 2006 and comprises of one Executive Director and two Independent Non-Executive Directors, namely Mr. Loh Boon Cha, Mr. Yin Bin and Mr. Wong Jacob as members. Mr. Loh Boon Cha is the Chairman of the Nomination Committee. In regard to the amendments to the Code promulgated by the Stock Exchange since year 2012, the committee adopted a revised written terms of references in compliance with the Code A.5.2.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of Directors and senior management, making recommendations to the Board on the appointment and succession planning of Directors and senior management, and assessment of the independence of the Independent Non-Executive Directors. Further details on the terms of reference of the Nomination Committee are available on the website of the Company and the website of the Stock Exchange.

During the year 2014, the Nomination Committee had held meeting once for making recommendation to the Board on annual review on the appointment of Directors, and review on assessment of the independence of the Independent Non-Executive Directors during the year and all members attended the meeting.

Remuneration Committee

The Remuneration Committee was formed on 27 September 2005 and is made up of three Independent Non-Executive Directors, namely Mr. Lee Kwok Yung, Mr. Yin Bin and Mr. Wong Jacob. Mr. Lee Kwok Yung is the chairman of the Remuneration Committee. In regard to the amendments to the Code promulgated by the Stock Exchange since year 2012, the committee adopted a revised written terms of references in compliance with the Code B.1.2.

The Remuneration Committee is principally responsible for make recommendations to the Board on policies and structure for remuneration of Directors and senior management and on the establishment for a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee normally meets for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the Executive Directors and the senior management and other related matters when needs arise. The Remuneration Committee shall consult the Chairman and/or the Managing Director of the Company about these recommendations on remuneration policy and structure and remuneration packages. Further details on the terms of reference of the Remuneration Committee are available on the website of the Company and the website of the Stock Exchange.

Corporate Governance Report

During the year 2014, the Remuneration Committee had met once to discuss and review the remuneration policy and structure of the Company and remuneration packages of the Independent Non-Executive Directors and the senior management under review for the year and all members attended the meeting.

Audit Committee

Pursuant to Rule 5.28 to 5.29 of the GEM Listing Rules and Code Provision C.3.3, the Company's Audit Committee was formed on 5 June 2002 and is currently composed of namely, Mr. Lee Kwok Yung, Mr. Yin Bin, Ms. Song Qi Hong and Mr. Wong Jacob. Mr. Lee Kwok Yung is the Chairman of the Audit Committee.

In regard to the amendments to the Code promulgated by the Stock Exchange since year 2012, the committee adopted a revised written terms of references in compliance with the Code Provision C.3.3. The primary duties of the Audit Committee are mainly to (a) review the Group's annual reports, financial statements, interim reports and quarterly reports, and (b) to review and supervise the financial reporting process and the internal control procedures of the Group, and (c) liaise with the external auditor at least twice a year and provide advice and comments thereon to the Board. Further details on the terms of reference of the Audit Committee are available on the website of the Company and the website of the Stock Exchange.

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

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

The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Committee also carried out and discharged its duties set out in Code Provision. In the course of doing so, the Committee has met the company's management, qualified accountant and external auditors during 2014. The audited financial results of the Group for the year ended 31 December 2014 have been reviewed by the Audit Committee.

AUDITOR'S REMUNERATION

For the year 2014, the remuneration paid or payable to external auditor of the Group, BDO Limited, in respect of audit services, amounted to approximately HK$527,000 (2013: approximately HK$495,000), and fee for non-audit related activities amounted to approximately HK$306,000 (2013: approximately HK$44,300).

COMPANY SECRETARY

Mr. Yeung Chak Sang Johnson ("Mr. Yeung") was appointed as the company secretary of the Group since 26 May 2005. Pursuant to Code Provision F.1.1 to 1.3, he should possess day-to-day knowledge on the Company's affairs and responsible for advising the Board through the chairman on all governance matters and facilitates the induction and professional development of all Directors.

Up to date of this report, Mr. Yeung has undertaken not less than 15 hours of relevant professional training.

INTERNAL CONTROLS

The Board is responsible for establishing and maintaining the Group's system of internal control and for reviewing the effectiveness of these controls. Internal control systems are designed to meet the particular need of the Group and the risks to which it is exposed. The Board reviews at least annually the overall effectiveness of the Group's internal control system.

The Board has reviewed and maintained the effectiveness of the Group's internal control system, including financial, operational, compliance controls and risk management functions.

A statement of Directors responsibilities for preparing the financial statements is set out in this Annual Report. The responsibilities of the external auditor are set out in the Independent Auditor's Report on page 30 to 31 of this annual report.

INVESTOR RELATIONS

The Board considers that maintaining continuous and effective communication with shareholders is crucial to and is a key element of establishing shareholders' confidence and attracting new investors. These includes (i) the publication of quarterly, interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders of the Company to raise comments and exchanging views with the Board; (iii) latest updates and key information of the Company available on the website of the company, that offers a communication channel between the Company and its shareholders and investors; and (iv) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters.

The existing Articles of Association was adopted and a special resolution was passed at the Annual General Meeting held on 11 May 2012.

A summary of principal provision of the new Articles of Association is available on the website of the Company and the website of Stock Exchange.

COMMUNICATIONS WITH SHAREHOLDERS

In accordance with the Code Provision E.1.2, the chairman of the Board should attend the annual general meeting. Due to business commitment in Singapore Mr. Loh Boon Cha, Chairman of the Board, was unable to attend the annual general meeting in person. Yet he has appointed Mr. Lin Ju Zheng, an Executive Director, whom should report to him on any enquiries shareholders might have. Besides, Mr. Lee Kwok Yung, the chairman of the Audit Committee and Remuneration Committee has attended the 2014 AGM to answer questions of shareholders.

The Company held its annual general meeting on 9 May 2014. The Company has invited representatives of the external auditor of the Company to attend the 2014 AGM to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditors' report and auditor independence.

Corporate Governance Report

Procedures for shareholders to convene an extraordinary general meeting

The Company has adopted a shareholders' communication policy and procedures with effect from 22 March 2012. The policy and procedures are available on the website of the Company. Apart from proposing a person for election as Director of the Company, pursuant to Article 58 of the Article of Association of the Company, an extraordinary general meeting ("EGM") may be convened at the request of the Shareholders under the following conditions:

1. On the written requisition of any one or more members holding not less than one-tenth of the paid-up capital of the Company as at the date of deposit of the requisition;

2. The requisition must specify:

   (a) Object of the business to be transacted at the meeting; and

   (b) Signed by the requisitionist(s); and

   (c) State the name(s) of the requisitionist(s); and the contact details and number of ordinary shares of the Company held by the requisitionist(s); and

   (d) Deposited at the company's place of business at Unit 1203, 12th Floor, Eton Tower, No. 8 Hysan Avenue, Causeway Bay, Hong Kong and for the attention of the Company Secretary.

   The Directors must proceed to convene an EGM within 21 days from the date of deposit of the requisition. If the Directors fail to convene the EGM within 21 days from the date of deposit, the requisitionist(s) himself (themselves) may convene the general meeting in the same manner, provided that the meeting so convened shall not be held after the expiration of two months from the date of deposit of the requisition. Any reasonable expenses incurred by the requisitionist(s) by reason of the failure of the directors duly to convene a meeting shall be reimbursed to the requistionist(s) by the Company.

3. If the Board fails to give shareholders sufficient notice (i.e. not less than 21 days for the annual general meeting and/or passing special resolution(s) at the EGM, or not less than 14 days for passing an ordinary resolution(s) at the EGM, the meeting is deemed not to have been duly convened.

LOOKING FORWARD

The Board will regularly review its corporate governance standards on a timely basis and is endeavor to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the Code on Corporate Governance Practices introduced by the Stock Exchange.

Corporate Social Responsibility Report

G.A. Holdings Limited is embracing the challenge of integrating its business objective – to become one of the top service providers in the PRC's premium automobile industry – with its responsibilities to stakeholders, business partners, staff, and the communities in which it operates. It sees these two goals as being complementary ones, and believes that by fulfilling its social responsibilities it will indeed move more powerfully towards establishing itself at the head of its industry. One way the Group is doing this is by helping to build stronger relationships between the countries and jurisdictions in which it operates: namely the PRC, Hong Kong and China. Through its role as a 'Gold Sponsor' of SingCham (the Singapore Chamber of Commerce and Industry in China), the Group is actively supporting business, technological and cultural exchange and development between Singapore and China. In August 2014, the Group was a joint sponsor for the 49th Singapore National Day Dinner, held in Beijing.

SHAREHOLDERS AND INVESTORS

The Corporate Governance Report in this Annual Report lays out in detail the structures and the checks and balances that are in place to ensure that shareholders and investors in the Group can be fully confident about its business decisions and its risk management actions. Our risk management procedure is regularly reviewed by the Board of Directors, most recently in December 2014, and is supported by monthly management meetings by the top management of the Group. In addition, the Board reviews the overall effectiveness of the Group's internal control system at least annually.

