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
2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE "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 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 Growth Enterprise Market of the Stock Exchange of Hong Kong Limited 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
Miss 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*
Miss 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

DBS Bank Limited
Industrial and Commercial Bank of China, Singapore Branch
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
Hopewell Centre 17M Floor
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

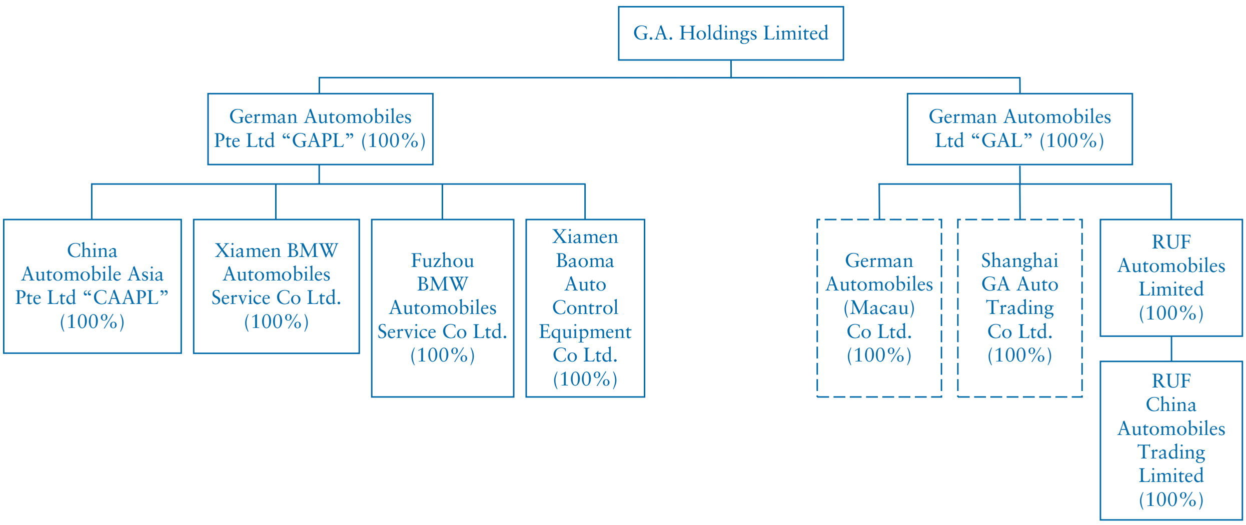
COMPANY WEBSITE

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

STOCK CODE

8126

Group Structure



Dormant company

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present to the shareholders the consolidated financial statement of GA Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2012.

During the year 2012, the Group commenced the sales of the RUF automobiles. Contribution of this new series is encouraging. This prestigious series contributed to the increase in revenue and net profit to the Group. During the year, there were changes in the composition of the Board of Directors. Responsibilities of the Directors were rearranged in order to provide a better segregation of duties. As a result, the performance of business development and the development of better internal controls have been enhanced. The Board is of the view that the appointments of new Executive Directors from the existing management is beneficial to the Group's business expansion, long-term development, as well as corporate governance and is of the best interest of the Company and its shareholders as a whole.

Looking at the niche market of the Group, China is still one of the major markets of BMW cars. According to the sales chief of BMW, it is expecting a high single-digit growth in its vehicles sales in China in 2013 after surging forty percent in year 2012. We are expecting another healthy increase in sales with the exciting new models to be released throughout the year 2013.

The Group's 4S servicing centres in the PRC maintain their high level of contribution to the Group's profit with its unmatched professional customer services. The Group will continue its spirit in providing top tier services to its valuable customers.

In order to support the fast expansion of the trade of the RUF cars, adequate amount of working capital has to be retained. The Board hence does not propose any payment of final dividend for the year ended 2012. I believe our long supportive shareholders and investors can share the same prosperous perspective with us and are confident that they will be rewarded fruitfully in coming years. Once again, on behalf of the Board, I would like to express my sincere gratitude to all our customers, business partners, employees and shareholders for their invaluable support and continued loyalty.

By and on behalf of the Board,
Loh Boon Cha
Chairman

Hong Kong, 25 March 2013

Biographical Information of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Loh Boon Cha, *Chairman*
Mr. Loh Boon Cha, aged 71, 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 44, 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, which was established in August 1993. Mr. Loh is responsible for the business development in the PRC and gained more than 15 years of extensive experience and in-depth knowledge in the PRC's auto industry.

Mr. Choy Choong Yew, *Managing Director and compliance officer*
Mr. Choy, aged 59, 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 more than 25 years of 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 65, 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 over 35 years of 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 of the Group in June 2010 and he has been re-designated as an Executive Director of the Group since March 2012.

Mr. Tan Cheng Kim
Mr. Tan, aged 46, 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 over 20 years, 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 Group since May 2012.

Biographical Information of Directors and Senior Management

Mr. Yeung Chak Sang Johnson

Mr. Yeung, aged 48, is currently the qualified accountant and the company secretary of the Group and the financial controller of German Automobiles Ltd, a wholly-owned subsidiary 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 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 Group since May 2012.

Independent Non-Executive Directors

Mr. Lee Kwok Yung

Mr. Lee Kwok Yung, aged 57, was appointed as an Independent Non-Executive Director of the Group 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 over 20 years of 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 41, 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 Group since July 2004.

Miss Song Qi Hong

Ms. Song, aged 41, 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 more than 18 years of 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 Group since August 2010.

Mr. Wong Jacob

Mr. Wong, Jacob, aged 50, holds a bachelor degree in general business from University of San Francisco. He is a senior management professional with over 20 years of 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 Group since March 2012.

SENIOR MANAGEMENT

Mr. Lim Tee Peng, aged 49, is the general manager of the auto parts and accessories division of the Group. Prior to joining the group in August 1993, Mr. Lim was a sales manager of an authorized dealer of European luxurious motor vehicles. Mr. Lim has extensive experience in trading of auto parts and accessories.

Management Discussion and Analysis

BUSINESS REVIEW

The Group's performance in the year 2012 was in line with our optimistic expectations despite continued slowdown in the sales volume in China under a volatile market conditions and global economy.

For the year ended 31 December 2012, the Group has continued to maintain its market share and strategic position by staying at the luxury automotive sector in mainland China and there recorded an increase in total revenue by 30.6%, as compared to the corresponding period in year 2011. In the current year, the Group has introduced a new distributorship business with an European brand called "RUF" series, starting in the second half of the year. As a result, this contributes to the increased group profit from the segment of sales of motor vehicles. The new introduction of the RUF series also extend our core income stream to other prestigious brand that offers a wider diversity of products and services that suits the various need of our luxury car lovers.

Apart from the increase in sales of motor vehicles as mentioned above, the segment of servicing of motor vehicles and auto parts has contributed to more than 50% of total revenue and the revenue generated has increased by approximately 23% as compared to the corresponding period in year 2011. This was consistently due to the continuous demand of after sales support for luxurious vehicles, supplemented by the precious service of the Group's 4S servicing centers in China.

SALES OF MOTOR VEHICLES

The revenue of this segment represented approximately 34.4% of the total Group revenue of the year, amounted to approximately HK$135,709,000. As for comparison to the corresponding period last year, there recorded an increase of approximately 9.2% on the composition of revenue. Except for the reasons as mentioned above, the increase was also due to the continuous demand of deluxe import vehicles and reflecting a stable product prices, even the general inflation in China is still soaring high.

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 2012 has increased by 23%. Servicing income increased to approximately HK$232,866,000, contributing 59.1% of the Group's revenue.

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 its purchase for the locally assembled BMW motor vehicles sold. The locally assembled BMW motor vehicles were introduced since 2003.

Technical fee income for the year ended 31 December 2012 was approximately HK$25,592,000, represented a composition of approximately 6.5% of the total Group's revenue, as compared to approximately 12% in year 2011. The decrease was mainly due to the corresponding decrease in car sales of locally assembled BMW sold by Zhong Bao Group during the year, as well as the rate of technical fee income charged to Zhong Bao Group has reduced by twenty percent since the Interim Period.

CAR RENTAL BUSINESS

The car rental business of the Hong Kong and the Kowloon stations of the Hertz division recorded a total revenue of HK$19,093,000, increased by 23.4% for the year 2012 as compared to the corresponding period in year 2011.

Management Discussion and Analysis

FINANCIAL REVIEW

Gross profit

The gross profit margin has slightly increased from 28.3% in corresponding period in year 2011 to 28.5% for the year ended 31 December 2012. The slightly increase in gross profit margin was primarily contributed by the new introduction of the sales of RUF series motor vehicles, that have a lower sales volume with a higher margin deluxe products being realized during the year.

Financial resources and liquidity

As at 31 December 2012, shareholders' fund of the Group amounted to approximately HK$333,804,000 (2011: HK$295,586,000). Current assets amounted to approximately HK$537,106,000 (2011: HK$446,472,000). Of which approximately HK$113,641,000 (2011: HK$78,806,000) were cash and bank deposits. Current liabilities amounted to approximately HK$317,488,000 (2011: HK$264,196,000) 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$11,228,000 (2011: HK$8,392,000). The net asset value per share as at 31 December 2012 was HK$0.701 (2011: HK$0.621).

Capital Structure of the Group

During the year ended 31 December 2012, the Group had no debt securities in issue (2011: Nil).

The Group obtained funding mainly from trade finance. Bank borrowings are denominated in either HKD, RMB and EUR.

Significant Investment

As at 31 December 2012, the Group had no significant investment held (2011: Nil).

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 December 2012, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies (2011: Nil).

