



G.A. HOLDINGS LIMITED
G.A. 控股有限公司

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

(Stock Code: 8126)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

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

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

FINANCIAL RESULTS

The board of directors (the “Board”) of the Company is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2016 together with the comparative figures for the year ended 31 December 2015 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000 (Restated)
Revenue	4	563,086	522,601
Other income	6	28,527	76,286
Changes in inventories	7.1	(17,329)	(14,348)
Auto parts and accessories, and motor vehicles purchased	7.1	(311,593)	(274,872)
Employee benefit expenses		(64,307)	(59,306)
Depreciation and amortisation		(23,651)	(25,040)
Operating lease charges		(15,921)	(19,710)
Exchange differences, net		(5,085)	(7,913)
Impairment loss on goodwill		–	(3,750)
Other expenses		(78,282)	(74,821)
Profit from operations		75,445	119,127
Finance costs	7.2	(5,593)	(8,162)
Profit before income tax	7	69,852	110,965
Income tax expense	8	(22,990)	(25,953)
Profit for the year		46,862	85,012
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		(30,849)	(39,310)
Reclassification adjustment for exchange differences on disposal of subsidiaries		–	(836)
Other comprehensive expense for the year		(30,849)	(40,146)
Total comprehensive income for the year		16,013	44,866

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit/(Loss) for the year attributable to:			
Owners of the Company		47,899	96,008
Non-controlling interests		<u>(1,037)</u>	<u>(10,996)</u>
		<u>46,862</u>	<u>85,012</u>
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		17,793	57,035
Non-controlling interests		<u>(1,780)</u>	<u>(12,169)</u>
		<u>16,013</u>	<u>44,866</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic and diluted	9	<u>10.06</u>	<u>20.16</u>

Consolidated Statement of Financial Position

as at 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		267,444	98,567
Leasehold land		85,767	4,206
Intangible asset		22,360	–
Prepaid rental expenses		14,987	31,402
Goodwill		6,310	–
		<u>396,868</u>	<u>134,175</u>
Current assets			
Inventories		202,522	92,733
Trade receivables	11	228,798	102,430
Prepayments, deposits and other receivables		409,319	335,770
Tax recoverable		1,569	–
Pledged deposits		94,695	23,945
Cash and bank balances		87,126	86,413
		<u>1,024,029</u>	<u>641,291</u>
Current liabilities			
Trade payables	12	59,856	37,917
Accruals and other payables		254,946	43,573
Bills payable	12	163,986	–
Borrowings		335,053	105,707
Amounts due to related companies		274	293
Amounts due to directors		–	27,315
Tax payable		34,520	14,641
		<u>848,635</u>	<u>229,446</u>
Net current assets		<u>175,394</u>	<u>411,845</u>
Total assets less current liabilities		<u>572,262</u>	<u>546,020</u>

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current liabilities		
Borrowings	3,470	6,312
Deferred tax liabilities	<u>17,154</u>	<u>4,083</u>
	<u>20,624</u>	<u>10,395</u>
Net assets	<u>551,638</u>	<u>535,625</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	47,630	47,630
Reserves	<u>493,426</u>	<u>475,633</u>
	541,056	523,263
Non-controlling interests	<u>10,582</u>	<u>12,362</u>
Total equity	<u>551,638</u>	<u>535,625</u>

Notes:

1. GENERAL INFORMATION

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

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

2.1 Adoption of new and amended HKFRSs that are effective for annual periods beginning or after 1 January 2016

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2016:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

2.2 Issued but not yet effective HKFRSs

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with customers ¹
HKFRS 16	Leases ²

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

² Effective for annual reporting periods beginning on or after 1 January 2019

3. BASIS OF PREPARATION

These annual consolidated financial statements have been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”).

Restatements

Year ended 31 December 2015

	As previously stated <i>HK\$'000</i>	Reclassification <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Revenue	495,526	27,075	522,601
Other income	103,361	(27,075)	76,286

During the year, the directors have reviewed the nature of the Group’s car rental business and considered the provision of car rental service to be a principal activity of the Group. The Group’s car rental income which was previously presented under “Other income” were now classified as “Revenue”. Accordingly, car rental income of HK\$27,075,000 for the year ended 31 December 2015 has been reclassified from other income to revenue in the comparatives of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016. The restatement has no financial impact on the Group’s consolidated statement of financial position.