Our commitment to good management practices extends to full and open communication with our stakeholders. We have had an effective shareholders' communications policy in place since March 2012.

EMPLOYEES

The quality of its employees is a major asset for the Group, in an industry in which quality and prestige is what differentiates it from its competitors. We value our staff and take all possible measures to retain them, in particular by offering them good career advancement opportunities and an attractive, employee-friendly working environment. As at 31 December 2014, the Group employed a total of 426 staff, made up of 391 in the PRC, 27 in Hong Kong, 1 in the United States and 7 in Singapore. Of these, 203 were providing sales and technical services, with the bulk of the remainder being involved in management, administration, finance and customer service.

The Group employed 289 men and 137 women as at 31 December 2014. Currently the ratio of men to women employed by the Group is around 2:1, and this is largely a result of the fact that most qualified mechanics and similar auto technician professionals in China and Singapore are male. However, we comply with all equal opportunity laws and regulations in the areas where we operate, and are committed to offering equal pay for men and women doing equivalent jobs.

Apart from offering employees competitive salary packages, the company also provides generous annual performance bonuses and on occasions provides operational staff with group tours. The company formally adopted a share option scheme this year, aimed at providing incentives to existing staff and helping the Group attract new high-calibre candidates. The Group is a family-friendly employer, and in general operates according to a basic five-day working week. It also lays on regular gatherings such as sports days, staff birthday parties and an annual dinner etc. for its staff, and offers flexible leave arrangements to enable staff to pursue professional examinations and other career advancement avenues. The benefits of making the Group an excellent working environment for employees can be seen in its very stable staff turnover rates, and the high proportion of long-term employees.

Corporate Social Responsibility Report

Our Group makes the health and safety of its employees a very high priority. To this end, we have looked closely at the safety rules and procedures most appropriate for our industry, and adapted them to the context of our operations. As we operate in more than one jurisdiction (Hong Kong, Singapore and the PRC), we have also looked closely at the different regulations for each area to ensure we abide by all local legal requirements.

A total of 174 staff provide either technical services or logistical support for the Group's operations, and these are the areas in which safety issues have most relevance for the purposes of this report. We take care that the working conditions, tools, equipment and machinery used or operated by these staff are kept in excellent working order and that all staff are fully trained on their safe operation. Regular on-the-job training to newer staff is provided by our more experienced staff and supervisor team, to ensure that a consistent safety philosophy is communicated right across our operations. New technicians in workshops are provided with specific safety training as specified by BMW AG. The safety culture is supported by our use of the latest in equipment and machinery as required by BMW AG, one of the leading vehicle manufacturers in the world, for all its authorised distributors.

In the year under review, no fatal or serious accidents were recorded anywhere across the Group's operations, and the Group did not experience any significant disruption to its business operations due to days lost because of injury. These excellent health and safety results are a direct result of the Group's efforts to safeguard its employees, by providing appropriate workplace safety training and by ensuring that all areas of the Group's operations are well-equipped and designed with safety in mind.

The Group provides its staff with clear and viable opportunities for self-development and career advancement within the company. It carries out regular performance assessments on a half-yearly or yearly basis, enabling staff to gain an accurate sense of their prospects and of potential future career paths. Salaries are reviewed annually for each grade of staff by the Human Resources Department and top management, to ensure that our remuneration packages remain competitive. This enables the Group to retain high quality staff and provide them with strong incentives for performing well.

As vehicle designs change and their technical specifications become more proprietary and increasingly complex, we utilise the skills of our senior technical staff by commissioning them to conduct on-the-job training and guidance for less experienced staff. In addition, visiting BMW representatives provided regular theoretical training. Continuous training on repair and maintenance procedures, monitored by engineers of BMW Germany on site, is given to our technicians. These are regularly assessed to ensure they master the standards of the premium automobile manufacturers whose vehicles we distribute. Customer service and sales personnel are also provided with specialist training in the automobiles and parts that we sell. The result is a win-win situation: we ensure our Group services are leading the field, while at the same time our employees are stimulated and challenged to perform to their best potential.

Corporate Social Responsibility Report

THE ENVIRONMENT

The nature of the Group's business does not involve it directly in the consumption of natural resources, and its distributorship role means it is not directly contributing to emissions. Naturally, the automobile industry as a whole is implicated in global emissions; this is part of the nature of the industry. However, the Group does distribute high-end and high quality mass market vehicles manufactured by the very best European manufacturers, most of which are at the cutting edge of advances in reducing emissions and developing clean engine technology. By distributing these types of vehicles and providing excellent, efficient service and genuine replacement parts to keep its cars running at optimum efficiency, the Group is in a small way contributing to improving the environment in China, which has long been plagued by inefficient and highly polluting vehicles. The Group is proud that the high-end vehicles it distributes are some of the most efficient and technically advanced in terms of environmental impact in the world.

Meanwhile, the Group's own services of vehicle repair and vehicle servicing are carried out to very high levels of cleanliness and attention to the environment. For instance, waste products such as used car parts and used motor oil are disposed of according to all relevant local regulations, and with scrupulous attention to avoiding pollution and minimising any impact on the environment. Very high standards are also maintained in areas such as the drainage of waste water from car cleaning operations, and the use of organic solvents in car painting activities. Our workshops are all located in specific areas designated for the use of the automobile industry as authorised by the PRC government. These areas offer high technology facilities, and facilitate and encourage the use of local suppliers and resources.

Independent Auditor's Report

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

To the shareholders of G.A. Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of G.A. Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 32 to 101, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lee Ming Wai
Practising Certificate no. P05682

Hong Kong, 23 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Revenue	6	**422,862**	408,300
Other income	8	**53,938**	56,297
Changes in inventories	9.1	**53,809**	1,119
Auto parts and accessories used, and motor vehicles purchased	9.1	**(286,124)**	(231,628)
Employee benefit expenses	13	**(59,716)**	(56,020)
Depreciation and amortisation		**(20,301)**	(16,834)
Operating lease charges		**(19,745)**	(10,537)
Exchange differences, net		**(3,489)**	1,440
Other expenses		**(65,371)**	(58,378)
Profit from operating activities		**75,863**	93,759
Finance costs	9.2	**(9,266)**	(11,287)
Profit before income tax	9	**66,597**	82,472
Income tax expense	10	**(16,160)**	(8,163)
Profit for the year		**50,437**	74,309
Other comprehensive income, item that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		**(6,400)**	9,163
Other comprehensive income for the year		**(6,400)**	9,163
Total comprehensive income for the year		**44,037**	83,472

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Profit for the year attributable to:			
Owners of the Company		**56,202**	75,243
Non-controlling interests		**(5,765)**	(934)
		50,437	74,309
Total comprehensive income for the year attributable to:			
Owners of the Company		**50,178**	84,252
Non-controlling interests		**(6,141)**	(780)
		44,037	83,472
		HK cents	HK cents
Earnings per share	12		
Basic and diluted		**11.80**	15.80

Consolidated Statement of Financial Position

as at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**107,316**	80,109
Leasehold lands	15	**4,564**	4,709
Prepaid rental expenses	16	**34,229**	35,533
Prepayments for acquisition of property, plant and equipment		**–**	10,900
Goodwill	17	**3,759**	3,798
		149,868	135,049
Current assets			
Inventories	19	**107,081**	53,272
Trade receivables	20	**116,550**	112,563
Prepayments, deposits and other current assets	21	**331,856**	315,321
Due from a director	27	**–**	26
Pledged deposits	22	**20,935**	9,992
Cash and cash equivalents	22	**34,272**	54,036
		610,694	545,210
Current liabilities			
Trade payables	23	**18,598**	19,155
Accruals and other payables	24	**112,510**	96,588
Bills payable	25	**–**	16,987
Borrowings	25	**90,718**	42,449
Due to related companies	26	**311**	314
Due to directors	27	**28,050**	32,450
Tax payable		**8,684**	15,919
		258,871	223,862
Net current assets		**351,823**	321,348
Total assets less current liabilities		**501,691**	456,397

Consolidated Statement of Financial Position

as at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Borrowings	25	6,893	6,572
Deferred tax liabilities	28	2,208	1,272
		9,101	7,844
Net assets		492,590	448,553
EQUITY			
Equity attributable to owners of the Company			
Share capital	29	47,630	47,630
Reserves	30	418,598	368,420
		466,228	416,050
Non-controlling interests	32	26,362	32,503
Total equity		492,590	448,553

On behalf of the Board:

Loh Boon Cha
Director

Loh Nee Peng
Director

Statement of Financial Position

as at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	18	80,878	80,878
Current assets			
Other receivables	21	217	224
Due from a subsidiary	18	3,633	6,411
		3,850	6,635
Current liabilities			
Accruals and other payables	24	2,562	2,108
Due to subsidiaries	18	8,030	7,498
Due to directors	27	507	507
		11,099	10,113
Net current liabilities		(7,249)	(3,478)
Net assets		73,629	77,400
EQUITY			
Share capital	29	47,630	47,630
Reserves	30	25,999	29,770
Total equity		73,629	77,400