Employees

As at 31 December 2012, the total number of employee of the Group was approximately 451(2011: 385). For the year ended 31 December 2012, the staff costs including directors' remuneration of the Group amounted to approximately HK$44,835,000 (2011: HK$42,679,000), contribute to approximately 11.4% of the revenue of the Group and a decrease of approximately 2.7% as compared to that of the year ended 31 December 2011. It is the Group policy to review its employer's pay levels and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.

Charges on Group Assets

As at 31 December 2012, the Group pledged time deposits of approximately HK$27,512,000 (2011: HK$23,902,000) to several banks for banking facilities for the Group and a related company of North Anhua Group Corporation ("NAGC"). Leasehold lands and buildings of approximately HK$4,888,000 (2011: HK$4,767,000) are pledged to bank to secure banking facilities up to approximately HK$149,280,000 (2011: HK$256,672,000) granted to Zhong Bao Group at the balance sheet date.

Material Investments or Capital Assets

As at 31 December 2012, the Group had no future plans for material investment. (2011: Nil)

Management Discussion and Analysis

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 2012, the Group had a gearing ratio of 0.18 (2011: 0.19).

Foreign Exchange Exposure

During the year ended 31 December 2012, the Group had an exchange loss of approximately HK$1,795,000 (2011: HK$500,000 gain), mainly resulted from the translation of trade receivables, and inter-company balances from Renminibi, Singapore and United States dollars to Hong Kong dollars, as well as resulted from the depreciation in EUR dollars against Hong Kong dollars for the settlement and translation for the imports and exports bills for purchase of cars from Europe.

Contingent Liabilities

As at 31 December 2012, the Group provided a bank guarantee of approximately HK$29,856,000 (2011: HK$21,750,000) to a bank in respect of banking facilities to a related company of NAGC. As at 31 December 2012, the Group provided bank guarantee amounted to HK$149,280,000 in respect of banking facilities to Zhong Bao Group (2011: HK$256,672,000).

PROSPECTS

During the second half of the year 2012, sales of RUF series has commenced and has been penetrating the market satisfactorily. On the other hand, the sales of the premier luxury BMW vehicles, which show strong recovery since the second half year in 2012, continues to contribute to a major portion of the group profit.

According to the sales chief of BMW, it is expecting a high single-digit growth in its vehicles sales in China in 2013 after surging forty percent in 2012. Hence we are expecting another healthy increase in sales with the exciting new models to be released throughout 2013.

While the general economy in the US and Europe is still a standstill, China is still targeting another consecutive economic growth in 2013. Release of new models of BMW will provide for a robust growth in sales in luxury vehicles market in China.

While prestigious car is playing an important role in the China market of luxury commodities, the related after sales services and supplementary auto parts contribute further to the group profit.

By enriching the composition of the Board of Directors and management, the Group will be benefited by the stronger management team in its daily operation and corporate strategies.

Hence the Group is optimistically expecting another fruitful results in 2013.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2012.

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 2012.

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 17 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 2012 and the state of affairs of the Company and the Group are set out in the consolidated financial statement on pages 30 to 87 of this report.

The Board do not recommend the payment of any final dividend for the year ended 31 December 2012. 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 2012. (2011: Nil)

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting is scheduled to be convened on Thursday, 9 May 2013. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 7 May 2013 to Thursday, 9 May 2013 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 Monday, 6 May 2013.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company had reserves available for distribution to shareholders amounted to approximately HK$29,679,000 (2011: HK$27,553,000). It comprised share premium of approximately HK$29,522,000 (2011: HK$29,522,000) add retained profits of approximately HK$157,000 (2011: accumulated losses of HK$1,969,000).

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 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 2012 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 2012, 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
		Personal	Family	Corporate	Other		percentage of
Name	Capacity	Interest	Interest	Interest	Interests	Total	shareholding
Loh Nee Peng	Interest of a controlled corporation	–	–	100,149,480 *(Note 1)*	–	100,149,480	21.03%
Loh Boon Cha	Deemed interest	–	54,865,480 *(Note 2)*	45,284,000 *(Note 2)*	–	100,149,480	21.03%

Notes:

1. The 100,149,480 shares are held as to 54,865,480 shares by Big Reap 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 Nee Peng. By virtue of the SFO, Mr. Loh Nee Peng is deemed to be interested in the shares held by Big Reap International Limited and Loh & Loh Construction Group Ltd.

2. The 100,149,480 shares are held as to 45,284,000 shares by Loh & Loh Construction Group Ltd., which is interested as to 21% by Mr. Loh Boon Cha; and as to 54,865,480 shares by Big Reap International Limited which is interested as to 100% by Mr. Loh Nee Peng. By virtue of SFO, Mr. Loh Boon Cha is deemed to be interested in the shares held by Big Reap International Limited due to family ties as Mr. Loh Boon Cha is the father of Mr. Loh Nee Peng.

Save as disclosed above, as at 31 December 2012, 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 2012, 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
Loh & Loh Construction Group Ltd.	Beneficial owner *(Note 1)*	45,284,000	9.51%
Loh Kim Her	Interest of a controlled corporation *(Note 2)*	53,284,000	11.18%
Fang Zhen Chun	Beneficial owner	90,792,000	19.06%
Chan Hing Ka Anthony	Beneficial owner and Interest of a controlled corporation *(Note 3)*	95,141,925	19.98%

Notes:

1. Loh & Loh Construction Group Ltd. is held as to 49% by Mr. Chan Hing Ka Anthony, as to 15% by Mr. Loh Kim Her, as to 15% by Mr. Loh Nee Peng and as to 21% by Mr. Loh Boon Cha. Mr. Chan Hing Ka Anthony, Mr. Loh Kim Her and Mr. Loh Nee Peng are Directors and Mr. Loh Boon Cha is the brother of Mr. Loh Kim Her and the father of Mr. Loh Nee Peng.

2. 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 Limited, and Loh & Loh Construction Group Ltd.

3. The 95,141,925 shares held as to 49,481,925 shares by Tycoons Investment International Limited and as to 45,284,000 shares by Loh & Loh Construction Group Ltd., which are interested as to 100% and 49% respectively by Mr. Chan Hing Ka Anthony, as well as 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 and Loh & Loh Construction Group Ltd.

Save as disclosed above, as at 31 December 2012, 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 2012 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)*	(Appointed on 16 May 2012)
Mr. Xu Ming	(Resigned on 30 March 2012)
Mr. Lin Ju Zheng	(Re-designated on 30 March 2012)
Mr. Tan Cheng Kim	(Appointed on 16 May 2012)
Mr. Yeung Chak Sang Johnson	(Appointed on 16 May 2012)

Independent Non-Executive Directors

Mr. Lee Kwok Yung	
Mr. Yin Bin	
Miss Song Qi Hong	
Mr. Wong Jacob	(Appointed on 30 March 2012)

In accordance with Article 87 of the Company's Articles of Association, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office. The Directors to retire every year shall be those who have been longest in office since their last re-elections and appointments. In accordance with these provisions, Mr. Loh Boon Cha, Mr. Loh Nee Peng, Mr. Lin Ju Zheng, Mr. Choy Choong Yew, Mr. Tan Cheng Kim and Mr. Yeung Chak Sang Johnson and Miss Song Qi Hong, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Mr. Loh Nee Peng and Mr. Loh Boon Cha have entered into a service contract with the Company for an renewal term of 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. 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 Miss 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 2011 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 individuals, the Company's operating results and market standards.

DIRECTORS' EMOLUMENTS AND THE HIGHEST PAID EMPLOYEES

Details of Directors' emoluments are set out on note 13 of 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 88 of this annual report. This summary does not form part of the audited financial statements.

PENSION SCHEMES

Details of the pension schemes of the Group are set out in note 33 to the financial statements.

MANAGEMENT OF RISKS

The Group is exposed to a variety of financial risks 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 Directors, and focuses on actively securing the Group's short to medium term cash flows by minimizing the exposure to financial markets. Long term financial investments are management to generate lasting returns.

The Group does not actively 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.

Credit risk

Credit risk refers to the risk the debtors will default on their obligations to repay the amounts 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 extending credit terms to customers and in monitoring its credit risks. Generally the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements).

As disclosed in note 34 to the financial statements, the Group made advances to two business partners, NAGC Group and 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 deem necessary for these advances.

The Group has concentration of credit risk due to its relatively small customer base.

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

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 business, and maintains adequate reserves, banking facilities and reserve borrowing facilities.

Directors' Report

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.

Foreign exchange risk

The Group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to United States Dollars ("US$"), Euro ("EUR"), Hong Kong Dollars ("HKD") and Reminbi ("RMB"). Foreign exchange risk arises from commercial transactions and recognized assets and liabilities. 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 material denominated in the same currency.

Interest rate risk

The Group's interest rate risk relates to interest-bearing borrowings which includes bank borrowings and obligations under finance leases. The interest rates and terms of repayment have been disclosed in note 37 to the financial statements.

SEGMENTAL INFORMATION

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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 2012, the percentage of sales and purchases attributable to the Group's major customers and suppliers are set out as below:

Sales

– The largest customer	12.48%
– The total of five largest customers	47.92%

Purchases

– The largest supplier	41.18%
– The total of five largest suppliers	76.65%

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.

Directors' Report

AUDITORS

The financial statements of the Company for the year ended 31 December 2012 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 48, 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 59, 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 gained more than 25 years of 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.

SHARE OPTION SCHEME

For the year ended 31 December 2012, the Company has not adopted any share option scheme, nor does it have any options or securities in issue which are convertible or exchangeable into shares of the Company.

ADVANCES TO ENTITIES

As defined in GEM 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 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(i) of the GEM Listing Rules (the "Assets Ratio").