4. REVENUE

The amount of each significant category of revenue recognised during the year is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Sales of motor vehicles	172,497	113,464
Servicing of motor vehicles and sales of auto parts	336,663	355,675
Technical fee income	28,575	26,387
Car rental income	25,351	27,075
	<u>563,086</u>	<u>522,601</u>

5. SEGMENT INFORMATION

The chief operating decision-makers (the “CODM”) have been identified as the executive directors of the Company.

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.

During the year ended 31 December 2016, the Group has removed the disclosure of an operating segment which previously reported under commission income from sales of cars from German Automobiles Pte Ltd to German Automobiles Limited, both are wholly-owned subsidiaries of the Company as these subsidiaries have no longer earned revenue and incurred expense and have no reportable revenue and profit in this segment for the years ended 31 December 2016 and 2015.

In addition, the Group acquired three subsidiaries which are principally engaged in sales and services of motor vehicles. Subsequent to the acquisitions, the CODM reassessed the Group’s business and determined to manage and analyse the i) sales of motor vehicles and provision of car-related technical services segment and ii) servicing of motor vehicles and sales of auto parts segment as a whole because their business performance are closely related. The directors considered that this change will result in a more effective management of the segment assets and liabilities. Consequently, the directors aggregated the above segments into a single reportable segment, “Motor vehicles sales and services business” segment. The segment information for the year ended 31 December 2015 is restated to conform with the current year presentation.

As further explained in Note 3 to the consolidated financial statements, the provision of car rental service was considered by the directors to be a principal activity of the Group during the year. Consequently, a new reporting segment for the car rental business is introduced and the comparative segment information was restated accordingly.

The Group has identified the following reportable segments:

- Motor vehicles sales and services business- primarily consists of the operations of (i) motor vehicle distribution and dealership business, which includes sales of motor vehicles and provision of after-sales services; and (ii) other motor vehicles related business, which includes operation of motor vehicles service shop, sales of auto parts, provision of car-related technical services and other value-added motor vehicles service; and
- Car rental business

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

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

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

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

No asymmetrical allocations have been applied to reportable segments.

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

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

	2016		
	Motor vehicles sales and services business HK\$'000	Car rental business HK\$'000	Total HK\$'000
Reportable segment revenue	537,735	25,351	563,086
Reportable segment profit	68,453	3,078	71,531
Other Information			
Depreciation and amortisation of non-current assets	(10,720)	(12,931)	(23,651)
Reversal of impairment loss on trade receivables	1,113	–	1,113
Addition to non-current assets (other than deferred tax assets) during the year (note)	286,122	12,269	298,391

Note: Additions include those arising from the acquisitions of subsidiaries (Note 13).

	2015 (Restated)		
	Motor vehicles sales and services business HK\$'000	Car rental business HK\$'000	Total HK\$'000
Reportable segment revenue	495,526	27,075	522,601
Reportable segment profit	51,635	4,839	56,474
Other Information			
Depreciation and amortisation of non-current assets	(12,205)	(12,835)	(25,040)
Impairment loss on goodwill	(3,750)	–	(3,750)
Provision for inventories	(1,864)	–	(1,864)
Reversal of impairment loss on trade receivables	84	–	84
Additions to non-current assets during the year	4,396	15,040	19,436

(b) Segment assets and liabilities

	2016		
	Motor vehicles sales and services business <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	<u>1,184,527</u>	<u>37,690</u>	<u>1,222,217</u>
Reportable segment liabilities	<u>774,323</u>	<u>16,892</u>	<u>791,215</u>
	2015 (Restated)		
	Motor vehicles sales and services business <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	<u>608,316</u>	<u>40,405</u>	<u>648,721</u>
Reportable segment liabilities	<u>168,028</u>	<u>22,577</u>	<u>190,605</u>

(c) **Reconciliation of segment information to the Group's key financial figures as presented in the consolidated financial statements is as follows:**