On behalf of the Board:

Loh Boon Cha
Director

Loh Nee Peng
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	Attributable to owners of the Company							
	Share capital HK$'000 *(Note 29)*	Share premium* HK$'000 *(Note 30)*	Capital reserve* HK$'000 *(Note 30)*	Translation reserve* HK$'000 *(Note 30)*	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	47,630	29,522	8,623	35,342	210,681	331,798	2,006	333,804
Profit/(Loss) for the year	–	–	–	–	75,243	75,243	(934)	74,309
Other comprehensive income	–	–	–	–	–	–	–	–
Translation differences	–	–	–	9,009	–	9,009	154	9,163
Total comprehensive income for the year	–	–	–	9,009	75,243	84,252	(780)	83,472
Non-controlling interest of a subsidiary disposed during the year	–	–	–	–	–	–	31,277	31,277
At 31 December 2013 and 1 January 2014	**47,630**	**29,522**	**8,623**	**44,351**	**285,924**	**416,050**	**32,503**	**448,553**
Profit/(Loss) for the year	**–**	**–**	**–**	**–**	**56,202**	**56,202**	**(5,765)**	**50,437**
Other comprehensive income								
Translation differences	**–**	**–**	**–**	**(6,024)**	**–**	**(6,024)**	**(376)**	**(6,400)**
Total comprehensive income for the year	**–**	**–**	**–**	**(6,024)**	**56,202**	**50,178**	**(6,141)**	**44,037**
At 31 December 2014	**47,630**	**29,522**	**8,623**	**38,327**	**342,126**	**466,228**	**26,362**	**492,590**

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Profit before income tax		66,597	82,472
Adjustments for:			
Interest expense		8,161	10,539
Interest element of finance lease rental payments		1,105	748
Interest income		(488)	(839)
Gain on disposal of property, plant and equipment		(1,632)	(1,288)
Depreciation of property, plant and equipment		19,269	15,789
Write-off of property, plant and equipment		63	–
Amortisation of prepaid rental expenses		936	946
Annual charges of prepaid operating land lease payments		96	99
Reversal of impairment loss on trade receivables		(3,015)	–
Reversal of accruals and other payables		(6,767)	–
Operating profit before working capital changes		84,325	108,466
Increase in inventories		(53,809)	(1,119)
Increase in trade receivables		(972)	(19,772)
(Increase)/decrease in prepayments, deposits and other current assets		(16,632)	5,129
(Decrease)/increase in trade payables		(557)	3,529
Increase/(decrease) in accruals and other payables		22,689	(51,288)
Decrease in bills payable		(16,987)	(63,998)
Cash generated from/(used in) operations		18,057	(19,053)
Interest received		488	839
Interest paid		(8,161)	(10,539)
Interest element of finance lease rental payments paid		(1,105)	(748)
Overseas tax refund		–	8,572
Overseas tax paid		(18,342)	(17,781)
Hong Kong Profits Tax paid		(3,973)	(4,402)
Net cash used in operating activities		(13,036)	(43,112)
Cash flows from investing activities			
Prepayments to acquire property, plant and equipment		–	(3,924)
Decrease in non-current receivables		–	21
Proceeds from disposal of property, plant and equipment		2,226	2,471
(Increase)/decrease in pledged deposits		(10,943)	17,668
Purchase of property, plant and equipment	*31*	(15,044)	(12,754)
Acquisition of subsidiary, net of cash acquired	39	–	1,150
Net cash (used in)/from investing activities		(23,761)	4,632

Consolidated Statement of Cash Flows

for the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Cash flows from financing activities		
New bank loans	104,033	83,352
Repayment of borrowings	(62,506)	(100,622)
Capital element of finance lease rental payments	(14,760)	(11,646)
Net movement in balance with directors	(4,374)	(6,165)
Cash proceed of disposal of non-controlling interest of a subsidiary	–	31,277
Net cash from/(used in) financing activities	22,393	(3,804)
Net decrease in cash and cash equivalents	(14,404)	(42,284)
Translation adjustments	(5,360)	10,191
Cash and cash equivalents at the beginning of the year	54,036	86,129
Cash and cash equivalents at the end of the year	34,272	54,036
Analysis of balances of cash and cash equivalents		
Cash and bank balances	34,272	54,036

Notes to the Financial Statements

for the year ended 31 December 2014

1. GENERAL INFORMATION

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

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

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

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

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

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

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

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

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively. The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

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

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

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

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

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

HK (IFRIC) 21 – Levies

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

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

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

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

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

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
[3] Effective for annual periods beginning on or after 1 January 2016
[4] Effective for annual periods beginning on or after 1 January 2017
[5] Effective for annual periods beginning on or after 1 January 2018

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

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

Amendments to HKAS 1 – Disclosure Initiative

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

Notes to the Financial Statements

for the year ended 31 December 2014

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

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

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

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

Amendments to HKAS 27 – Equity Method in Seperate Financial Statements

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

HKFRS 9 (2014) – Financial Instruments

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

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

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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

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

HKFRS 15 – Revenue from Contracts with Customers

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

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

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

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

(c) Disclosure requirements of New Companies Ordinance

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

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

Notes to the Financial Statements

for the year ended 31 December 2014

3. BASIS OF PREPARATION *(Continued)*

(c) Functional and presentation currency

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

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

(d) Restatement

Year ended 31 December 2013

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or revised HKFRSs and the impacts on the consolidated financial statements, if any, are disclosed in note 2.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. 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 statements, are disclosed in note 5.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Notes to the Financial Statements

for the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.1 Basis of consolidation *(Continued)*

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant CGUs that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4.4 Foreign currency translation

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Foreign currency translation *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

4.5 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and rendering of services, net of rebates and discounts and after eliminating sales within the Group. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised 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.

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

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

4.6 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 Group 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.

Notes to the Financial Statements

for the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Property, plant and equipment *(Continued)*

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

Buildings	1.5% per annum
Leasehold improvements	10% to 50% per annum
Plant and machinery	10% to 33.3% per annum
Motor vehicles	20% to 33.3% per annum
Furniture and equipment	10% to 33.3% per annum

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

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

4.7 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 note 4.9. 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 Group from use of the land.

4.8 Impairment of non-financial assets

The Group's property, plant and equipment, leasehold lands, prepaid rental expenses and the Company's interest in subsidiaries 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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group 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 Group

Assets that are held by the Group under leases which transfer to the Group 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 Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the right to use the assets under finance leases, the amounts representing the fair values of the leased asset, or, if lower, the present values of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liabilities are reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges as the lessee

Where the Group 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.

Notes to the Financial Statements

for the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Leases *(Continued)*

(iv) ***Assets leased out under operating leases as the lessor***

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

4.10 Financial assets

The Group's/Company's financial assets include trade and other receivables, amounts due from a director and a subsidiary, 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 Group 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 Group 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial assets *(Continued)*

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.

4.11 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 First-in First-out 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.

4.12 Accounting for income taxes

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.

Notes to the Financial Statements

for the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Accounting for income taxes *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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 Group 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 Group 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 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 presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from equity (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

4.15 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.

4.16 Retirement benefit costs and short term employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group contributes a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees and those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiary which operates in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. This subsidiary 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 Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4.17 Financial liabilities

The Group's financial liabilities include bank loans and overdrafts, bills payables, trade and other payables, amounts due to related companies and directors and finance lease liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised with the Group's accounting policy for borrowing costs (see note 4.15).

Notes to the Financial Statements

for the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 Financial liabilities *(Continued)*

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.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

4.18 Provisions and contingent liabilities

Provisions are recognised when the Group 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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.19 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities 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 the employees of the Group or an entity related to the Group.
- (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 key management personnel of the entity (or of a parent of the entity).

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.

Notes to the Financial Statements

for the year ended 31 December 2014

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Financial guarantees issued

A financial guarantee contract 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 payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

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

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

4.21 Segment reporting

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

The Group has identified the following reportable segments:

- Motor vehicles – Sales of motor vehicles and provision of car-related technical services ("Activity 1")

- Servicing service – Servicing of motor vehicles and sales of auto parts ("Activity 2")

- Commission income from sales of cars from GAPL to German Automobiles Limited (i.e. intra-group) ("Activity 3")

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.21 Segment reporting *(Continued)*

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that rental income, income tax and corporate income and expenses including certain finance costs which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

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

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

No asymmetrical allocations have been applied to reportable segments.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

Critical accounting estimates and assumptions

The Group 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 Group 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

The Group 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 Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Notes to the Financial Statements

for the year ended 31 December 2014

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

Income taxes

The Group is subject to income taxes in Hong Kong, the PRC and Singapore. 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 Group 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.