Directors' Report

As at 31 December 2012, the Company's total assets were approximately HK$662,520,000.

	(Audited) As at 31 December 2012	Assets Ratio	(Audited) As at 31 December 2011	Increment as compared to Assets Ratio
	HK$'000	*(%)*	*HK$'000*	*(%)*
Guarantee to NAGC	29,856	4.5%	21,750	0.7%
Guarantees to Zhong Bao Group*	149,280	22.5%	256,672	N/A
	179,136	27.0%	278,422	

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

	(Audited) As at 31 December 2012	Assets Ratio	(Unaudited) As at 30 September 2012	Increment as compared to Assets Ratio
	HK$'000	*(%)*	*HK$'000*	*(%)*
Guarantee to NAGC	29,856	4.5%	21,711	1.3%
Guarantees to Zhong Bao Group*	149,280	22.5%	133,164	3.0%
	179,136	27.0%	154,875	

* Being Xiamen Zhong Bao and certain of its subsidiaries and related companies (the "Zhong Bao Group")

Guarantee to NAGC

Guarantee in the amount of approximately HK$29,856,000 (as at 31 December 2011: HK$21,750,000) were provided to a bank in respect of banking facilities granted to NAGC Group. The guarantee was for the banking facilities granted for the use in car rental business by the Three Sub-licensees. The Group is negotiating with the correspondent bank to release the above guarantee. The Group does not have any security or receive any considerations from NAGC Group by giving such guarantee.

Guarantees to Zhong Bao Group

Guarantees in the amount of approximately HK$149,280,000 (as at 31 December 2011: HK$256,672,000) were provided to a bank in respect of banking facilities granted to Zhong Bao Group. The guarantees were for the bank facilities granted for the use in car trade business of Zhong Bao Group.

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 2012.

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

Hong Kong, 25 March 2013

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 as contained in Appendix 15 of the GEM Listing Rules (the "Code Provision") throughout the year ended 31 December 2012. 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
Miss Song Qi Hong
Mr. Wong Jacob

Relationship

Mr. Loh Boon Cha (Chairman) is the father of Mr. Loh Nee Peng (Executive Deputy Chairman) and the brother of a former Director Mr. Loh Kim Her.

Board Meetings

The Board meets regularly over the Company's affairs and operations and held eleven board meetings in 2012. The attendance records of each member of the Directors are set out below:

Executive Directors	**Attendance**
Loh Boon Cha	10/11
Loh Nee Peng	9/11
Choy Choong Yew (Appointed on 16 May 2012)	1/3
Lin Ju Zheng (Re-designated on 30 March 2012)	11/11
Tan Cheng Kim (Appointed on 16 May 2012)	1/3
Yeung Chak Sang Johnson (Appointed on 16 May 2012)	1/3
Independent Non-Executive Directors	
Lee Kwok Yung	8/11
Yin Bin	8/11
Song Qi Hong	9/11
Wong Jacob (Appointed on 30 March 2012)	7/8

Responsibilities, accountabilities and contributions of the board and management

The Board 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, qualifications of the Chairman of the Company and the other Directors and the Directors' service contracts are set out on page 6 to 7 and page 14 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 Boon Cha, Mr. Loh Nee Peng, Mr. Lin Ju Zheng, Mr. Choy Choong Yew, Mr. Tan Cheng Kim, Mr. Yeung Chak Sang Johnson and Miss 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.

Corporate Governance Report

Continuous Professional Development

Pursuant to Code Provision A6.5, 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.

Up to the date of this report, all Directors have participated in continuous professional development by reading relevant materials or in house briefing on the topics related to corporate governance regulations and Directors' duties.

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 arranged appropriate insurance cover in respect of the legal action against the Directors for year 2012 and onwards.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Code Provision A2.1 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 Non-Executive Directors.

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, Miss 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 A4.1, Non-Executive Directors should be appointed for a specific term, subject to re-election. Two Independent Non-Executive Directors, Mr. Yin Bin and Miss 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 2011 and 30 March 2012 respectively.

Mr. Lee Kwok Yung ("Mr. Lee") and Mr. Yin Bin ("Mr. Yin"), who are Independent Non-Executive Director who was first appointed since year 2002 and have been continuously served as an Independent Non-Executive Director for more than nine years. In accordance with code provision A.4.3, further appointment for Mr. Lee and Mr. Yin should be subject to a separate resolution to be approved by shareholders at the forthcoming annual general meeting. Reasons why the Board believed Mr. Lee and Mr. Yin are still independent are set out in the circular issued by the Company dated on 25 March 2013 accompanying the notice of the 2013 annual general meeting.

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 30th March 2012 in compliance with the code provision D.3, effective from 1st 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. During the year in regard to the amendments to the Code promulgated by the Stock Exchange, the Committee adopted a revised written terms of references in compliance with the code 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 2012, the Nomination Committee had held three meetings for makings recommendation to the Board on appointment of Executive Deputy Chairman and Executive Directors, and 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. During the year in regard to the amendments to the Code promulgated by the Stock Exchange, the Committee adopted a revised written terms of references in compliance with the code 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 2012, the Remuneration Committee had met twice 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 Provsion C.3.3, the Company's Audit Committee was formed on 5 June 2002 and is currently composed of namely, Mr. Lee Kwok Yung, Mr. Yin Bin, Miss Song Qi Hong and Mr. Wong Jacob. Mr. Lee Kwok Yung is the Chairman of the Audit Committee. During the year in regard to the amendments to the Code promulgated by the Stock Exchange, the Committee adopted a revised written terms of references in compliance with the code C3.3.

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

During the year 2012, the Audit Committee held four meetings. The attendance record of each member of the Committee is set out as below:

Non-Executive Directors	Attendance
Lee Kwok Yung *(Chairman)*	4/4
Yin Bin	4/4
Song Qi Hong	4/4
Wong Jacob (appointed on 30 March 2012)	3/3

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. In the course of doing so, the Committee has met the company's management, qualified accountant and external auditors during the year 2012.

AUDITOR'S REMUNERATION

For the year 2012, the remuneration paid or payable to external auditor of the Group, BDO Limited, in respect of audit services, amounted to approximately HK$449,000, and fee for non-audit related activities amounted to approximately HK$41,500.

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 Director responsibilities for preparing the financial statements is set out in this annual financial statement. The responsibilities of the external auditor about their financial reporting are set out in the Independent Auditor's Report on page 28 to 29 of this annual financial statement.

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 are 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.

Amendments in existing Articles of Associations

Since the adoption of the Articles of Association in July 2004, there have been various amendments in applicable laws and regulations including the Rules (the "GEM Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and changes in market practice.

A new set of Articles of Association was adopted and a special resolution was passed at the Annual General Meeting held on 11 May 2012. A summary of the major differences as included in the circular dated on 30 March 2012 are listed follows:–

(i) An annual general meeting shall be called by notice in writing of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice in writing of not less than twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meeting may be called by notice in writing of not less than fourteen (14) clear days and not less than ten (10) clear business days but if permitted by the GEM Listing Rules, a general meeting may be called by shorter notice if it is so agreed by the Shareholders in accordance with the Articles of Association;

(ii) All resolutions at general meetings of the Company shall be decided by poll other than a resolution which relates purely to a procedural or administrative matter as the chairman of the meeting may in good faith allow it to be voted on by a show of hands;

(iii) Subject to certain exceptions, a Director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting, and the exception that a Director may vote on such board resolution provided that he or any of his associates is not beneficially interested in more than 5% in the party with which the Company proposes to enter into a contract or arrangement shall be removed;

(iv) If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall be dealt with by a physical board meeting rather than a written resolution;

(v) Every Director shall be subject to retirement by rotation at least once every three years;

Corporate Governance Report

(vi) Directors appointed by the Board should be rotated in the next following general meeting (in the case of filling a causal vacancy) or until the next following annual general meeting (in the case of an addition to their number); and

(vii) Shareholders may by ordinary resolution remove a Director instead of by special resolution.

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 the PRC, 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 2012 AGM to answer questions of shareholders.

The Company held its annual general meeting on 11 May 2012; the Company has invited representatives of the external auditor of the Company to attend the 2012 AGM to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

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

3. The requisition can then be deposited at the company's place of business at Unit 1203, 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.

4. 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 are endeavour to take the necessary actions to ensure compliance wit the required practices and standards including the provisions of the Code on Corporate Governance Practices introduced by the Stock Exchange.

