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 2013

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

REGISTERED OFFICE

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

HEAD OFFICE

51 Goldhill Plaza #15-05
Singapore 308900

PRINCIPAL PLACE OF BUSINESS

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

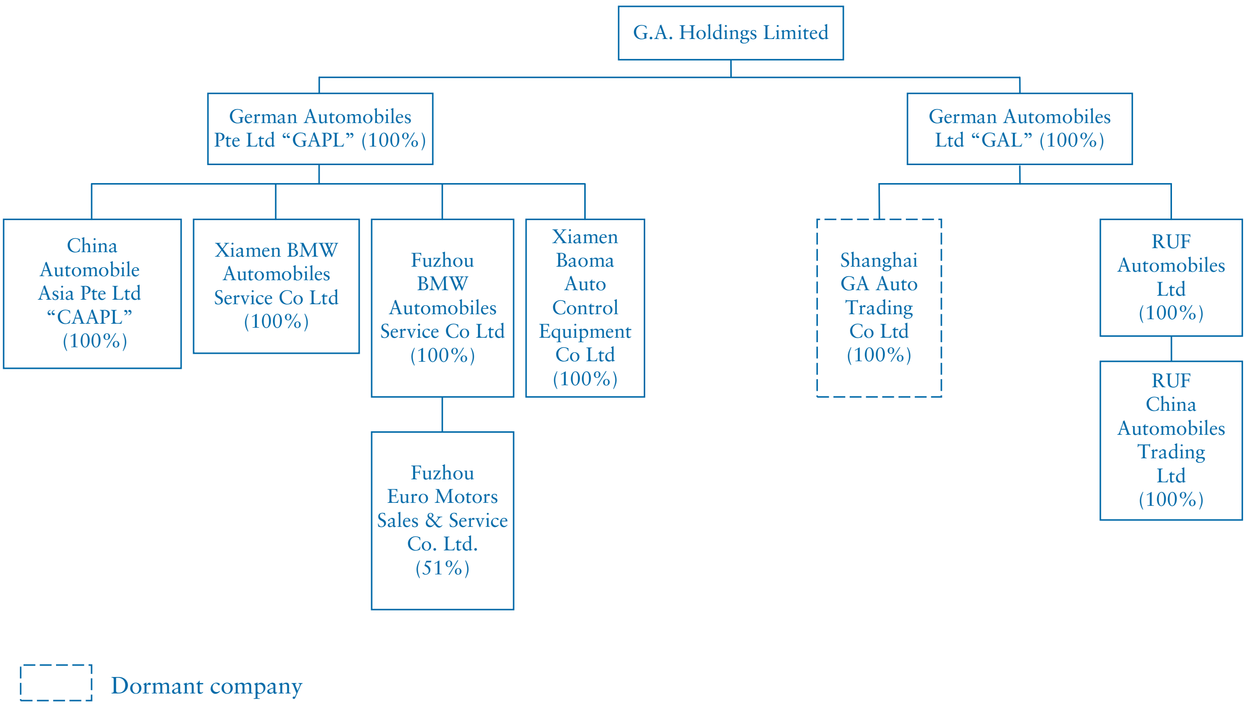
COMPANY WEBSITE

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

STOCK CODE

8126

Group Structure



Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present to the shareholders the consolidated financial statement of G.A. Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2013.

The profit after tax for the year 2013 was amounted to approximately HK$74,309,000 which was mainly contributed by profit for car-related servicing and an adjustment refund of tax received during the year.

Market of luxury cars in China saw the down and up in sales during 2013. Due to the anti-extravagance policy in the mainland, the market of luxury goods and products almost came to a standstill in early 2013. Very poor performance in sales of imported cars was recorded during the first nine months in 2013. The drop in revenue from sales of luxury cars was offset by the revenue from the technical and management services, as well as the highly demand in after sales supporting services. Around the end of the year 2013, the sales of imported cars started to recover. As a whole, the total revenue of our core business in car trading and servicing deceased by approximately 6.1%, amounted to HK$370,251,000.

During the year 2013, a subsidiary company in Singapore had got a refund of approximately HK$9M for the revision of tax assessed and paid to the tax authority of Singapore in previous years. This contributed to an exceptional increase the profit after tax of the year. Such item had already been reported as an overprovision of tax in the our interim reports during the year.

The Group has carried its first business acquisition project in October 2013 after its initial public float at GEM Board in 2002. The project is related to the dealership of a top tier European luxury car in China, in which the Group has established a strategy partnership, which the Group owns 51% interest, with an independent third party. Negotiation of the dealership is in progress and final stage, and the operation is expected to commence at a later time in 2014.

The exploration of car rental business in Macau has been suspended as the major hotels in Macau offer complimentary limosime and chauffeur services. The Group believed competition in this small segment is keen and yield is thin, and hence suspended the development during the year.

In view of retaining adequate working capital of the new dealership and related operation, the Board hence does not propose any payment of final dividend for the year ended 31 December 2013. With the introduction of more new models of by the premium automobiles manufactures and the support from our long term strategic partners and loyal customers, as well as our employees and shareholders, I am confident in a prosperous performance in 2014 by the Group.

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

Hong Kong, 26 March 2014

Biographical Information of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Loh Boon Cha, *Chairman*

Mr. Loh Boon Cha, aged 73, 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 46, 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 61, 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 of the Group since May 2012.

Mr. Lin Ju Zheng

Mr. Lin Ju Zheng, aged 66, 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 47, 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 49, is currently the qualified accountant and the company secretary of the Company and the financial controller of German Automobiles Ltd, a wholly-owned subsidiary of the Company. He joined the Group in 2005 and has 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 58, 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 42, 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 42, 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, aged 51, 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 50, 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 overall performance in current year 2013 was in line with our expectations about the long term prospects for the Group, despite continuing slowdown in the segment of sales of luxurious automobiles under the anti-extravagance campaign in China during the year.