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
Reportable segment revenue	<u>563,086</u>	<u>522,601</u>
Reportable segment profit	71,531	56,474
Other income	28,527	76,286
Unallocated corporate expenses		
Employee benefit expenses	(1,000)	(873)
Others	(29,160)	(19,423)
Unallocated finance costs	<u>(46)</u>	<u>(1,499)</u>
Profit before income tax	<u>69,852</u>	<u>110,965</u>
Reportable segment assets	1,222,217	648,721
Non-current corporate assets (<i>Note (i)</i>)	107	217
Current corporate assets (<i>Note (ii)</i>)	<u>198,573</u>	<u>126,528</u>
Consolidated total assets	<u>1,420,897</u>	<u>775,466</u>
Reportable segment liabilities	791,215	190,605
Non-current corporate liabilities (<i>Note (iii)</i>)	17,561	4,781
Current corporate liabilities (<i>Note (iv)</i>)	<u>60,483</u>	<u>44,455</u>
Consolidated total liabilities	<u>869,259</u>	<u>239,841</u>

Notes:

- (i) Non-current corporate assets mainly include property, plant and equipment that are not directly attributable to the business activities of the operating segments.
- (ii) Current corporate assets mainly include prepayments, deposits and other receivables, tax recoverable, cash and bank balances and pledged deposits that are not directly attributable to the business activities of the operating segments or that are managed on group basis.
- (iii) Non-current corporate liabilities include deferred tax liabilities and finance lease liabilities that are not directly attributable to the business activities of the operating segments.
- (iv) Current corporate liabilities include accruals and other payables, tax payable and borrowings that are not directly attributable to the business activities of the operating segments or that are managed on group basis.

(d) Geographical segments

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

	Revenue from external customers		Non-current assets	
	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000
Singapore	–	–	5,275	3,383
The PRC	537,735	495,526	358,132	94,243
Hong Kong (Place of domicile)	25,351	27,075	33,461	36,549
	<u>563,086</u>	<u>522,601</u>	<u>396,868</u>	<u>134,175</u>

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.

For the year ended 31 December 2016 and 2015, no revenue from a single customer accounted for 10% or more of the Group's revenue.

6. OTHER INCOME

	2016 HK\$'000	2015 HK\$'000 (Restated)
Bank interest income	557	724
Financial guarantee income	2,412	3,304
Commission income	14,751	18,000
Waiver of interest payable (<i>Note</i>)	–	45,626
Gain on disposal of property, plant and equipment	2,206	2,747
Gain on disposal of subsidiaries	–	2,667
Gain on bargain purchase arising from acquisitions of subsidiaries (<i>Note 13</i>)	4,858	–
Reversal of impairment loss on trade receivables	1,113	84
Sundry income	2,630	3,134
	<u>28,527</u>	<u>76,286</u>

Note:

According to the settlement agreement entered into between a bank and the Group in 2014, upon the full repayment of the long outstanding principal debt due by the Group by the end of March 2015, the bank agreed to waive the balance of the interests incurred for the principal debt and legal cost incurred. Income arising from waiver of interest and related costs of HK\$45,626,000 was recognised during the year ended 31 December 2015 upon settlement of the outstanding principal debt by the Group.

7. PROFIT BEFORE INCOME TAX

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

7.1 Cost of inventories

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Changes in inventories		
Motor vehicles	10,753	11,412
Auto parts and accessories	<u>6,576</u>	<u>2,936</u>
	<u>17,329</u>	<u>14,348</u>
Auto parts and accessories, and motor vehicles purchased		
Motor vehicles	151,063	99,145
Auto parts and accessories	<u>160,530</u>	<u>175,727</u>
	<u>311,593</u>	<u>274,872</u>
	<u><u>328,922</u></u>	<u><u>289,220</u></u>

7.2 Finance costs on financial liabilities stated at amortised cost

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest charges on bank and other borrowings	4,897	6,888
Interest element of finance lease payments	<u>696</u>	<u>1,274</u>
	<u>5,593</u>	<u>8,162</u>

7.3 Other items

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Auditor's remuneration	911	635
Depreciation of property, plant and equipment*	22,668	24,081
Gain on disposal of property, plant and equipment	(2,206)	(2,747)
Write-off of other receivables	584	–
Amortisation of prepaid rental expenses	846	863
Amortisation of prepaid operating land lease payments	137	96
Reversal of impairment loss on trade receivables	(1,113)	(84)
Provision for inventories	<u>–</u>	<u>1,864</u>

* Amount included depreciation charge of HK\$4,567,000 (2015: HK\$6,255,000) for the Group's assets held under finance leases.