Impairment of goodwill

Determinate whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allotted. The value in use calculation requires the directors to estimate, the future cash flows expected to arise from CGU and a suitable discount rate in order to calculate the present value.

6. REVENUE

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

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

7. SEGMENT INFORMATION

The Executive Directors have identified the Group's 3 product and service lines as operating segments as further described in note 4.21.

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

	2014			
	Activity 1	**Activity 2**	**Activity 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Revenue				
From external customers	77,647	345,215	–	422,862
From other segments	–	–	24	24
Reportable segment revenue	77,647	345,215	24	422,886
Reportable segment profit	4,677	45,405	24	50,106
Bank interest income	3	485	–	488
Depreciation and amortisation of non-financial assets	(2,655)	(6,271)	–	(8,926)
Reversal of impairment loss on trade receivables	3,015	–	–	3,015
Write-off of property, plant and equipment	–	(63)	–	(63)
Reversal of accruals and other payables	3,061	–	–	3,061
Reportable segment assets	242,819	418,805	–	661,624
Addition to non-current assets during the year	23,582	2,701	–	26,283
Reportable segment liabilities	67,129	79,795	–	146,924

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7. SEGMENT INFORMATION *(Continued)*

	2013			
	Activity 1 HK$'000	Activity 2 HK$'000	Activity 3 HK$'000	Total HK$'000 (Restated)
Revenue				
From external customers	82,145	326,155	–	408,300
From other segments	–	–	1,577	1,577
Reportable segment revenue	82,145	326,155	1,577	409,877
Reportable segment profit	15,371	34,814	1,577	51,762
Bank interest income	29	810	–	839
Depreciation and amortisation of non-financial assets	(1,054)	(5,911)	–	(6,965)
Reportable segment assets	135,639	409,471	–	545,110
Addition to non-current assets during the year	–	3,043	–	3,043
Reportable segment liabilities	24,277	81,322	2,792	108,391

7. SEGMENT INFORMATION *(Continued)*

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

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

Note:

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

Notes to the Financial Statements

for the year ended 31 December 2014

7. SEGMENT INFORMATION *(Continued)*

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

	Revenue from external customers		Non-current assets	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Singapore	**–**	–	**3,566**	877
The PRC	**422,862**	408,300	**110,836**	105,177
Hong Kong	**–**	–	**35,466**	28,995
	422,862	408,300	**149,868**	135,049

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

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

As at 31 December 2014, 0.6% (2013: 31%) of the Group's trade receivables were due from this customer.

8. OTHER INCOME

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

9. PROFIT BEFORE INCOME TAX

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

	2014 HK$'000	2013 HK$'000
9.1 Change in inventories		
– Motor vehicles	(45,014)	3,489
– Auto parts and accessories	(8,795)	(4,608)
	(53,809)	(1,119)
Auto parts and accessories used, and motor vehicles purchased		
– Motor vehicles	91,563	43,835
– Auto parts and accessories	194,561	187,793
	286,124	231,628
	232,315	230,509
9.2 Finance costs on financial liabilities stated at amortised cost		
Interest charges on bank loans, overdrafts and other borrowings wholly repayable within five years	8,161	10,539
Interest element of finance lease rental payments	1,105	748
	9,266	11,287
9.3 Other items		
Auditor's remuneration	527	495
Depreciation of property, plant and equipment*	19,269	15,789
Gain on disposal of property, plant and equipment	(1,632)	(1,288)
Write-off of property, plant and equipment	63	–
Amortisation of prepaid rental expenses	936	946
Annual charges of prepaid operating land lease payments	96	99
Reversal of impairment loss on trade receivables	(3,015)	–
Reversal of accruals and other payables	(6,767)	–

* Amount included depreciation charge of HK$6,822,000 (2013: HK$5,731,000) for the Group's assets held under finance leases.

Notes to the Financial Statements

for the year ended 31 December 2014

10. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rate of tax prevailing in the countries in which the Group operates.

The income tax provision in respect of operations in the PRC is calculated at the applicable rates on the estimated assessable profits for the year based on the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25% (2013: 25%).

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

	2014 HK$'000	2013 HK$'000
Current tax – Hong Kong		
Charge for the year	1,836	3,135
(Over)/Under-provision in prior years	(2,358)	327
Current tax – Overseas		
Charge for the year	19,257	18,053
Over-provision in prior years	(3,511)	(13,352)
Current tax – total	15,224	8,163
Deferred tax (Note 28)	936	–
Total income tax expense	16,160	8,163

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

	2014 HK$'000	2013 HK$'000
Profit before income tax	66,597	82,472
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	15,409	18,768
Tax effect on non-deductible expenses	10,701	12,446
Tax effect on non-taxable income	(4,877)	(10,835)
Over-provision in prior years	(5,869)	(13,025)
Others	796	809
Income tax expense	16,160	8,163

10. INCOME TAX EXPENSE *(Continued)*

The amount of over-provision in prior year recorded in the year ended 31 December 2013 was resulting from the discharge on tax liabilities related to an offshore technical fee income. Since the year 2005, GAPL, a wholly owned subsidiary, has a tax dispute with Inland Revenue Authority of Singapore ("IRAS") in respect of the offshore claim on technical fee income. During the year ended 31 December 2013, IRAS finally agreed the offshore claim and revised the tax assessments in prior years. The overpaid tax was refund by IRAS during the year ended 31 December 2013 and an over-provision on taxation was recognised during that year.

11. PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY FOR THE YEAR

Of the consolidated profit attributable to the owners of the Company for the year of HK56,202,000 (2013: HK$75,243,000), a loss of HK3,771,000 (2013: HK$2,763,000) has been dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to the owners of the Company for the year of approximately HK$56,202,000 (2013: HK$75,243,000) and on the weighted average number of 476,300,000 (2013: 476,300,000) ordinary shares in issue during the year.

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

13. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2014 HK$'000	2013 HK$'000
Salaries and wages	**52,965**	46,019
Other benefits	**6,070**	9,363
Pension costs – defined contribution plans	**681**	638
	59,716	56,020

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13. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

13.1 Directors emoluments

Executive Directors and Independent Non-Executive Directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Contribution to defined contribution plan HK$'000	Total HK$'000
2014					
Executive Directors					
Mr. Loh Boon Cha	–	–	–	–	–
Mr. Loh Nee Peng	–	1,103	–	59	1,162
Mr. Lin Ju Zheng	–	226	–	–	226
Mr. Choy Choong Yew	–	1,357	189	32	1,578
Mr. Tan Cheng Kim	–	473	280	87	840
Mr. Yeung Chak Sang, Johnson	–	804	201	17	1,022
Independent Non-Executive Directors					
Mr. Lee Kwok Yung	120	–	–	–	120
Mr. Yin Bin	227	–	–	–	227
Ms. Song Qi Hong	151	–	–	–	151
Mr. Wong Jacob	226	–	–	–	226
	724	3,963	670	195	5,552

13. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

13.1 Directors emoluments *(Continued)*

Executive Directors and Non-Executive Directors *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Contribution to defined contribution plan HK$'000	Total HK$'000
2013					
Executive Directors					
Mr. Loh Boon Cha	–	–	–	–	–
Mr. Loh Nee Peng	–	1,115	–	92	1,207
Mr. Lin Ju Zheng	–	227	–	–	227
Mr. Choy Choong Yew	–	1,148	–	30	1,178
Mr. Tan Cheng Kim	–	424	337	74	835
Mr. Yeung Chak Sang, Johnson	–	752	189	15	956
Independent Non-Executive Directors					
Mr. Lee Kwok Yung	120	–	–	–	120
Mr. Yin Bin	227	–	–	–	227
Ms. Song Qi Hong	152	–	–	–	152
Mr. Wong Jacob	227	–	–	–	227
	726	3,666	526	211	5,129

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the year.