Independent Auditor's Report

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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 30 to 87, which comprise the consolidated and Company's statements of financial position as at 31 December 2012, the consolidated statement of 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 the 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 2012 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

Tsui Ka Che, Norman
Practising Certificate no. P05057

Hong Kong, 25 March 2013

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	6	**394,167**	301,830
Other income	8	**70,859**	78,062
Changes in inventories	9.1	**(282,004)**	(216,262)
Employee benefit expenses	13	**(44,835)**	(42,679)
Depreciation and amortisation		**(15,865)**	(12,789)
Operating lease charges		**(8,416)**	(13,142)
Exchange differences, net		**(1,795)**	500
Other expenses		**(45,056)**	(43,336)
Profit from operating activities		**67,055**	52,184
Finance costs	9.2	**(11,248)**	(11,150)
Profit before income tax	9.3	**55,807**	41,034
Income tax expense	10	**(21,615)**	(11,625)
Profit for the year		**34,192**	29,409
Other comprehensive income, including reclassification adjustments			
Exchange gain on translation of financial statements of foreign operations		**7,027**	8,175
Other comprehensive income, including reclassification adjustments		**7,027**	8,175
Total comprehensive income for the year		**41,219**	37,584
Profit for the year attributable to:			
Owners of the Company		**34,237**	29,454
Non-controlling interests		**(45)**	(45)
		34,192	29,409
Total comprehensive income attributable to:			
Owners of the Company		**41,248**	37,538
Non-controlling interests		**(29)**	46
		41,219	37,584
Earnings per share attributable to owners of the Company for the year (HK$ cents)	12		
Basic		**7.19**	6.18
Diluted		**7.19**	6.18

Consolidated Statement of Financial Position

as at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**82,792**	80,434
Leasehold lands	15	**4,888**	4,767
Prepaid rental expenses	16	**37,713**	36,480
Non-current receivables	18	**21**	21
		125,414	121,702
Current assets			
Inventories	19	**52,153**	30,647
Trade receivables	20	**92,791**	93,347
Prepayments, deposits and other current assets	21	**278,495**	243,646
Due from a director	27	**26**	26
Pledged deposits	22	**27,512**	23,902
Cash and cash equivalents	22	**86,129**	54,904
		537,106	446,472
Current liabilities			
Trade payables	23	**15,626**	15,646
Accruals and other payables	24	**93,830**	83,365
Pension and other employee obligations	33	**33**	29
Bills payables	25	**80,985**	42,638
Borrowings	25	**66,773**	72,478
Due to related companies	26	**315**	297
Due to directors	27	**38,615**	34,765
Tax payable	29	**21,311**	14,978
		317,488	264,196
Net current assets		**219,618**	182,276
Total assets less current liabilities		**345,032**	303,978
Non-current liabilities			
Borrowings	25	**9,956**	7,120
Deferred tax liabilities	28	**1,272**	1,272
		11,228	8,392
Net assets		**333,804**	295,586

Consolidated Statement of Financial Position

as at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	30	**47,630**	47,630
Reserves	31	**284,168**	245,921
		331,798	293,551
Non-controlling interests		**2,006**	2,035
Total equity		**333,804**	295,586

Loh Boon Cha
Director

Loh Nee Peng
Director

Statement of Financial Position

as at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	17	**80,878**	80,939
Current assets			
Other receivables	21	**219**	152
Due from a subsidiary	17	**8,121**	4,539
		8,340	4,691
Current liabilities			
Other payables	24	**1,707**	1,478
Due to subsidiaries	17	**6,841**	5,608
Due to directors	27	**507**	507
		9,055	7,593
Net current liabilities		**(715)**	(2,902)
Net assets		**80,163**	78,037
EQUITY			
Share capital	30	**47,630**	47,630
Reserves	31	**32,533**	30,407
Total equity		**80,163**	78,037

Loh Boon Cha
Director

Loh Nee Peng
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

	Equity attributable to owners of the Company								
	Share capital HK$'000 *(Note 30)*	Share premium* HK$'000 *(Note 31)*	Capital reserve* HK$'000 *(Note 31)*	Translation reserve* HK$'000 *(Note 31)*	Retained profits* HK$'000	Proposed final dividend* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total Equity HK$'000
At 1 January 2011	47,630	29,522	8,623	20,247	149,991	–	256,013	1,989	258,002
Profit for the year	–	–	–	–	29,454	–	29,454	(45)	29,409
Other comprehensive income, including reclassification adjustments									
Translation difference	–	–	–	8,084	–	–	8,084	91	8,175
Total comprehensive income for the year	–	–	–	8,084	29,454	–	37,538	46	37,584
2011 proposed final dividend**	–	–	–	–	(3,000)	3,000	–	–	–
At 31 December 2011 and 1 January 2012	47,630	29,522	8,623	28,331	176,445	3,000	293,551	2,035	295,586
Profit for the year	–	–	–	–	34,237	–	34,237	(45)	34,192
Other comprehensive income, including reclassification adjustments									
Translation difference	–	–	–	7,011	–	–	7,011	16	7,027
Total comprehensive income for the year	–	–	–	7,011	34,237	–	41,248	(29)	41,219
Dividend approved in respect of the previous year	–	–	–	–	(1)	(3,000)	(3,001)	–	(3,001)
At 31 December 2012	**47,630**	**29,522**	**8,623**	**35,342**	**210,681**	**–**	**331,798**	**2,006**	**333,804**

* These reserves accounts comprise the consolidation reserves of HK$284,168,000 (2011: HK$245,921,000) in the consolidated statement of financial position as at 31 December 2012.

** The proposed final dividend recommended by the directors after the reporting date was nil (2011: HK$0.0063) per ordinary share.

Consolidated Statement of Cash Flows

for the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Profit before income tax		55,807	41,034
Adjustments for:			
Interest expense	9.2	10,520	10,537
Interest element of finance lease rental payments	9.2	728	613
Interest income	8	(624)	(352)
Gain on disposal of property, plant and equipment	9.3	(1,098)	(892)
Depreciation of property, plant and equipment	9.3	14,815	11,743
Amortisation of prepaid rental expenses	9.3	953	949
Annual charges of prepaid operating land lease payments	9.3	97	97
Impairment of inventories	9.1	951	552
Impairment loss on trade receivables	9.3	1,173	–
Operating profit before working capital changes		83,322	64,281
(Increase)/decrease in inventories		(22,457)	829
(Increase)/decrease in trade receivables		(617)	2,617
Increase in prepayments, deposits and other current assets		(34,794)	(52,329)
Net movement in balance with directors		3,850	10,732
(Decrease)/increase in trade payables		(20)	1,573
Increase in accruals and other payables		10,465	16,857
Increase/(decrease) in pension and other employee obligations		4	(90)
Increase/(decrease) in bills payable		38,347	(14,849)
Cash generated from operations		78,100	29,621
Interest received		624	352
Interest paid		(10,520)	(10,537)
Interest element of finance lease rental payments paid		(728)	(613)
Overseas tax paid		(13,235)	(24,257)
Hong Kong Profits Tax paid		(2,511)	(1,960)
Dividend paid		(3,001)	–
Net cash from/(used in) operating activities		48,729	(7,394)

Consolidated Statement of Cash Flows

for the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,663)**	(10,740)
Proceeds from disposal of property, plant and equipment		**1,684**	1,096
Increase in pledged deposits		**(3,610)**	(451)
Increase in non-current receivables		**–**	(1)
Net cash used in investing activities		**(3,589)**	(10,096)
Cash flows from financing activities			
New bank loans		**9,011**	57,374
Repayment of bank loans		**(16,918)**	(63,713)
Capital element of finance lease rental payments		**(11,012)**	(7,492)
Net cash used in financing activities		**(18,919)**	(13,831)
Net increase/(decrease) in cash and cash equivalents		**26,221**	(31,321)
Translation adjustment		**5,004**	8,119
Cash and cash equivalents at the beginning of the year		**54,904**	78,106
Cash and cash equivalents at the end of the year		**86,129**	54,904
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**86,129**	54,904

Notes to the Financial Statements

for the year ended 31 December 2012

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 2012 were approved for issue by the Board on 25 March 2013.

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

(a) Adoption of amendments to HKFRSs – first effective on 1 January 2012

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of these amendments has no material impact on the Group's financial statements.

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

At the date of authorisation, the following new/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 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 27 (2011)	Separate Financial Statements[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

Notes to the Financial Statements

for the year ended 31 December 2012

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

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

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

The improvements made amendments to the following standards.

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) HKAS 34 Interim Financial Reporting

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

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

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

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

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

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.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

HKFRS 9 – Financial Instruments

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

Notes to the Financial Statements

for the year ended 31 December 2012

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

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

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interest in Other Entities

HKFRS 12 integrates and make consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to quantify the effects on the Group's financial statements.

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. The measurement basis are fully described in the accounting policies below.

(c) Functional and presentation currency

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

4. 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 amended 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.

4.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The results of subsidiaries disposed of during the year are included in the consolidated statement of comprehensive income up to the effective date of disposal, as appropriate.

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 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment losses unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit and loss.

Non-controlling interests

Non-controlling interests represent the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Profit or loss attributable to the non-controlling interests is presented separately in the consolidated statement of comprehensive income as an allocation of the Group's results. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

4.3 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.

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. Hong Kong dollars) 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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 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.

4.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, 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.

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.

Construction in progress, which represents buildings under construction are stated at cost less any impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on construction in progress. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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

Notes to the Financial Statements

for the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 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 4.8. 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.

4.7 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 cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units with an indefinite useful life and those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units 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 cash-generating unit'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.

4.8 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Leases *(Continued)*

(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 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.

(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.

4.9 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.

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for the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Financial assets *(Continued)*

The Group's 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.

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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 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.

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

4.11 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.

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.

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for the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Accounting for income taxes *(Continued)*

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.

4.12 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.

4.13 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.

4.14 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.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 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 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 is 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.

4.16 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 4.14).

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.

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for the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Financial liabilities *(Continued)*

Trade payables

Trade 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.

4.17 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.

4.18 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).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.18 Related parties *(Continued)*

(b) *(Continued)*

(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.

4.19 Financial guarantees issued

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

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within accruals and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised to profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

Notes to the Financial Statements

for the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 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 German Automobiles Pte Ltd. ("GAPL") to German Automobiles Limited ("GAL") (i.e. intra-group) ("Activity 3")

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

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

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

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

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

No asymmetrical 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 aging 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.

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.

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:

	2012 **HK\$'000**	2011 HK\$'000
Sales of motor vehicles	**135,709**	76,160
Technical fee income	**25,592**	36,365
Servicing of motor vehicles and sales of auto parts	**232,866**	189,305
	394,167	301,830

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7. SEGMENT INFORMATION

The Executive Directors have identified the Group's three product and service lines as operating segments as further described in note 4.20.