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 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% (2015: 25%).

Dividend distribution out of the retained profits of foreign-invested enterprises in the PRC earned after 1 January 2008 is subject to withholding income tax at a tax rate of 10% unless reduced by treaty. Under the tax treaty between Hong Kong and mainland China, the withholding income tax rate applicable to the Group is 5%.

The income tax provision in respect of operations in Singapore is calculated at the rate of 17% (2015: 17%) on the estimated assessable profits for the year.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax – Hong Kong		
Charge for the year	1,135	1,305
Under-provision/(Over-provision) in prior years	50	(681)
Current tax – Overseas		
Charge for the year	20,490	23,393
Under-provision in prior years	–	61
Current tax – total	21,675	24,078
Deferred tax	1,315	1,875
Total income tax expense	22,990	25,953

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to the owners of the Company for the year of approximately HK\$47,899,000 (2015: HK\$96,008,000) and on the weighted average number of 476,300,000 (2015: 476,300,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2016 and 2015 are the same as the basic earnings per share as there was no dilutive potential ordinary share for the years ended 31 December 2016 and 2015.

10. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

11. TRADE RECEIVABLES

At 31 December 2016, the ageing analysis of trade receivables, based on invoice dates, was as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 90 days	120,048	40,931
91 – 180 days	10,639	22,576
181 – 365 days	54,724	25,506
Over 1 year	<u>43,722</u>	<u>14,913</u>
	229,133	103,926
Less: allowance for impairment of receivables	<u>(335)</u>	<u>(1,496)</u>
	<u><u>228,798</u></u>	<u><u>102,430</u></u>

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

12. TRADE AND BILLS PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	59,856	37,917
Bills payables	<u>163,986</u>	<u>–</u>
	<u><u>223,842</u></u>	<u><u>37,917</u></u>

The credit period of the Group is usually 3 months. The ageing analysis of trade and bills payables, based on invoice dates, is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 30 days	62,030	31,064
31 – 180 days	153,146	4,720
181 – 365 days	5,633	811
1 – 2 years	2,062	1,222
Over 2 years	<u>971</u>	<u>100</u>
	<u><u>223,842</u></u>	<u><u>37,917</u></u>

The directors consider that the carrying value of trade and bills payables as at 31 December 2016 and 2015 approximate to their fair value.

13. ACQUISITIONS OF SUBSIDIARIES

During the year ended 31 December 2016, the wholly-owned subsidiary of the Company, Xiamen BMW Automobiles Service Co., Ltd.# (“Xiamen BMW”) entered into sale and purchase agreements with Xiamen Zhong Bao Automobiles Co., Ltd.# (“Xiamen Zhong Bao”) and its related companies, collectively (the “Zhong Bao Group”) to acquire 100% equity interests of the following companies which are principally engaged in motor vehicles sales and services, as part of the Group’s strategy to expand its motor vehicles sales and services business in Fujian Province:

Name of subsidiary	Date of acquisition	Consideration		
Longyan Zhongbao Automobiles Company Limited# (“LY Zhongbao”)	23 November 2016	RMB41,000,000	(equivalent to approximately HK\$46,166,000)	
Fujian Xingdebao Automobiles Sales and Service Company Limited# (“FJ Xingdebao”)	21 December 2016	RMB6,000,000	(equivalent to approximately HK\$6,708,000)	
Quanzhou Fubao Automobiles Sales and Service Company Limited# (“QZ Fubao”)	22 December 2016	RMB115,000,000	(equivalent to approximately HK\$128,570,000)	
		LY Zhongbao	FJ Xingdebao	QZ Fubao
		<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Assets acquired and liabilities recognised at fair values at the date of acquisition are as follows:				
Property, plant and equipment		26,872	96,847	46,265
Intangible asset		–	–	22,360
Leasehold land		25,560	22,807	19,789
Inventories		16,474	17,653	92,992
Trade receivables		11,416	19,007	59,633
Prepayments, deposits and other receivables		10,506	37,542	222,230
Tax recoverable		1,866	–	–
Pledged deposits		4,144	3,578	61,624
Cash and bank balances		4,380	8,077	16,490
Trade payables		(3,268)	(11,669)	(20,419)
Accruals and other payables		(19,215)	(141,995)	(64,007)
Bills payables		–	–	(163,986)
Borrowings		(24,895)	(41,526)	(148,270)
Tax payable		–	(2,094)	(14,934)
Deferred tax liabilities		(4,335)	–	(7,507)
Net assets		<u>49,505</u>	<u>8,227</u>	<u>122,260</u>
Goodwill arising on acquisition:				
Consideration transferred		46,166	6,708	128,570
Less: Net assets acquired		<u>(49,505)</u>	<u>(8,227)</u>	<u>(122,260)</u>
(Gain on bargain purchase)/Goodwill arising from acquisition		<u>(3,339)</u>	<u>(1,519)</u>	<u>6,310</u>
Consideration satisfied by:				
Cash paid/payable		<u>46,166</u>	<u>6,708</u>	<u>128,570</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2016, the Company, through its indirect wholly-owned subsidiary, has successfully acquired three automobile dealer shops for premium automobile brands (the “Acquisitions”). Subsequently to the Acquisitions, the management of the Company has reviewed the reporting structures for performance assessment and resources allocation of the Group in both Hong Kong and the People’s Republic of China (the “PRC”) and determined that the Group has two operating segments: i) sale of motor vehicles and auto parts and the provision of car-related services; and ii) car rental and related services. Accordingly, the comparative figures of revenue and segment information have been restated to conform with current year’s presentation.

The Group recorded a total revenue of HK\$563,086,000, representing an increase of 7.7% compared to HK\$522,601,000 of last year. The increase in total revenue was mainly attributable to the increase in the segment of sales of motor vehicles and steady growth in technical fee income.

While the underlying profitability of the Group remained strong during the year ended 31 December 2016, reported profit for the year decreased by 44.9% to HK\$46,862,000 compared to HK\$85,012,000 in 2015.

The decrease was mainly resulted from i) the absence of a one-off income from waiver of interest payable of HK\$45,626,000 from a creditor recognised in 2015, offset by ii) gain on bargain purchase of HK\$4,858,000 arising from the Acquisitions; and iii) the absence of impairment losses on goodwill and inventories recorded in 2015.

Total comprehensive income was HK\$16,013,000 in 2016 compared to HK\$44,866,000 in 2015 after adjusting for exchange differences on translation of financial statements of foreign operations.

Sales of Motor Vehicles

Sales of motor vehicles contributed 30.6% (2015: 21.7%) of the total revenue of the Group in 2016, amounted to HK\$172,497,000. The increase mainly reflected i) the growth of business in our 4S store for an ultra-luxury brand in Fuzhou during the current year; and ii) the contributions from one of the newly acquired subsidiaries.

Servicing of Motor Vehicles and Sales of Auto Parts

Revenue generated from servicing of motor vehicles and sales of auto parts decreased by 5.3% to HK\$336,663,000 compared to 2015 primarily due to changes in customer spendings as a result of changes in certain measures and regulations in the automotive industry.

Technical Fee Income

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

During the current year, the Group recorded technical fee income of HK\$28,575,000 which reflected a steady growth compared to 2015.

Car Rental Business

The income from car rental business in Hong Kong for the year ended 31 December 2016 was HK\$25,351,000, representing a decrease of 6.4% compared to 2015. This was mainly due to the decrease in the number of long-term rental orders resulting from the slow-down of the Hong Kong economy.

FINANCIAL REVIEW

Gross Operating Profit

Gross operating profit is calculated based on our revenue for the year minus changes in inventories and auto parts and accessories, and motor vehicles purchased during the year. Gross operating margin is calculated based on the gross operating profit for the year divided by revenue for the year multiplied by 100%.

The gross operating profit for the year 2016 increased slightly to HK\$234,164,000 as compared to HK\$233,381,000 in 2015. The gross operating margin decreased from 44.7% in 2015 to 41.6% in 2016. The decrease in gross operating margin was mainly resulted from the increased share of contribution generated from the sales of motor vehicles, which yield relatively lower profit.