Notes to the Financial Statements

for the year ended 31 December 2014

13. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

13.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included four (2013: four) directors whose emoluments are included in the analysis presented above. The emoluments payable to the remaining one (2013: one) individual during the year are as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries, allowances and benefits in kind	**1,006**	643
Contributions to defined contribution plan	**–**	15
	1,006	658

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
Emolument bands		
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	–

13.3 Key management personnel compensation

	2014 **HK$'000**	2013 HK$'000
Short term employee benefits	**6,363**	5,561
Post-employment benefits	**195**	226
	6,558	5,787

14. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture and equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013						
Cost	2,970	48,447	21,619	58,408	12,218	143,662
Accumulated depreciation and impairment	(2,128)	(6,661)	(15,254)	(27,470)	(9,357)	(60,870)
Net carrying amount	842	41,786	6,365	30,938	2,861	82,792
Year ended 31 December 2013						
Opening net carrying amount	842	41,786	6,365	30,938	2,861	82,792
Exchange differences	(28)	1,209	156	18	63	1,418
Additions	–	–	898	9,680	2,176	12,754
Disposals	–	–	–	(1,142)	–	(1,142)
Depreciation	(17)	(2,343)	(2,343)	(10,066)	(1,020)	(15,789)
Acquisition of a subsidiary	–	–	–	–	76	76
Closing net carrying amount	797	40,652	5,076	29,428	4,156	80,109
At 31 December 2013						
Cost	2,970	48,447	22,517	61,427	14,654	150,015
Accumulated depreciation and impairment	(2,173)	(7,795)	(17,441)	(31,999)	(10,498)	(69,906)
Net carrying amount	797	40,652	5,076	29,428	4,156	80,109
Year ended 31 December 2014						
Opening net carrying amount	797	40,652	5,076	29,428	4,156	80,109
Exchange differences	(8)	(437)	(69)	(10)	(57)	(581)
Additions	–	12,387	3,742	24,688	6,897	47,714
Disposals	–	–	–	(594)	(63)	(657)
Depreciation	(18)	(3,130)	(2,245)	(12,032)	(1,844)	(19,269)
Closing net carrying amount	**771**	**49,472**	**6,504**	**41,480**	**9,089**	**107,316**
At 31 December 2014						
Cost	2,970	60,834	26,259	85,521	21,551	197,135
Accumulated depreciation and impairment	(2,199)	(11,362)	(19,755)	(44,041)	(12,462)	(89,819)
Net carrying amount	**771**	**49,472**	**6,504**	**41,480**	**9,089**	**107,316**

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for the year ended 31 December 2014

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The building is held under long team lease and located in the PRC. It was pledged to secure the banking facilities of Xiamen Zhong Bao Automobiles Co., Ltd. ("Xiamen Zhong Bao") and certain of its subsidiaries and related companies (collectively, Zhong Bao Group) as disclosed in note 33 as at 31 December 2013. The building was free from any pledge as at 31 December 2014.

The net carrying amount of the motor vehicles of the Group includes an amount of approximately HK$33,947,000 (2013: HK$23,724,000) in respect of assets held under finance leases.

15. LEASEHOLD LANDS

The Group's interests in leasehold lands represent prepaid operating lease payments and their net carrying amounts are analysed as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Outside Hong Kong, held on		
Leases of over 50 years	**4,564**	4,709
Opening net carrying amount at 1 January	**4,709**	4,888
Annual charges	**(96)**	(99)
Exchange differences	**(49)**	(80)
Closing net carrying amount at 31 December	**4,564**	4,709

As at 31 December 2013, leasehold lands with carrying amount of approximately HK$4,709,000 were pledged to secure the banking facilities of Zhong Bao Group as disclosed in note 33. The leasehold lands were free from any pledge as at 31 December 2014.

16. PREPAID RENTAL EXPENSES

	Group	
	2014	2013
	HK$'000	HK$'000
Opening net carrying amount at 1 January	**36,470**	38,682
Amortisation for the year	**(936)**	(946)
Exchange differences	**(406)**	(1,266)
Closing net carrying amount at 31 December	**35,128**	36,470
Less: Current portion of prepaid rental expenses (note 21)	**(899)**	(937)
Non-current portion	**34,229**	35,533

The balance represents rental prepaid for using certain motor vehicle showroom, service centres and related facilities located at Beijing (the "Beijing facilities") and Fujian (the "Fujian facilities") for a period of 50 years. Such prepaid rental is amortised over 50 years.

Rent prepaid for the Beijing facilities amounted to approximately HK$22,716,000. Its carrying amount is HK$18,450,000 (2013: HK$19,168,000) as at 31 December 2014 and its amortisation charge for the year is HK$504,000 (2013: HK$509,000).

Rent prepaid for Fujian facilities amounted to approximately HK$19,480,000 was completed in December 2003. Its carrying amount is HK$16,678,000 (2013: HK$17,302,000) as at 31 December 2014 and its amortisation charge for the year is HK$432,000 (2013: HK$437,000).

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17. GOODWILL

Group

	2014 HK$'000	2013 HK$'000
At 1 January	**3,798**	–
Acquired through business combinations (Note 39)	**–**	3,783
Exchange adjustment	**(39)**	15
At 31 December	**3,759**	3,798

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

The recoverable amounts of the CGU, being car dealership conducted by a subsidiary. Fuzhon Euro Motors Sales and Services Co. Ltd ("Fuzhou Euro") which was acquired in 2013, have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2013: 3%), which does not exceed the long-term growth rate for the automobile industry in the PRC. Discount rate is 13% (2013: 24%) which is pre-tax and reflect specific risks relating to the relevant CGU. Operating margin is 12% (2013: 12%) which has been based on management's past experience. As assessed by the directors with assistance of an independent professional valuer, no impairment is necessary for the goodwill.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	**48,651**	48,651
Due from a subsidiary	**30,966**	30,966
Financial guarantee liabilities	**1,261**	1,261
	80,878	80,878

The amount due from a subsidiary is unsecured, interest-free and is not repayable within one year. In the opinion of the directors, the settlement of this amount due from the subsidiary is neither planned nor likely to occur in the foreseeable future and in substance, this amount is an extension of the Group's investments in this subsidiary.

The other amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the principal subsidiaries at the reporting date are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Particulars of issued capital	Percentage of issued capital held by the Company		Principal activities
			Directly	Indirectly	
German Automobiles Pte Limited###	Singapore	7,876,996 shares of S$1 each	100%	–	Distribution of motor vehicles and provision of technical services
German Automobiles Limited###	Hong Kong	20,000 ordinary shares of HK$20,000 in total	100%	–	Sales liaison and trading of spare parts for motor vehicles and provision of technical services
Xiamen BMW Automobiles Service Co., Ltd. ("Xiamen BMW") #	The PRC	Registered and paid-in capital of US$11,200,000	–	100%	Provision of repair and maintenance services of high-end automobiles
Fuzhou BMW Automobiles Service Co., Ltd. #	The PRC	Registered and paid-in capital of US$5,100,000	–	100%	Provision of repair and maintenance services of high-end automobiles
RUF Automobiles Ltd.###	Hong Kong	20,000 shares of HK$20,000 in total	–	100%	Investment holding
RUF China Automobiles Trading Ltd. #	The PRC	Registered and paid-in capital of US7,600,000	–	100%	Trading of motor vehicles
Fuzhou Euro Motors Sales and Services Co., Ltd. ##	The PRC	Registered and paid-in capital of RMB50,000,000	–	51%	Sales of high-end motor vehicles

\# registered as a wholly foreign-owned enterprise under the PRC law

\## registered as a limited liability company under the PRC law

\### incorporated as a limited liability company under local jurisdiction

The above table lists the subsidiaries of the Company which in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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19. INVENTORIES

	Group	
	2014	2013
	HK$'000	HK$'000
Motor vehicles	**70,043**	26,441
Auto parts and accessories	**37,038**	26,831
	107,081	53,272

20. TRADE RECEIVABLES

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

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

In addition to the advances to Zhong Bao Group as disclosed in note 21, the Group's trade receivables included trade debts of HK$108,178,000 (2013: HK$90,881,000) due from Zhong Bao Group as at 31 December 2014.

20. TRADE RECEIVABLES *(Continued)*

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amounts are remote, in which case the impairment losses are written off against trade receivables directly. The movement in the allowance for impairment of trade receivables is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**4,708**	4,768
Reversal of impairment loss during the year	**(3,015)**	–
Exchanges differences	**(19)**	(60)
At 31 December	**1,674**	4,708

At each reporting date, the Group's trade receivables were individually and collectively determined to assess if they are impaired.

Except for the collateral as stated in note 21, none of the Group's financial assets are secured by collateral or other credit enhancements.

The Group requires individual customers to pay cash for any service rendered and goods sold while it allows a credit period from 3 months to 9 months to its major customers with long business relationship. The ageing analysis of trade receivables that are past due but not impaired is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**64,286**	72,958
1 – 90 days past due	**19,322**	2,855
91 – 180 days past due	**12,681**	9,782
Over 180 days past due	**20,261**	26,968
	52,264	39,605
	116,550	112,563

Notes to the Financial Statements

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20. TRADE RECEIVABLES *(Continued)*

Trade receivables that were not yet past due and that were past due but not impaired related to a certain number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. Except for the collateral as stated in note 21, the Group did not hold any collateral in respect of trade receivables past due but not impaired.

21. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Advances to Zhong Bao Group (note)	**219,138**	180,422	**–**	–
Current portion of prepaid rental expenses (note 16)	**899**	937	**–**	–
Other receivables, prepayments and deposits paid	**111,819**	133,962	**217**	224
	331,856	315,321	**217**	224

21. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS *(Continued)*

Note:

The Group has established a close working relationship with Zhong Bao Group. In the opinion of the directors of the Company, Zhong Bao Group is the key partner of the Group in developing the Group's potential business in the distribution of locally manufactured BMW motor vehicles.