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

	2012			
	Activity 1 HK$'000	**Activity 2 HK$'000**	**Activity 3 HK$'000**	**Total HK$'000**
Revenue				
From external customers	**161,301**	**232,866**	**–**	**394,167**
From other segments	**–**	**–**	**4,891**	**4,891**
Reportable segment revenue	**161,301**	**232,866**	**4,891**	**399,058**
Reportable segment profit	**18,946**	**46,409**	**4,891**	**70,246**
Bank interest income	**75**	**549**	**–**	**624**
Depreciation and amortisation of non-financial assets	**(1,198)**	**(6,062)**	**–**	**(7,260)**
Write down of inventories to net realisable value	**(951)**	**–**	**–**	**(951)**
Reportable segment assets	**178,487**	**313,092**	**–**	**491,579**
Addition to non-current segment assets during the year	**–**	**20,230**	**–**	**20,230**
Reportable segment liabilities	**89,731**	**96,690**	**6,794**	**193,215**

	2011			
	Activity 1 HK$'000	Activity 2 HK$'000	Activity 3 HK$'000	Total HK$'000
Revenue				
From external customers	112,525	189,305	–	301,830
From other segments	–	–	3,047	3,047
Reportable segment revenue	112,525	189,305	3,047	304,877
Reportable segment profit	27,316	20,414	3,047	50,777
Bank interest income	106	246	–	352
Depreciation and amortisation of non-financial assets	(1,204)	(4,776)	–	(5,980)
Write down of inventories to net realisable value	(552)	–	–	(552)
Gain on disposal of property, plant and equipment	–	–	892	892
Reportable segment assets	152,720	293,045	–	445,765
Addition to non-current segment assets during the year	–	9,535	–	9,535
Reportable segment liabilities	49,976	99,272	9,535	158,783

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:

	2012 HK$'000	2011 HK$'000
Reportable segment revenues	**399,058**	304,877
Elimination of inter segment revenues	**(4,891)**	(3,047)
Group revenues	**394,167**	301,830
Reportable segment profit	**70,246**	50,777
Other income	**70,859**	78,062
Unallocated corporate expenses	**(69,159)**	(73,608)
Finance costs	**(11,248)**	(11,150)
Elimination of inter segment profits	**(4,891)**	(3,047)
Profit before income tax	**55,807**	41,034
Reportable segment assets	**491,579**	445,765
Non-current corporate assets	**140,642**	23,812
Current corporate assets	**30,299**	98,597
Group assets	**662,520**	568,174
Reportable segment liabilities	**193,215**	158,783
Non-current corporate liabilities	**9,956**	7,040
Current corporate liabilities	**125,545**	106,765
Group liabilities	**328,716**	272,588

Notes to the Financial Statements

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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 customer		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Singapore (domicile)	**–**	–	**949**	1,056
The PRC	**394,167**	301,830	**94,188**	96,856
Hong Kong	**–**	–	**30,277**	23,790
	394,167	301,830	**125,414**	121,702

The place of domicile is determined based on the location of central management.

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

During 2012, HK$49,209,000 or 12% of the Group's revenue depended on a single customer in sales of motor vehicles and provision of car-related technical service segment (2011: HK$47,087,000 or 16%).

As at 31 December 2012, 14% of the Group's trade receivables were due from this customer (2011: 24%).

8. OTHER INCOME

	2012	2011
	HK$'000	HK$'000
Rental income	**19,093**	15,478
Interest income on financial assets stated at amortised cost	**624**	352
Financial guarantee income	**3,378**	3,506
Warranty claims	**29,068**	36,911
Other income	**18,696**	21,815
	70,859	78,062

9. PROFIT BEFORE INCOME TAX

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

		2012 HK$'000	2011 HK$'000
9.1	**Changes in inventories**		
	Motor vehicles (including impairment loss of inventories of HK$951,000 (2011: HK$552,000))	126,857	73,436
	Auto parts and accessories	155,147	142,826
		282,004	216,262
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	10,520	10,537
	Interest element of finance lease rental payments	728	613
		11,248	11,150
9.3	**Other items**		
	Auditor's remuneration	449	398
	Depreciation of property, plant and equipment*	14,815	11,743
	Gain on disposal of property, plant and equipment	(1,098)	(892)
	Amortisation of prepaid rental expenses	953	949
	Annual charges of prepaid operating land lease payments	97	97
	Impairment loss on trade receivables	1,173	–

* Amount included depreciation charge of HK$5,678,000 (2011: HK$3,864,000) for the Group's assets held under finance leases.

Notes to the Financial Statements

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10. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2011: 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%.

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

	2012 HK$'000	2011 HK$'000
Current – Hong Kong		
Charge for the year	2,588	2,617
Under-provision in prior years	37	1,589
Current – Overseas		
Charge for the year	11,065	5,377
Under-provision in prior years	7,925	2,042
Total income tax expense	21,615	11,625

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

	2012 HK$'000	2011 HK$'000
Profit before income tax	55,807	41,034
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	12,541	8,301
Non-deductible expenses	3,241	5,852
Non-taxable revenue	(2,129)	(6,159)
Under-provision in prior years	7,962	3,631
Income tax expense	21,615	11,625

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 HK$34,237,000 (2011: HK$29,454,000), a profit of HK$5,127,000 (2011: a loss of HK$1,971,000) 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$34,237,000 (2011: HK$29,454,000) and on the weighted average number of 476,300,000 (2011: 476,300,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2012 and 2011 are the same as the basic earnings per share as there was no dilutive potential ordinary share for the years ended 31 December 2012 and 2011.

13. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2012 HK$'000	2011 HK$'000
Salaries and wages	38,728	34,658
Other benefits	5,537	7,376
Pension costs – defined contribution plans	570	645
	44,835	42,679

13.1 Directors emoluments

Executive Directors and Non-Executive Directors

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Contribution to defined contribution plan HK$'000	Total HK$'000
2012						
Executive Directors						
Mr. Loh Boon Cha		–	–	–	–	–
Mr. Loh Nee Peng		–	1,122	–	60	1,182
Mr. Choy Choong Yew	(a)	–	750	–	28	778
Mr. Xu Ming	(c)	–	–	–	–	–
Mr. Lin Ju Zheng	(b)	–	–	–	–	–
Mr. Tan Cheng Kim	(a)	–	361	178	67	606
Mr. Yeung Chak Sang, Johnson	(a)	–	713	119	14	846
Independent Non-Executive Directors						
Mr. Lee Kwok Yung		120	–	–	–	120
Mr. Yin Bin		–	–	–	–	–
Mr. Lin Ju Zheng	(b)	221	–	–	–	221
Ms. Song Qi Hong		148	–	–	–	148
Mr. Wong Jacob	(d)	166	–	–	–	166
		655	2,946	297	169	4,067

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

13.1 Directors emoluments *(Continued)*

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

Notes:

(a) Mr. Choy Choong Yew, Mr. Tan Cheng Kim and Mr. Yeung Chak Sang, Johnson were appointed as Executive Directors on 16 May 2012.

(b) Mr. Lin Ju Zheng was re-designated from Independent Non-Executive Director to Executive Director on 30 March 2012.

(c) Mr. Xu Ming was resigned as Executive Director on 30 March 2012.

(d) Mr. Wong Jacob was appointed as Independent Non-Executive Director on 30 March 2012.

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Contribution to defined contribution plan HK$'000	Total HK$'000
2011					
Executive Directors					
Mr. Loh Boon Cha	–	–	–	–	–
Mr. Loh Nee Peng	–	1,118	–	54	1,172
Mr. Xu Ming	–	–	–	–	–
Independent Non-Executive Directors					
Mr. Lee Kwok Yung	120	–	–	–	120
Mr. Yin Bin	218	–	–	–	218
Mr. Lin Ju Zheng	218	–	–	–	218
Ms. Song Qi Hong	145	–	–	–	145
	701	1,118	–	54	1,873

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.

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 (2011: one) directors whose emoluments are included in the analysis presented above. The emoluments payable to the remaining one (2011: four) individual during the year are as follows:

	2012 HK$'000	2011 HK$'000
Salaries, allowances and benefits in kind	588	2,055
Contributions to defined contribution plan	14	54
	602	2,109

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
HK$ Nil to HK$1,000,000	1	4

13.3 Key management personnel compensation

	2012 HK$'000	2011 HK$'000
Short term employee benefits	3,831	3,874
Post-employment benefits	183	108
	4,014	3,982

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14. PROPERTY, PLANT AND EQUIPMENT

	Group						
	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2011							
Cost	2,970	12,586	20,765	36,281	10,732	25,955	109,289
Accumulated depreciation and impairment	(2,134)	(3,680)	(10,862)	(18,877)	(7,234)	–	(42,787)
Net carrying amount	836	8,906	9,903	17,404	3,498	25,955	66,502
Year ended 31 December 2011							
Opening net carrying amount	836	8,906	9,903	17,404	3,498	25,955	66,502
Exchange differences	(9)	387	409	8	121	1,211	2,127
Additions	–	3,281	577	13,944	909	4,745	23,456
Transfer from construction in progress	–	31,911	–	–	–	(31,911)	–
Transfer from prepaid rental	–	296	–	–	–	–	296
Disposals	–	–	–	(203)	(1)	–	(204)
Depreciation	(17)	(1,274)	(2,350)	(6,953)	(1,149)	–	(11,743)
Closing net carrying amount	810	43,507	8,539	24,200	3,378	–	80,434
At 31 December 2011							
Cost	2,970	48,074	21,342	47,436	11,613	–	131,435
Accumulated depreciation and impairment	(2,160)	(4,567)	(12,803)	(23,236)	(8,235)	–	(51,001)
Net carrying amount	810	43,507	8,539	24,200	3,378	–	80,434
Year ended 31 December 2012							
Opening net carrying amount	810	43,507	8,539	24,200	3,378	–	80,434
Exchange differences	49	325	41	2	26	–	443
Additions	–	373	277	16,060	606	–	17,316
Disposals	–	–	–	(586)	–	–	(586)
Depreciation	(17)	(2,419)	(2,492)	(8,738)	(1,149)	–	(14,815)
Closing net carrying amount	842	41,786	6,365	30,938	2,861	–	82,792
At 31 December 2012							
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

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

The building is held under long team lease and located in the PRC. It is pledged to secure the banking facilities of Zhong Bao Group as disclosed in note 34 to the financial statements.