Financial Resources and Liquidity

As at 31 December 2016, shareholders' fund of the Group amounted to HK\$551,638,000 (2015: HK\$535,625,000). Current assets amounted to HK\$1,024,029,000 (2015: HK\$641,291,000) of which HK\$181,821,000 (2015: HK\$110,358,000) were cash and pledged deposits. Current liabilities amounted to HK\$848,635,000 (2015: HK\$229,446,000) and mainly represents trade payables, bills payable, borrowings, accruals and other payables. The Group had non-current liabilities amounted to approximately HK\$20,624,000 (2015: HK\$10,395,000). The net asset value per share as at 31 December 2016 was HK\$1.16 (2015: HK\$1.12).

Capital Structure of the Group

During the year ended 31 December 2016, the Group had no debt securities in issue (2015: Nil).

The Group obtained funding mainly from bank and other borrowings. They are mainly denominated in Hong Kong dollars and Renminbi. As at 31 December 2016, the Group has available unutilised banking facilities of approximately HK\$329,868,000 (2015: HK\$111,106,000).

Capital Expenditure and Capital Commitments

In 2016, the Group incurred capital expenditure amounted to HK\$31,581,000 (2015: HK\$20,207,000) on property, plant and equipment.

Capital commitments contracted but not provided for in the consolidated financial statements at 31 December 2016 amounted to HK\$261,000 (2015: HK\$7,306,000).

Material Acquisitions and Disposals of Subsidiaries or Affiliated Companies

The Group acquired the entire equity interests in LY Zhongbao, FJ Xingdebao and QZ Fubao on 23 November 2016, 21 December 2016 and 22 December 2016 respectively. Further details were set out in note 13 to the consolidated financial statements, the Company's announcement dated 23 December 2016 and the circular of the Company dated 26 October 2016.

On 29 December 2015, the Group disposed of its subsidiaries, China Automobiles Asia Pte Ltd., and its subsidiary, at a consideration of SGD2 (approximately HK\$11). Gain on disposal of subsidiaries of HK\$2,667,000 was resulted.

Employees

As at 31 December 2016, the total number of employees of the Group was approximately 873. For the year ended 31 December 2016, the staff costs including directors' remuneration of the Group amounted to HK\$64,307,000 (2015: HK\$59,306,000), representing 11.4% (2015: 11.3%) of the revenue of the Group. Appropriate staff force is maintained cautiously in accordance with the operational needs and activities of the Group.

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

Charges on Group Assets

As at 31 December 2016, fixed deposits of HK\$78,238,000 (2015: HK\$13,784,000) were pledged to banks and other financial institutions to secure facilities of the Group while amounts of HK\$16,457,000 (2015: HK\$10,161,000) were pledged to banks as security in favor of one of our suppliers.

In addition to the fixed deposits, leasehold land with carrying amounts of HK\$60,154,000 was pledged to secure banking facilities of the Group at 31 December 2016.

The net carrying amount of motor vehicles held under finance leases of HK\$21,729,000 were also pledged to secure the respective borrowings.

Gearing Ratio

The Group expresses its gearing ratio as a percentage of total borrowings (including bills payables, short-term and long-term bank and other borrowings, as shown in the consolidated statement of financial position), less cash and bank balances, divided by total equity, plus net debt. As at 31 December 2016, the Group had a gearing ratio of 0.43 (2015: 0.05) after acquiring the three subsidiaries which had higher gearing.

Foreign Exchange Exposure

During the year ended 31 December 2016, the Group had an exchange loss of approximately HK\$5,085,000 (2015: HK\$7,913,000), mainly resulted from the continuous devaluation of Renminbi during the year.

Contingent Liabilities

As at 31 December 2016, the Group provided bank guarantee with aggregate principal amounts of approximately HK\$156,520,000 in respect of banking facilities to the Zhong Bao Group (2015: HK\$143,280,000).