Pursuant to a technical and management service agreement (the "Technical Agreement") entered into between the Group and Xiamen Zhong Bao on 7 October 2003, the Group would provide technical expertise and financial assistance to Zhong Bao Group. Advances have been made by the Group for the operations of the distribution of locally manufactured BMW motor vehicles in the PRC by Zhong Bao Group. On 28 September 2004, the Group entered into a supplementary agreement to the Technical Agreement with Xiamen Zhong Bao which set out the basis for the amount of technical fee charged by the Group to Xiamen Zhong Bao. The charge is based on agreed terms with reference to the monthly actual sales quantity of specified car model of Zhong Bao Group. On 7 March 2007, the Group entered into agreements with Quanzhou Fubao Automobiles Co., Ltd and Tianjin Tianbao Automobiles Co., Ltd (entities within the Zhong Bao Group) and the terms of these agreements were similar to those agreed with Xiamen Zhong Bao. Other than the above, the Group sells motor vehicles and auto parts to Zhong Bao Group. Trade receivables and advances arising from the above transactions amounted to HK$327,316,000 as at 31 December 2014 (2013: HK$271,303,000).

On 19 March 2015, the Group entered into agreement (the "ZB Repayment Agreements") with Xiamen Zhong Bao in respect of the settlement of the outstanding receivables from Zhong Bao Group as at 31 December 2014 (the "ZB Balances"). Pursuant to the ZB Repayment Agreements, Xiamen Zhong Bao agreed to settle the outstanding net balance amounted to HK$324,176,000 as at 31 December 2014 (2013: HK$266,569,000), which comprised of trade receivables and advances as mentioned above net with trade payables due to Zhong Bao Group, by instalments by 30 September 2015. The motor vehicles purchased by Xiamen Zhong Bao as set out in the ZB Repayment Agreements have been pledged to the Group as security for the ZB Balances. The Group will release the pledge of those motor vehicles upon full settlement from Zhong Bao Group.

The directors believe that these advances are crucial to the Group in coping with the anticipated tremendous growth of the motor vehicles distribution and related business in the forthcoming years in the PRC. In view of the satisfactory settlement record and the collateral in place, the directors are of the opinion that the advances and the trade receivables due from Zhong Bao Group will ultimately be recovered.

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22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group	
	2014	2013
	HK$'000	HK$'000
Cash and bank balances	**34,272**	54,036
Pledged deposits:		
Guarantee money in respect of purchases from suppliers	**10,791**	9,992
For banking facilities granted to the Group (Note)	**10,144**	–
	20,935	9,992
	55,207	64,028

Note: The banking facilities were granted up to approximately HK$88,760,000 of which HK$46,282,000 were utilised as at 31 December 2014.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Pledged deposits are made for various periods of one month to one year (2013: one month to one year) and earn interest at rates ranging from 0.17% to 3.06% (2013: 0.17% to 0.4%) per annum.

At the reporting date, the cash and bank balances and pledged deposits of the Group denominated in RMB amounted to approximately HK$36,511,000 (2013: HK$55,634,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

23. TRADE PAYABLES

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

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

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

24. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**47,085**	44,355	**1,301**	847
Deposit received	**39,610**	26,294	**–**	–
Other payables	**23,134**	24,753	**–**	–
Financial guarantee liabilities	**2,638**	1,152	**1,261**	1,261
Pension and other employee obligations	**43**	34	**–**	–
	112,510	96,588	**2,562**	2,108

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25. BILLS PAYABLE AND BORROWINGS

Group

2014

	Secured HK$'000	Unsecured HK$'000	Total secured and unsecured HK$'000	Guaranteed HK$'000	Unguaranteed HK$'000	Total guaranteed and unguaranteed HK$'000
Non-current						
Borrowings						
Finance lease liabilities	6,893	–	6,893	5,883	1,010	6,893
Current						
Borrowings						
Bank loans	46,282	28,150	74,432	46,282	28,150	74,432
Finance lease liabilities	16,286	–	16,286	13,006	3,280	16,286
	62,568	28,150	90,718	59,288	31,430	90,718
Total	69,461	28,150	97,611	65,171	32,440	97,611

25. BILLS PAYABLE AND BORROWINGS *(Continued)*

Group *(Continued)*

2013

	Secured HK$'000	Unsecured HK$'000	Total secured and unsecured HK$'000	Guaranteed HK$'000	Unguaranteed HK$'000	Total guaranteed and unguaranteed HK$'000
Non-current						
Borrowings						
Finance lease liabilities	6,572	-	6,572	-	6,572	6,572
Current						
Bills payable	–	16,987	16,987	16,987	–	16,987
Borrowings						
Bank loans	–	31,624	31,624	1,520	30,104	31,624
Finance lease liabilities	10,825	–	10,825	–	10,825	10,825
	10,825	31,624	42,449	1,520	40,929	42,449
Total	17,397	48,611	66,008	18,507	47,501	66,008

25.1 Bank loans

As at 31 December 2014, the Group's bank loans of HK$33,602,000 were secured by the Group's bank deposits of HK$6,340,000, Zhong Bao Group's certain assets, and guaranteed by Zhong Bao Group companies. Another bank loan of HK$12,680,000 was secured by the Group's bank deposit of HK$3,804,000 and guaranteed by a group company and a director of the Company (2013: Nil).

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25. BILLS PAYABLE AND BORROWINGS *(Continued)*

25.2 Finance lease liabilities

The analysis of the obligations under finance leases is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Due within one year	**17,293**	11,313
Due in the second to fifth years	**7,090**	6,699
	24,383	18,012
Future finance charges on finance leases	**(1,199)**	(615)
Exchange difference	**(5)**	–
Present value of finance lease liabilities	**23,179**	17,397

The present value of finance lease liabilities is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Due within one year	**16,286**	10,825
Due in the second to fifth years	**6,893**	6,572
	23,179	17,397
Less: Portion due within one year included under current liabilities	**(16,286)**	(10,825)
Non-current portion included under non-current liabilities	**6,893**	6,572

Certain motor vehicles of the Group in relation to the car rental operation 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 December 2014, the Group's finance lease liabilities of approximately HK$18,889,000 (2013: Nil) were guaranteed by the Company.

25. BILLS PAYABLE AND BORROWINGS *(Continued)*

25.3 Other information about borrowings

	Original currency	Effective interest rate (%) per annum 2014 Fixed	2014 Floating	2013 Fixed	2013 Floating
Bank loans	HK$	–	–	6.25%	–
Bank loans	RMB	6.3%-7.0%	7.5%	6.3%-7.2%	–
Finance lease liabilities	HK$	2.27%-4.07%	–	2.50%-4.91%	–
Finance lease liabilities	RMB	3.41%-28.74%	–	–	–

26. DUE TO RELATED COMPANIES

Amounts due to related companies of which the Group's directors have equity interests are unsecured, interest-free and repayable on demand.

27. DUE FROM A DIRECTOR/DUE TO DIRECTORS

Particulars of the amount due from a director, disclosed pursuant to section 161B of the Hong Kong Companies Ordinance, are as follows:

	Group		
Name	2014 HK$'000	Maximum amount outstanding during the year HK$'000	2013 HK$'000
Loh Nee Peng	–	26	26

The amounts due from/to directors are unsecured, interest-free and repayable on demand.

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28. DEFERRED TAX LIABILITIES

The movement on the deferred tax liabilities is as follows:

	Group	
	Accelerated tax depreciation	
Deferred tax liabilities	**2014 HK$'000**	2013 HK$'000
At 1 January	**1,272**	1,272
Charge to profit or loss (Note 10)	**936**	–
At 31 December	**2,208**	1,272

Deferred tax liabilities of HK$8,175,000 (2013: HK$5,793,000) have not been established for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries because the Company controls the dividend policy of these subsidiaries and it is not probable that the temporary difference will reverse in the foreseeable future. Such unremitted earnings for investments in subsidiaries totalled HK$163,497,000 (2013: HK$115,856,000).

29. SHARE CAPITAL

	2014		2013	
	Number of shares '000	**HK$'000**	Number of shares '000	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each at beginning and end of year	**476,300**	**47,630**	476,300	47,630

30. RESERVES

(a) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) The amounts of the Company's reserves and the movements therein for the current and prior years are presented as follows:

The Company

	Share premium HK$'000	Capital reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2013	29,522	2,854	157	32,533
Loss for the year	–	–	(2,763)	(2,763)
At 31 December 2013	29,522	2,854	(2,606)	29,770
Loss for the year	–	–	(3,771)	(3,771)
At 31 December 2014	**29,522**	**2,854**	**(6,377)**	**25,999**

(c) Nature of reserves

Share premium

The share premium account of the Group and the Company represents the premium arising from the issue of shares, net of placing expenses.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Capital reserve

The capital reserve of the Company represents the difference between the then combined net asset value of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the shares of the Company issued in exchange therefore.