The net carrying amount of the plant and machinery and motor vehicles of the Group includes an amount of approximately HK$26,459,000 (2011: HK$19,641,000) in respect of assets held under finance leases.

Certain plant and machinery with an aggregate carrying amount of approximately HK$6,365,000 (2011: HK$8,539,000) are pledged to secure the banking facilities granted to the Group as disclosed in note 25.2 to the financial statements.

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	
	2012	2011
	HK$'000	HK$'000
Outside Hong Kong, held on		
Lease of over 50 years	**4,888**	4,767
Opening net carrying amount at 1 January	**4,767**	4,843
Annual charges	**(97)**	(97)
Exchange differences	**218**	21
Closing net carrying amount at 31 December	**4,888**	4,767

Leasehold lands with carrying amount of approximately HK$4,888,000 (2011: HK$4,767,000) are pledged to secure the banking facilities of Zhong Bao Group as disclosed in note 34 to the financial statements.

16. PREPAID RENTAL EXPENSES

	Group	
	2012	2011
	HK$'000	HK$'000
Opening net carrying amount at 1 January	**37,394**	39,025
Transfer to property, plant and equipment	**–**	(296)
Amortisation for the year	**(953)**	(949)
Exchange differences	**2,241**	(386)
Closing net carrying amount at 31 December	**38,682**	37,394
Less: Current portion of prepaid rental expenses (note 21)	**(969)**	(914)
Non-current portion	**37,713**	36,480

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16. PREPAID RENTAL EXPENSES *(Continued)*

China National Automotive Anhua Hertz Service Centre Co., Ltd. ("CNA Anhua (Hertz)")

In March 2000, the Group entered into a project development co-operation agreement (the "Agreement") with CNA Anhua (Hertz), in which a director of the Company, Mr Loh Nee Peng, had significant influence through his directorship in CNA Anhua (Hertz) before 12 March 2003. Pursuant to the Agreement, CNA Anhua (Hertz) was responsible for the development of land and buildings for use as motor vehicle showrooms, service centres, auto parts factories and other related facilities in the Guangdong Province (the "Guangdong Project"), Fujian Province (the "Fujian Project") and Beijing Municipality (the "Beijing Project"). Pursuant to the Agreement, all land title certificates and ownership of facilities belong to CNA Anhua (Hertz), while the Group has the right to use such facilities for 50 years from the date of completion of the developments without additional consideration.

Accordingly, the advances made in respect of the Agreement have been classified as prepaid rental expenses and have been charged to profit or loss over 50 years, commencing from the date of completion of the respective development projects.

The development in the Beijing Project in respect of prepaid rental expense of approximately HK$22,716,000 (2011: HK$22,716,000) was completed in 2001 and its charge for the year amounting to HK$511,000 (2011: HK$509,000). In October 2002, the Group decided to abandon the Guangdong Project. The sum prepaid was transferred for the construction of the enlarged Fujian Project. The Fujian Project in respect of prepaid rental expense of approximately HK$19,480,000 (2011: HK19,480,000) was completed in December 2003 and its charge for the year amounting to HK$442,000 (2011: HK$440,000).

17. INTERESTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**48,651**	48,651
Due from a subsidiary	**30,966**	30,966
Financial guarantee issued	**1,261**	1,322
	80,878	80,939

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.

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the 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 ("GAPL")##	Singapore	7,876,996 shares of S$1 each	100%	–	Distribution of motor vehicles and provision of technical services
German Automobiles Limited ("GAL")##	Hong Kong	20,000 ordinary shares of HK$1 each	100%	–	Sales liaison and trading of spare parts for motor vehicles and provision of technical services
Xiamen BMW Automobiles Service Co., Ltd.#	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
China Automobile Asia Pte Ltd.##	Singapore	2 shares of S$1 each	–	100%	Investment holding
RUF Automobiles Ltd##	Hong Kong	20,000 shares of HK$1 each	–	100%	Investment holding
RUF China Automobiles Trading Ltd#	The PRC	Registered capital of US$7,600,000; Paid-in capital: US$2,387,925	–	100%	Trading of motor vehicles

\# registered as a wholly foreign-owned enterprise 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.

Notes to the Financial Statements

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18. NON-CURRENT RECEIVABLES

		Group	
	Notes	**2012 HK$'000**	2011 HK$'000
Advances to NAGC Group	(a)	**504**	491
Advances to Zhong Bao Group	(b)	**182,859**	133,518
		183,363	134,009
Portion classified as current assets (note 21)	(c)	**(183,342)**	(133,988)
Non-current portion		**21**	21

Notes:

(a) The advances made to North Anhua Group Corporation ("NAGC") and certain of its subsidiaries and related companies ("NAGC Group") were principally for the operations of the distribution of motor vehicles business in the PRC. The amounts due from NAGC Group are unsecured and interest-free. During the year, the maximum outstanding balance due from NAGC Group was HK$504,000 (2011: HK$5,273,000).

(b) The Group has established a close working relationship with Xiamen Zhong Bao Automobiles Co., Limited ("Xiamen Zhong Bao") and certain of its subsidiaries and related companies ("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 were 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. During the year, the maximum outstanding balance due from Zhong Bao Group was HK$254,362,000 (2011: HK$203,900,000).

On 19 March 2013, the Group entered into agreement (the "ZB Payment Agreement") with Xiamen Zhong Bao in respect of the settlement of the outstanding receivables from Zhong Bao Group as at 31 December 2012 (the "ZB Advance"). Pursuant to the ZB Payment Agreements, Xiamen Zhong Bao agreed to settle the outstanding balance amounted to HK$182,859,000 (2011: HK$133,518,000) as at 31 December 2012 to the Group by monthly instalments by 31 October 2013. All of the existing motor vehicles purchased by Xiamen Zhong Bao have been pledged to the Group. The Group has taken physical possession of the motor vehicles purchased by Xiamen Zhong Bao as well as the related title documents of these motor vehicles. Prior to the full settlement of the ZB Advance by Xiamen Zhong Bao, all of the motor vehicles of Xiamen Zhong Bao will also be pledged to the Group. The Group will take physical possession of the motor vehicles to be purchased by Xiamen Zhong Bao as well as the related title documents of these motor vehicles. The Group will release the motor vehicles and the related title documents to Xiamen Zhong Bao upon receiving 80% of the sales proceeds of the respective motor vehicles.

(c) 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, the directors are of the opinion that the balances due from NAGC Group and Zhong Bao Group will ultimately be recovered.

19. INVENTORIES

	Group 2012 HK$'000	Group 2011 HK$'000
Motor vehicles	**29,930**	4,819
Auto parts and accessories	**22,223**	25,828
	52,153	30,647

20. TRADE RECEIVABLES

At 31 December 2012, the ageing analysis of trade receivables, based on invoice date, was as follows:

	Group 2012 HK$'000	Group 2011 HK$'000
0 – 90 days	**45,330**	39,044
91 – 180 days	**13,137**	30,143
181 – 365 days	**11,133**	8,738
Over 1 year	**27,959**	18,816
	97,559	96,741
Less: allowance for impairment of receivables	**(4,768)**	(3,394)
	92,791	93,347

In addition to the advances to NAGC Group and Zhong Bao Group as disclosed in note 18, the Group's trade receivables included trade debts of HK$71,503,000 (2011: HK$76,023,000) due from Zhong Bao Group as at 31 December 2012.

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 2012 HK$'000	Group 2011 HK$'000
At 1 January	**3,394**	3,518
Impairment loss recognised during the year	**1,173**	–
Exchanges differences	**201**	(124)
At 31 December	**4,768**	3,394

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20. TRADE RECEIVABLES *(Continued)*

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

Except for the collateral as stated in note 18(b), none of the Group's financial assets are secured by collateral or other credit enhancements.

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

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
Neither past due nor impaired	(a)	**65,097**	72,193
1 – 90 days past due	(a)	**29**	16,398
91 – 180 days past due	(a)	**4,474**	2,794
Over 180 days past due	(b)	**23,191**	1,962
		27,694	21,154
		92,791	93,347

(a) The directors are of the opinion that no further impairment of trade receivables is necessary as there was no recent history of default in respect of these trade receivables.

(b) The directors are of the opinion that the amount over 180 days past due was not impaired due to almost full settlement after the reporting date.

As at 31 December 2012, trade receivables of HK$65,097,000 (2011: HK$72,193,000) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

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

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

21. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current portion of non-current receivables (note 18)	**183,342**	133,988	**–**	–
Current portion of prepaid rental expenses (note 16)	**969**	914	**–**	–
Other prepayments and current assets	**64,055**	57,069	**219**	152
Deposit paid	**30,129**	51,675	**–**	–
	278,495	243,646	**219**	152

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
Cash and bank balances		**86,129**	54,904
Pledged deposits:			
For banking facilities granted to the Group (note 25)		**–**	6,158
Guarantee money in respect of security of suppliers	(a)	**18,536**	8,761
For banking facilities granted to NAGC Group	(b)	**8,976**	8,983
		27,512	23,902
		113,641	78,806

Notes:

(a) Some bank deposits of the Group were pledged in respect of providing security to suppliers.