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

PROSPECT

Looking ahead, we believe that the China's automotive market remains competitive and will become more mature while automobile consumption will be more rational that the steady growth in demand for high-quality after-sales service will sustain. As the competition in the PRC automotive industry intensifies, the Company will continue to exercise vigilant cost control to improve productivity and uphold quality service to customers. With long-term good relationships with leading automobile suppliers of premium and ultra-luxury brands, a more comprehensive portfolio of products and services and a broader customer base after acquiring three additional dealer shops this year, the Group is well positioned to sustain and improve its profitability while capitalising on the steady growth of the automotive industry in the PRC and bring value to its stakeholders in the long run.

The Group continues to strive for growth through organic development and acquisitions or joint ventures with existing business partners.

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

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

COMPETING INTERESTS

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

SHARE OPTION SCHEME

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

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

ADVANCES TO ENTITIES

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

Pursuant to the GEM Listing Rule 17.16, 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 2016, the Company's consolidated total assets were approximately HK\$1,420,897,000.

	(Audited)		(Audited)	
	As at		As at	Increment as
	31 December		31 December	compared to
	2016	Assets Ratio	2015	Assets Ratio
	HK\$'000	(%)	HK\$'000	(%)
Guarantees to Zhong Bao Group	<u>156,520</u>	<u>11.0%</u>	<u>143,280</u>	<u>N/A</u>

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

	(Audited)		(Unaudited)	
	As at		As at	Increment as
	31 December		30 September	compared to
	2016	Assets Ratio	2016	Assets Ratio
	HK\$'000	(%)	HK\$'000	(%)
Guarantees to Zhong Bao Group (<i>note</i>)	<u>156,520</u>	<u>11.0%</u>	<u>162,540</u>	<u>N/A</u>

Note: Such amounts include the principal amount of the facilities granted by the banks to Zhong Bao Group.

The Group entered into a revised guarantee agreement on 29 April 2016 (the “Revised Guarantee Agreement”) with Xiamen Zhong Bao to replace the previous one entered into in November 2015, whereby Xiamen BMW and its immediate holding company, German Automobiles Pte Ltd. will during the period from 29 April 2016 to 31 December 2017 guarantee Xiamen Zhong Bao’s banking facilities to be incurred in its ordinary course of business in a maximum aggregate amount of RMB170 million. The Revised Guarantee Agreement and the transactions contemplated thereunder have been approved by shareholder at the Company’s extraordinary general meeting held on 16 June 2016.

Further details for the Revised Guarantee Agreement were set out in the circular of the Company dated 25 May 2016 and the announcements of the Company dated 29 April 2016 and 5 July 2016.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

For the year ended 31 December 2016, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Group has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 15 of the GEM Listing Rules (the “Code Provision”) throughout the year ended 31 December 2016.

The Board continues to monitor and review the Group’s progress in respect of corporate governance practices to ensure compliance. The Board and senior management are responsible for performing the corporate governance duties set out in Code Provision D.3.1.

AUDIT COMMITTEE

The Audit Committee was formed on 5 June 2002 and is currently composed of the three independent non-executive Directors, namely, Mr. Zhou Ming, Mr. Yin Bin and Ms. Guan Xin. Mr. Zhou Ming is the Chairman of the Audit Committee.

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

The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its risk management and internal control system and has made suggestions for improvement. The Committee also carried out and discharged its duties set out in Code Provision. In the course of doing so, the Committee has met with the Company's management, external risk management and internal audit professionals and external auditors during 2016. The audited consolidated financial results of the Group for the year ended 31 December 2016 have been reviewed by the Audit Committee.

SCOPE OF WORK PERFORMED BY AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited ("Grant Thornton"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on the preliminary announcement.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2016.

DIRECTORS OF THE COMPANY

Executive Directors of the Company as at the date hereof are Mr. Luo Wan Ju, Mr. Lin Ju Zheng, Mr. Choy Choong Yew, Mr. Zhang Xi, Mr. Ma Hang Kon, Louis and Mr. Xue Guo Qiang. Independent non-executive Directors of the Company as at the date hereof are Mr. Zhou Ming, Mr. Yin Bin and Ms. Guan Xin.

On behalf of the Board
G.A. Holdings Limited
Luo Wan Ju
Chairman

Hong Kong, 22 March 2017

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

for identification purpose only