The capital reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the shares of the Company issued in exchange therefore.

Translation reserve

The translation reserve has been set up and is dealt with in accordance with the accounting policy for foreign currencies as stated in note 4.4 to the financial statements.

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31. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of HK$21,770,000 (2013: HK$9,214,000).

During the year, a trade receivable of HK$4,400,000 (2013: Nil) was settled against with the amount due to a director.

During the year, the Group's prepayments for acquisition of property, plant and equipment of HK$10,900,000 (2013: Nil) were transferred to property, plant and equipment upon completion of the acquisition of property, plant and equipment.

32. NON-CONTROLLING INTERESTS

On 28 October 2013, the Group disposed of 49% of the equity interest in Fuzhou Euro to a third patty for cash of RMB24,500,000 (equivalent to approximately HK$31,277,000). After the disposal, the Group's interest in Fuzhou Euro reduced from 100% to 51%.

As assessed by the directors, Fuzhou Euro has material non-controlling interests (NCI), whereas the NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCI of Fuzhou Euro , before intra-group eliminations, is as follows: eliminations, is presented below:

	2014 HK$'000	2013 HK$'000
For the year/period ended 31 December		
Revenue	45,491	–
Loss for the year	(11,766)	(4,983)
Total comprehensive income	(12,452)	(4,983)
Loss allocated to NCI	(5,765)	(934)
Dividends paid to NCI	–	–
For the year ended 31 December		
Cash flows from operating activities	(36,479)	(22,131)
Cash flows from investing activities	(22,640)	(11,753)
Cash flows from financing activities	49,140	47,525
Net cash (outflows)/ inflows	(9,979)	13,641
Current assets	99,348	56,529
Non-current assets	22,746	11,826
Current liabilities	(76,226)	(10,035)
Net assets	45,868	58,320

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33. TRANSACTIONS WITH ZHONG BAO GROUP

During the year, the Group sold motor vehicles and autoparts of HK$55,518,000 (2013: HK$92,450,000) to and earned technical fee income of HK$26,304,000 (2013: HK$29,809,000) from Zhong Bao Group, the details of which have been disclosed in note 21 to the financial statements.

At the reporting date, the Group had the following exposures relating to Zhong Bao Group:

(a) Advances made as disclosed in note 21 to the financial statements.

(b) Trade balances of HK$108,178,000 (2013: HK$90,881,000) receivables from Zhong Bao Group as included in "Trade receivables".

(c) Leasehold lands and buildings of approximately HK$4,709,000 and HK$797,000 respectively were pledged to bank to secure banking facilities up to approximately HK$89,670,000 granted to Zhong Bao Group at 31 December 2013. Such pledge on the lands and buildings were released at 31 December 2014.

(d) Contingent liabilities arising from transactions as disclosed in note 36 to the financial statements.

(e) Acquisition of a subsidiary in prior year as disclosed in note 39.

In the opinion of the directors of the Company, all of the above transactions were entered into in the ordinary course of the Group's business.

34. COMMITMENTS

34.1 As lessor

At 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**13,592**	12,200
After one year but within five years	**10,645**	8,266
	24,237	20,466

The Group leases its motor vehicles under operating leases arrangements. The terms of the leases are mutually agreed between the Group and the respective tenants.

34.2 As lessee

The Group leases certain of its office premises and furniture and equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 10 years.

At 31 December 2014, total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**13,925**	4,810
After one year but within five years	**25,902**	13,869
After five years	**17,431**	18,727
	57,258	37,406

34.3 Capital commitment

As at 31 December 2014, there is commitment of the purchase of property, plant and equipment of approximately HK$240,000 (2013: HK$570,000).

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35. RELATED PARTIES TRANSACTIONS

a) The terms and conditions of amounts due to/from directors are disclosed in note 27.

b) The terms and conditions of amounts due to related companies are disclosed in note 26.

c) The compensations of key management personnel for the year are set out in Note 13.3.

d) During the year, a bank loan of approximately HK$12,680,000 borrowed by a subsidiary is guaranteed by Loh Nee Peng, the director of the Company.

36. CONTINGENT LIABILITIES

At 31 December 2014, the Group had given guarantees in the ordinary course of business as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Guarantees for bank loans to Zhong Bao Group	**215,560**	89,670

Company

The Company has executed guarantees amounting to approximately HK$188,388,000 (2013: HK$149,572,000) with respect to banking facilities made available to the subsidiaries.

The Company has given guarantees in respect of the finance lease liabilities of HK$18,889,000 (2013: Nil) of a subsidiary.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks through its use of financial instruments and specifically to credit risk, liquidity risk, foreign exchange risk and interest rate risk, which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2014 and 2013 may be categorised as follows. See notes 4.10 and 4.17 for explanations about how the category of financial instruments affects their subsequent measurement.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Summary of financial assets and liabilities by category *(Continued)*

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Pledged deposits	**20,935**	9,992	**–**	–
Cash and cash equivalents	**34,272**	54,036	**–**	–
	55,207	64,028	**–**	–
Loans and receivables:				
Trade receivables	**116,550**	112,563	**–**	–
Other receivables and deposits paid	**310,331**	315,321	**217**	224
Due from a subsidiary	**–**	–	**3,633**	6,411
Due from a director	**–**	26	**–**	–
	426,881	427,910	**3,850**	6,635
	482,088	491,938	**3,850**	6,635
Financial liabilities				
Financial liabilities at amortised cost:				
Current liabilities				
Trade payables	**18,598**	19,155	**–**	–
Accruals and other payables	**112,467**	96,554	**2,562**	2,108
Bills payable	**–**	16,987	**–**	–
Borrowings	**90,718**	42,449	**–**	–
Due to related companies	**311**	314	**–**	–
Due to subsidiaries	**–**	–	**8,030**	7,498
Due to directors	**28,050**	32,450	**507**	507
	250,144	207,909	**11,099**	10,113
Non-current liabilities				
Borrowings	**6,893**	6,572	**–**	–
	257,037	214,481	**11,099**	10,113

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

Credit risk refers to the risk the debtors will default on their obligations to repay the amounts due to the Group, resulting in a loss to the Group. The Group's sales are made to luxury car dealers in the PRC. The Group has adopted procedures in granting credit terms to customers and in monitoring its credit risk. The Group's credit risk exposures also extend to financial guarantees provided to Zhong Bao Group as disclosed in note 36.

As disclosed in note 21, the Group made advances to a key business partner, Zhong Bao Group. The Group has been actively monitoring the repayments in order to control the credit risk. In addition, collaterals would be required whenever deemed necessary for these advances.

The Group has concentration of credit risk due to its relatively small customer base of car dealer companies in the PRC.

The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are unavailable.

Liquidity risk

Liquidity risk refers to the risk in which the Group is unable to meet its short-term obligations. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for short-term and long-term financial liabilities as well as cash-outflows due in day-to-day operation, and maintaining adequate reserves and banking facilities.

Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs are monitored by forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group's operations are financed mainly through bank borrowings, finance leases and accumulated profits.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

As at 31 December 2014 and 31 December 2013, the Group's and Company's financial liabilities have contractual maturities which are summarised below:

	Group				
	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000
At 31 December 2014					
Trade payables	**18,598**	**18,598**	**18,598**	**–**	**–**
Accruals and other payables	**112,467**	**112,467**	**112,467**	**–**	**–**
Short-term borrowings	**90,718**	**93,475**	**93,475**	**–**	**–**
Due to related companies	**311**	**311**	**311**	**–**	**–**
Due to directors	**28,050**	**28,050**	**28,050**	**–**	**–**
Long-term borrowings	**6,893**	**7,091**	**–**	**5,549**	**1,542**
Total	**257,037**	**259,992**	**252,901**	**5,549**	**1,542**
Financial guaranteed issued:					
Maximum principal amount guaranteed	**2,638**	**215,560**	**215,560**	**–**	**–**
At 31 December 2013					
Trade payables	19,155	19,155	19,155	–	–
Accruals and other payables	96,554	96,554	96,554	–	–
Bills payable	16,987	16,987	16,987	–	–
Short-term borrowings	42,449	44,244	44,244	–	–
Due to related companies	314	314	314	–	–
Due to directors	32,450	32,450	32,450	–	–
Long-term borrowings	6,572	6,699	–	6,226	473
Total	214,481	216,403	209,704	6,226	473
Financial guaranteed issued:					
Maximum principal amount guaranteed	1,152	89,670	89,670	–	–

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for the year ended 31 December 2014

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

	Company			
	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000
At 31 December 2014				
Accruals and other payables	**2,562**	**2,562**	**2,562**	**–**
Due to subsidiaries	**8,030**	**8,030**	**8,030**	**–**
Due to directors	**507**	**507**	**507**	**–**
Total	**11,099**	**11,099**	**11,099**	**–**
Financial guaranteed issued:				
Maximum principal amount guaranteed	**1,261**	**188,388**	**188,388**	**–**
At 31 December 2013				
Accruals and other payables	2,108	2,108	2,108	–
Due to subsidiaries	7,498	7,498	7,498	–
Due to directors	507	507	507	–
Total	10,113	10,113	10,113	–
Financial guaranteed issued:				
Maximum principal amount guaranteed	1,261	149,572	149,572	–

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to S$, United States dollars ("US$"), Euro ("EUR") and RMB. Foreign exchange risk arises from commercial transactions and recognized assets and liabilities. As HK$ is pegged to US$, the foreign exchange exposure of US$ is considered minimal. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. This currency exposure is managed primarily through sourcing raw materials denominated in the same currency.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign exchange risk *(Continued)*

The sales transactions of the Group are mainly denominated in US$, RMB and HK$ and there are expenses and acquisition of plant and machinery that are required to be settled in US$, RMB and HK$. Certain trade receivables and trade payables of the Group are denominated in foreign currencies, mainly US$, RMB and HK$. Thus, when RMB strengthens in value against HK$ the Group's operating margins are impacted unless recovered from our customers in the form of price increases. The Group currently does not have a foreign currency hedging policy.