(b) The banking facilities were granted up to approximately HK$29,856,000 (2011: HK$21,750,000) which were fully utilised as at 31 December 2012.

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22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(Continued)*

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 and earn interest at rates ranging from 0.19% to 1.05% (2011: 0.19% to 1.05%) per annum.

At the reporting date, the cash and bank balances and pledged deposits of the Group denominated in Renminbi ("RMB") amounted to approximately HK$97,271,000 (2011: HK$56,297,000). 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 is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
0 – 30 days	**6,258**	6,001
31 – 180 days	**2,138**	3,171
181 – 365 days	**3,073**	230
1 – 2 years	**932**	2,664
Over 2 years	**3,225**	3,580
	15,626	15,646

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

24. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**45,716**	37,873	**446**	182
Deposit received	**24,336**	21,082	**–**	–
Other payables	**19,677**	18,443	**–**	–
Financial guarantee issued	**4,101**	5,967	**1,261**	1,296
	93,830	83,365	**1,707**	1,478

25. BILLS PAYABLES AND BORROWINGS

	Notes	Group 2012 HK$'000	Group 2011 HK$'000
Borrowings			
Non-current			
Secured bank loans	25.2	–	80
Finance lease liabilities	25.4	9,956	7,040
		9,956	7,120
Current			
Secured bank loans	25.2	27,417	29,901
Unsecured bank loans		29,483	34,429
Finance lease liabilities	25.4	9,873	8,148
		66,773	72,478

25.1 Bank overdraft and bills payables to banks

At the reporting date, the Group's bills payables are secured by the Group's fixed deposits amounting to nil (2011: HK$6,158,000), which are part of the fixed deposits of HK$27,512,000 (2011: HK$23,902,000) and corporate guarantees from the Company (note 36). In addition, the Group charged and assigned its interests and rights in certain proceeds under trade and bills receivables and certain inventories in favour of a bank in respect of these bank overdrafts and bills payables.

25.2 Secured bank loans

Secured bank loans comprise:

	Notes	Group 2012 HK$'000	Group 2011 HK$'000
Term loans		27,417	29,981
Less: current portion	(i)	(27,417)	(29,901)
Non-current portion		–	80

Notes to the Financial Statements

for the year ended 31 December 2012

25. BILLS PAYABLES AND BORROWINGS *(Continued)*

25.2 Secured bank loans *(Continued)*

(i) The term loans are secured by the following:

- Pledge of bank deposits of nil (2011: HK$6,158,000), which are part of the fixed deposits of HK HK$27,512,000 (2011: HK$23,902,000) mentioned in note 22 above;
- Legal charge over the plant and machinery with net carrying amount of HK$6,365,000 (2011: HK$8,539,000) (note 14);
- Corporate guarantees provided by the Company (note 36); and
- Corporate guarantees provided by Zhong Bao Group.

25.3 Other information about the borrowings

	Group				
	Original currency	Effective interest rate (%) per annum			
		2012		2011	
		Fixed	Floating	Fixed	Floating
Bank loans	HK$	–	4.25%-6.25%	–	4.25%-6.25%
Bank loans	RMB	6.56%-7.26%	5.84%-7.544%	6.56%-7.26%	5.84%-8.54%
Finance lease liabilities	HK$	3.59%-4.91%	–	3.59%-4.91%	–

25.4 Finance lease liabilities

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

	Group	
	2012 HK$'000	2011 HK$'000
Due within one year	**10,474**	8,638
Due in the second to fifth years	**10,259**	7,263
	20,733	15,901
Future finance charges on finance leases	**(904)**	(713)
Present value of finance lease liabilities	**19,829**	15,188

25. BILLS PAYABLES AND BORROWINGS *(Continued)*

25.4 Finance lease liabilities *(Continued)*

The present value of finance lease liabilities is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Due within one year	**9,873**	8,148
Due in the second to fifth years	**9,956**	7,040
	19,829	15,188
Less: Portion due within one year included under current liabilities	**(9,873)**	(8,148)
Non-current portion included under non-current liabilities	**9,956**	7,040

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. BALANCES WITH 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	**2012**	**Maximum amount outstanding during the year**	2011
	HK$'000	**HK$'000**	HK$'000
Loh Nee Peng	**26**	**26**	26

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

Notes to the Financial Statements

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28. DEFERRED TAX LIABILITIES

The movement on the deferred tax liabilities is as follows:

	Group Accelerated tax depreciation HK$'000
Deferred tax liabilities at 1 January 2011, 31 December 2011 and 2012	1,272

At the reporting date, the Group has not recognised deferred tax liabilities in respect of temporary differences associated with undistributed earnings of the PRC subsidiaries. No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not reverse in the foreseeable future.

Deferred tax liabilities of HK$2,725,000 (2011: HK$1,319,000) 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$54,509,000 (2011: HK$26,374,000).

29. TAX PAYABLE

Included in tax payable of the Group was an amount of approximately HK$9,080,000 (2011: 3,376,000) being tax and penalty payable by subsidiaries of the Company incorporated in Singapore to the Inland Revenue Authority of Singapore ("IRAS") for prior years of assessments. Under the Singapore Income Tax Act ("ISTA"), IRAS may take actions to recover the outstanding tax payable including penalties and interest. As stipulated under the ISTA, these include the power to freeze the bank accounts of the subsidiary operated in Singapore. According to the management of the subsidiary, the subsidiary has negotiated with the IRAS for a repayment schedule in order to manage the cash flows of the subsidiary. Under the schedule, total payment of HK$2,004,000 (2011: HK$17,761,000) was made during the year. In view of the recent development of negotiation with the IRAS and the legal and tax advices, the directors of the Company are of the opinion that the Group's tax provision is fairly stated.

30. SHARE CAPITAL

	Group and Company			
	2012		2011	
	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

31. 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:

	Company			
	Share premium	**Capital reserve**	**(Accumulated losses)/ Retained profits**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	29,522	2,854	2	32,378
Loss for the year	–	–	(1,971)	(1,971)
At 31 December 2011	29,522	2,854	(1,969)	30,407
Profit for the year	–	–	5,127	5,127
Dividend paid	–	–	(3,001)	(3,001)
At 31 December 2012	**29,522**	**2,854**	**157**	**32,533**

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 therefor.

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 therefor.

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 4.3 to the financial statements.

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32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

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$15,653,000 (2011: HK$12,716,000).

33. PENSION AND OTHER EMPLOYEE OBLIGATIONS

	Group	
	2012	2011
	HK$'000	HK$'000
Current obligations on:		
– pensions – defined contributions plans	33	29

Pensions – defined contribution plans

Following the introduction of the Mandatory Provident Fund legislation in Hong Kong, the Company's subsidiary incorporated in Hong Kong participates in the defined contribution mandatory provident fund since 1 December 2000. Both the subsidiary of the Company and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation.

Employees of the Company's subsidiaries incorporated in Singapore participate in The Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore. During the year, the employees and the subsidiaries in Singapore made monthly contributions of 20% (2011: 20%) and 16% (2011: 16%) of the employees' basic salaries respectively.

As stipulated by the rules and regulations in the PRC, the PRC subsidiaries are required to contribute to a state-sponsored social insurance scheme for all of their employees at rates ranging from 6% to 30% of the basic salary of their employees. The state-sponsored retirement plan was responsible for the entire pension obligations payable to all retired employees and the subsidiaries had no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

As at the reporting date, there was no forfeited contribution available to reduce the Group's employer contribution payable in future periods.

During the year, contributions totalling HK$570,000 (2011: HK$559,000) were paid to the schemes.

34. TRANSACTIONS WITH NAGC GROUP AND ZHONG BAO GROUP

As stated in note 18 to these financial statements, NAGC Group and Zhong Bao Group have been key elements in the Group's business operations and development.

I. NAGC Group

At the reporting date, the Group had the following exposures to NAGC Group:

(i) Prepaid rental expenses made as disclosed in note 16 to the financial statements.

(ii) Advances made as disclosed in note 18 to the financial statements.

(iii) Certain fixed deposits of the Group of approximately HK$8,976,000 (2011: HK$8,983,000) pledged to a bank to secure banking facilities up to approximately HK$29,856,000 (2011: HK$21,750,000) granted to NAGC Group as disclosed in note 22 to the financial statements.

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

II. Zhong Bao Group

During the year, the Group sold motor vehicles and sales of autoparts of HK$110,825,000 (2011: HK$29,452,000) and earned technical fee income of HK$25,592,000 (2011: HK$36,366,000) from Zhong Bao Group, the details of which have been disclosed in note 18 to the financial statements.

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

(a) Advances made as disclosed in note 18 to the financial statements.

(b) Trade balances of HK$71,503,000 (2011: HK$76,023,000) receivables from Zhong Bao Group as included in "Trade receivables".

(c) Leasehold lands and buildings of approximately HK$4,888,000 (2011: HK$4,767,000) (note 15) and HK$842,000 (2011: HK$810,000) (note 14) respectively are pledged to bank to secure banking facilities up to approximately HK$149,280,000 (2011: HK$256,672,000) granted to Zhong Bao Group at the reporting date.

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

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.

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35. COMMITMENTS

35.1 As lessor

At 31 December 2012, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**10,782**	9,838
After one year but within five years	**9,729**	7,591
	20,511	17,429

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.

35.2 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 5 years.

At 31 December 2012, total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**1,549**	1,084
After one year but within five years	**185**	617
	1,734	1,701

The Company does not have any significant operating lease commitments.

35.3 Capital commitment

As at 31 December 2012, there is no outstanding construction fee for construction in progress (2011: Nil).