The following table illustrates the sensitivity of the net results for the year in regards to the Group's financial assets and financial liabilities at the reporting date and the reasonable possible changes in the foreign exchange rates in the next 12 months to which the Group has significant exposure at the reporting date, based on the assumption that other variables are held constant.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2014 and 2013 are as follows:

	Group	
	Denominated in EUR HK$'000	Denominated in RMB HK$'000
2014		
Monetary assets		
Trade and other receivables	–	14,648
Prepayment, deposits and other receivables	2,159	–
Cash and cash equivalents	119	–
	2,278	14,648
Monetary liabilities		
Accruals and other payables	–	84
Bank loans	–	74
Obligation of finance lease	–	3
Long term bank loans	–	6
	–	167
Net monetary assets	2,278	14,481
Foreign currency strengthen/(weaken) by:	12%/(12%)	2%/(2%)
Increase/(decrease) in profit after tax and retained profits	273/(273)	290/(290)

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign exchange risk *(Continued)*

	Group	
	Denominated in EUR HK$'000	Denominated in RMB HK$'000
2013		
Monetary assets		
Trade and other receivables	84	8,782
Prepayment, deposits and other receivables	4,808	2,459
Cash and cash equivalents	134	–
	5,026	11,241
Monetary liabilities		
Accruals and other payables	–	(426)
	–	(426)
Net monetary assets	5,026	10,815
Foreign currency strengthen/(weaken) by:	4%/(4%)	3%/(3%)
Increase/(decrease) in profit after tax and retained profits	201/(201)	324/(324)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

Other than deposits held in banks, the Group does not have significant interest-bearing assets. The average interest rate of unrestricted bank deposits throughout the year was approximately 1.62% (2013: 0.60%) per annum. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group's interest rate risk mainly relates to interest-bearing borrowings which include bank borrowings and obligations under finance leases. The interest rates and terms of repayment have been disclosed in note 25.

The Group's interest rate risk which affects its income and operating cash flows mainly arises from bank borrowings at 31 December 2014, at rates ranging from the prime rate minus 1% to the prime rate plus 1% per annum (2013: prime rate minus 1% to the prime rate plus 1% per annum).

If interest rates had been 100 basis point higher/lower and all other variables were held constant, the Group's profit after tax and retained profits for the year ended 31 December 2014 would decrease/increase by HK$836,000 (2013: decrease/increase by HK$806,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The sensitivity analysis has been determined based on the exposure to interest rates at the reporting date and the reasonable possible changes in the interest rates in the next 12 months, the assumption that other variables are held constant.

	2014 Effect on profit after tax and retained profits HK$'000	2013 Effect on profit after tax and retained profits HK$'000
USD	**5/(5)**	168/(168)
EUR	**1/(1)**	1/(1)
RMB	**608/(608)**	556/(556)
HKD	**216/(216)**	77/(77)
SGD	**6/(6)**	4/(4)

Fair values

The directors consider that the fair values of each class of the financial assets and financial liabilities approximate to their carry amounts.

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for the year ended 31 December 2014

38. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide an adequate return to shareholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the current and previous years.

The Group monitors capital 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, short-term borrowings and long-term borrowings, as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios at 31 December 2014 and 2013 were as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Total borrowings	**97,611**	66,008
Less: Cash and cash equivalents	**(34,272)**	(54,036)
Net debt	**63,339**	11,972
Total equity	**492,590**	448,553
Total capital	**555,929**	460,525
Gearing ratio	**11%**	3%

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39. BUSINESS ACQUISITION IN PRIOR YEAR

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

The fair values of identifiable assets and liabilities of Fuzhou Euro as at the date of acquisition were as follows:

	HK$'000	HK$'000
Property, plant and equipment	76	
Repayment for acquisition of property, plant and equipment	6,976	
Other receivables	42,027	
Cash and cash equivalents	17,610	
Other payables	(54,012)	
		12,677
The fair value of consideration paid:		
Cash		(16,460)
Goodwill (note 17)		3,783

	HK$'000
Consideration paid in cash	(16,460)
Cash and bank balances acquired	17,610
Net of cash acquired	1,150

The fair value of other receivables amounted to approximately HK$42,027,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

40. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 10 October 2014, the Company adopted a share option scheme (the "Share Option Scheme") to provide incentives to participants for their contribution to the Group and to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from the Adoption Date, after which period no further Options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

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40. SHARE OPTION SCHEME *(Continued)*

Subject to the terms of the Share Option Scheme and the GEM Listing Rules, the Board shall be entitled at any time and from time to time within the period of 10 years after the Adoption Date to offer to grant to any Participant as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, an Option to subscribe for such number of Shares as the Board may determine at the Subscription Price.

An Offer shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Participant concerned for a period of 28 days from the date on which the Option was offered, provided that no such Offer shall be open for acceptance after the expiry of the Option Period or termination of the Share Option Scheme or after the Participant for whom the Offer is made has ceased to be a Participant.

An Option shall be deemed to have been granted and accepted when the duplicate letter comprising acceptance of the Option duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK$1 by way of consideration for the grant thereof is received by the Company.

The Subscription Price in respect of any particular Option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option but in any case the Subscription Price shall not be less than the higher of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a Business Day; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the date of grant; or (iii) the nominal value of a Share.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme where applicable and any other share option scheme of the Company may not exceed 10% of issued share capital of the Company, or may not exceed a maximum of 30%, should the shareholders renew the 10% limit, from time to time which have been duly allotted and issued. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme and where applicable within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

No option has been granted, exercised, lapsed or cancelled under the Share Option Scheme during the current year.

41. SUBSEQUENT EVENTS

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

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

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

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

Financial Summary

RESULTS

	2014 HK$'000	2013 HK$'000 (Restated)	2012 HK$'000 (Restated)	2011 HK$'000 (Restated)	2010 HK$'000 (Restated)
Revenue	**422,862**	408,300	423,235	338,741	250,229
Other income	**53,938**	56,297	41,791	41,151	51,897
Changes in inventories	**(232,315)**	(230,509)	(282,004)	(216,262)	(182,041)
Employee benefits expenses	**(59,716)**	(56,020)	(44,835)	(42,679)	(30,762)
Depreciation and amortisation	**(20,301)**	(16,834)	(15,865)	(12,789)	(10,587)
Operating lease charges	**(19,745)**	(10,537)	(8,416)	(13,142)	(7,860)
Exchange differences, net	**(3,489)**	1,440	(1,795)	500	(3,554)
Other expenses	**(65,371)**	(58,378)	(45,056)	(43,336)	(26,154)
Profit from operating activities	**75,863**	93,759	67,055	52,184	41,168
Finance costs, net	**(9,266)**	(11,287)	(11,248)	(11,150)	(8,878)
Profit before income tax	**66,597**	82,472	55,807	41,034	32,290
Income tax expense	**(16,160)**	(8,163)	(21,615)	(11,625)	(11,066)
Profit for the year	**50,437**	74,309	34,192	29,409	21,224
Dividends (HK$ per ordinary share)	**–**	–	–	0.0063	–
	HK cents	HK cents	HK cents	HK cents	HK cents
Earnings per share					
Basic and diluted	**11.80**	15.80	7.19	6.18	4.72

ASSETS AND LIABILITIES

	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Total assets	**760,562**	680,259	662,520	568,174	530,356
Total liabilities	**(267,972)**	(231,706)	(328,716)	(272,588)	(272,354)
	492,590	448,553	333,804	295,586	258,002
Non-controlling interests	**(26,362)**	(32,503)	(2,006)	(2,035)	(1,989)
Equity attributable to owners of the Company	**466,228**	416,050	331,798	293,551	256,013