36. CONTINGENT LIABILITIES

At 31 December 2012, the Group had given guarantees in the ordinary course of business as follows:

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
Guarantees for bank loans to NAGC Group:	(1)	**29,856**	21,750
Guarantees for bank loans to Zhong Bao Group:	(2)	**149,280**	256,672
		179,136	278,422

Notes:

(1) The Group's fixed deposits of approximately HK$8,976,000 (2011: HK$8,983,000) are pledged to secure these banking facilities at the reporting date (note 22(b)).

(2) Leasehold lands and buildings of approximately HK$4,888,000 (2011: HK$4,767,000) (note 15) and HK$842,000 (2011: HK$810,000) (note 14) respectively are pledged to bank to secure banking facilities up to approximately HK$149,280,000 (2011: HK$256,672,000) granted to Zhong Bao Group at the reporting date.

Company

In addition to the guarantees for bank loans to NAGC Group and Zhong Bao Group disclosed above, the Company has executed guarantees amounting to approximately HK$190,761,000 (2011: HK$192,803,000) with respect to banking facilities made available to the subsidiaries.

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, 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.

Notes to the Financial Statements

for the year ended 31 December 2012

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

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2012 and 2011 may be categorised as follows. See notes 4.9 and 4.16 for explanations about how the category of financial instruments affects their subsequent measurement.

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Pledged deposits	**27,512**	23,902	**–**	–
Cash and bank deposits	**86,129**	54,904	**–**	–
	113,641	78,806	**–**	–
Loans and receivables:				
Non-current receivables	**21**	21	**–**	–
Trade receivables	**92,791**	93,347	**–**	–
Other current assets	**278,495**	243,646	**219**	152
Due from a subsidiary	**–**	–	**8,121**	4,539
Due from a director	**26**	26	**–**	–
	371,333	337,040	**8,340**	4,691
	484,974	415,846	**8,340**	4,691
Financial liabilities				
Financial liabilities at amortised cost:				
Current liabilities				
Trade payables	**15,626**	15,646	**–**	–
Other payables	**93,830**	83,365	**1,707**	1,478
Bills payables	**80,985**	42,638	**–**	–
Borrowings	**66,773**	72,478	**–**	–
Due to related companies	**315**	297	**–**	–
Due to subsidiaries	**–**	–	**6,841**	5,608
Due to directors	**38,615**	34,765	**507**	507
	296,144	249,189	**9,055**	7,593
Non-current liabilities				
Non-current portion of long-term borrowings	**9,956**	7,120	**–**	–
	306,100	256,309	**9,055**	7,593

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 NAGC Group and Zhong Bao Group as disclosed in note 36 to the financial statements.

As disclosed in note 18, the Group made advances to two business partners, NAGC Group and 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 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.

Notes to the Financial Statements

for the year ended 31 December 2012

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

Liquidity risk *(Continued)*

As at 31 December 2012 and 31 December 2011, 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 2012					
Trade payables	15,626	15,626	15,626	–	–
Other payables	93,830	93,830	93,830	–	–
Bills payables	80,985	80,985	80,985	–	–
Short-term borrowings	66,773	67,587	67,587	–	–
Due to related companies	315	315	315	–	–
Due to directors	38,615	38,615	38,615	–	–
Long-term borrowings	9,956	10,259	–	7,272	2,987
Total	306,100	307,217	296,958	7,272	2,987
Financial guaranteed issued:					
Maximum amount guaranteed (note 36)	4,101	179,136	179,136	–	–
At 31 December 2011					
Trade payables	15,646	15,646	15,646	–	–
Other payables	83,365	83,365	83,365	–	–
Bills payables	42,638	42,638	42,638	–	–
Short-term borrowings	72,478	73,326	73,326	–	–
Due to related companies	297	297	297	–	–
Due to directors	34,765	34,765	34,765	–	–
Long-term borrowings	7,120	7,545	–	7,545	–
Total	256,309	257,582	250,037	7,545	–
Financial guaranteed issued:					
Maximum amount guaranteed (note 36)	5,967	278,422	278,422	–	–

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 2012				
Other payables	**1,707**	**1,707**	**1,707**	**–**
Due to subsidiaries	**6,841**	**6,841**	**6,841**	**–**
Due to directors	**507**	**507**	**507**	**–**
Total	**9,055**	**9,055**	**9,055**	**–**
Financial guaranteed issued:				
Maximum amount guaranteed (note 36)	**1,261**	**190,761**	**190,761**	**–**
At 31 December 2011				
Other payables	1,478	1,478	1,478	–
Due to subsidiaries	5,608	5,608	5,608	–
Due to directors	507	507	507	–
Total	7,593	7,593	7,593	–
Financial guaranteed issued:				
Maximum amount guaranteed (note 36)	1,296	192,803	192,803	–

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Singapore dollars ("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 USD, the foreign exchange exposure of USD 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.

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 the RMB and USD strengthens in value against the HK$, as has occurred in 2011 and 2012, the Group's operating margins are negatively impacted unless recovered from our customers in the form of price increases. The Group currently does not have a foreign currency hedging policy.

Notes to the Financial Statements

for the year ended 31 December 2012

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

Foreign exchange risk *(Continued)*

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 2012 and 2011 are as follows:

	Group	
	Denominated in EUR HK$'000	Denominated in RMB HK$'000
2012		
Monetary assets		
Trade and other receivables	81	19,587
Prepayment, deposits and other receivables	18,611	12,130
Cash and cash equivalents	81	–
	18,773	31,717
Monetary liabilities		
Accruals and other payables	–	(199)
	–	(199)
Net monetary assets	18,773	31,518
Foreign currency strengthen/(weaken) by:	5%/(5%)	1%/(1%)
Increase/(decrease) in profit after tax and retained profits	939/(939)	315/(315)

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

Foreign exchange risk *(Continued)*

	Group	
	Denominated in EUR HK$'000	Denominated in RMB HK$'000
2011		
Monetary assets		
Trade and other receivables	28,326	31,769
Cash and cash equivalents	43	–
	28,369	31,769
Monetary liabilities		
Trade and other payables	–	(32,664)
Bills payables	(6,403)	–
	(6,403)	(32,664)
Net monetary assets/(liabilities)	21,966	(895)
Foreign currency strengthen/(weaken) by:	5%/(5%)	1%/(1%)
Increase/(decrease) in profit after tax and retained profits	1,098/(1,098)	(9)/9

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 0.23% (2011: 0.23%) 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 to the financial statements.

The Group's interest rate risk which affects its income and operating cash flows mainly arises from bank borrowings at 31 December 2012, at rates ranging from the prime rate minus 1% to the prime rate plus 1% per annum (2011: prime rate minus 1% to the prime rate plus 1% per annum).

Notes to the Financial Statements

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

Interest rate risk *(Continued)*

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 2012 would decrease/increase by HKD537,000 (2011: decrease/increase by HKD204,000). 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.

	Group	
	2012 Effect on profit after tax and retained profits HK$'000	2011 Effect on profit after tax and retained profits HK$'000
USD	**58/(58)**	(152)/152
EUR	**1/(1)**	(48)/48
RMB	**474(474)**	415/(415)
HKD	**2/(2)**	(10)/10
SGD	**2/(2)**	(1)/1

Fair values

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

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 payables, 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.

38. CAPITAL MANAGEMENT POLICIES AND PROCEDURES *(Continued)*

During the year, the Group's gearing ratio was maintained within the range of 15% to 30%. The gearing ratios at 31 December 2012 and 2011 were as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Total borrowings	**157,714**	122,236
Less: Cash and cash equivalents	**(86,129)**	(54,904)
Net debt	**71,585**	67,332
Total equity	**333,804**	295,586
Total capital	**405,389**	362,918
Gearing ratio	**18%**	19%

Financial summary

RESULTS

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Revenue	**394,167**	301,830	244,784	195,995	191,850
Other income	**70,859**	78,062	57,342	50,762	30,799
Changes in inventories	**(282,004)**	(216,262)	(182,041)	(152,716)	(156,127)
Employee benefits expenses	**(44,835)**	(42,679)	(30,762)	(25,048)	(21,760)
Depreciation and amortisation	**(15,865)**	(12,789)	(10,587)	(9,195)	(8,369)
Operating lease charges	**(8,416)**	(13,142)	(7,860)	(6,435)	(1,906)
Exchange differences, net	**(1,795)**	500	(3,554)	(5,323)	8,171
Other expenses	**(45,056)**	(43,336)	(26,154)	(23,148)	(17,098)
Profit from operating activities	**67,055**	52,184	41,168	24,892	25,560
Finance costs, net	**(11,248)**	(11,150)	(8,878)	(9,134)	(14,744)
Profit before income tax	**55,807**	41,034	32,290	15,758	10,816
Income tax expense	**(21,615)**	(11,625)	(11,066)	(5,527)	(2,992)
Profit for the year	**34,192**	29,409	21,224	10,231	7,824
Dividends (HK$ per ordinary share)	**–**	0.0063	–	–	–
	HK$ cents	HK$ cents	HK$ cents	HK$ cents	HK$ cents
Earnings per share for profit attributable to the owners of the Company for the year (HK$ cents)	**7.19**	6.18	4.72	2.36	1.91

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES					
Total assets	**662,520**	568,174	530,356	423,059	429,818
Total liabilities	**(328,716)**	(272,588)	(272,354)	(213,009)	(233,924)
	333,804	295,586	258,002	210,050	195,895
Non-controlling interests	**(2,006)**	(2,035)	(1,989)	(1,963)	(2,074)
Equity attributable to owners of the Company	**331,798**	293,551	256,013	208,087	193,820