For the year ended 31 December 2013, the total revenue of the Group slightly decreased by approximately 6.1% as compared to year 2012. Revenue generated from the sales of motor vehicles decreased by approximately 61.4%, while the segment of servicing of motor vehicles and auto parts and technical fee income increased by approximately 23.7% and 16.5% respectively, as compared to the corresponding period in year 2012. Such loss in revenue from sales of luxurious cars that attributable to the decrease in total revenue was, however, offset by the increase in revenue from the technical and management services, as well as the after sales services and parts support.

The total comprehensive income for the Group for year 2013 amounted to HK$83,472,000, representing a sharp increase of approximately 103% as compared to approximately HK$41,219,000 in year 2012. The increase was mainly due to the following reasons: (1) increase in other income which included an overprovision of approximately HK$2,400,000 of bank loan interest previously charged and approximately HK$8,730,000 reversal of tax provision previously accrued; (2) tax refunds of approximately SGD1,380,000 (equivalent to approximately HK$8,572,000) in cash were duly received from the Inland Revenue Authority of Singapore ("IRAS"). Such tax refunds were related to the revision of tax assessment on offshore income earned by a subsidiary company of the Group in Singapore in previous years; and (3) the exchange gain resulted from the translation of foreign currency transactions in Euro, Singapore dollars, Renminbi and United States dollars to Hong Kong dollars.

SALES OF MOTOR VEHICLES

Segment of sales of motor vehicles represents approximately 14.1% (2012: 34.4%) of the total Group revenue of the year 2013, amounted to approximately HK$52,336,000 (2012: HK$135,709,000). Such decrease reflects the negative impact of the anti-extravagance campaign on luxury products in China.

SERVICING OF MOTOR VEHICLES AND SALES OF AUTO PARTS

Revenue generated from the servicing of motor vehicles and sales of auto parts for the year 2013 has increased by approximately 23.7% amounted to approximately HK$288,106,000 (2012: HK$232,866,000). Servicing income attributed to approximately 77.8% (2012: 59.1%) of the total revenue. The increase was consistently due to the continuous demand of after sales support for luxurious vehicles, supplemented by the precious service of the Group's 5S servicing centers in the PRC.

TECHNICAL FEE INCOME

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

Technical fee income for the year 2013 was approximately HK$29,809,000, increased by approximately 16.5% as compared to approximately HK$25,592,000 in year 2012. The increase was due to the increase in sales of locally assembled BMW sold by Zhong Bao Group during the year.

CAR RENTAL BUSINESS

The car rental business in Hong Kong for the year 2013 was amounted to approximately HK$23,687,000, being an increase of approximately 24.1% for the year 2013 as compared to approximately HK$19,093,000 in year 2012.

FINANCIAL REVIEW

Gross Profit

The gross profit for the year 2013 was approximately HK$139,742,000 as compared to approximately HK$112,163,000 in 2012. The gross profit margin increased from approximately 28.5% in year 2012 to approximately 37.7% in year 2013. The gain was mainly due to the increase in revenue of servicing of motor vehicles and sales of auto parts, which are both high profits yielding.

Management Discussion and Analysis

Financial Resources and Liquidity

As at 31 December 2013, shareholders' fund of the Group amounted to approximately HK$448,553,000 (2012: HK$333,804,000). Current assets amounted to approximately HK$545,210,000 (2012: HK$537,106,000). Of which approximately HK$64,028,000 (2012: HK$113,641,000) were cash and bank deposits. Current liabilities amounted to approximately HK$223,862,000 (2012: HK$317,488,000) mainly represents trade payables, bills payables, bank loans, accruals and other payables and current account with Directors. The Group had non-current liabilities amounted to approximately HK$7,844,000 (2012: HK$11,228,000). The net asset value per share as at 31 December 2013 was approximately HK$0.942 (2012: HK$0.701).

Capital Structure of the Group

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

The Group obtained funding mainly from trade financing. Bank borrowings are mainly denominated in Hong Kong dollars and Renminbi.

Significant Investment

As at 31 December 2013, the Group had no significant investment held (2012: Nil).

Material Acquisitions and Disposals of Subsidiaries

On 24 October 2013, the Group acquired 100% equity interest in Fuzhou Euro Motors Sales & Service Co. Limited ("Fuzhou Euro"), a company whose principal activity is sales of high-end motor vehicles, from Zhong Bao Group at a cash consideration of RMB12,900,000 (equivalent to approximately HK$16,460,000). The acquisition was aligned with the Group's optimistic expectations to seek new opportunities to expand the Group's business and offer a wider diversity of products and services that suits the need of luxury car owners. Further details were set out in the Company's announcement dated 28 October 2013.

On 28 October 2013, the Group disposed 49% equity interest in Fuzhou Euro to another independent third party for cash proceeds of approximately RMB24,500,000 (equivalent to approximately HK$31,277,000), for the purposes of bringing in additional source of capital for the development of the distributorship business of Fuzhou Euro. Details were set out in the Company's announcement dated 31 October 2013.

For comparative purposes, the Group had no material acquisitions and disposals of subsidiaries for the year ended 31 December 2012.

Employees

As at 31 December 2013, the total number of employees of the Group was approximately 500 (2012: 451). For the year ended 31 December 2013, the staff costs including directors' remuneration of the Group amounted to approximately HK$56,020,000, representing approximately 15.1% of the total revenue of the Group. Staff costs for the year 2013 have increased by approximately 24.9% as compared to approximately HK$44,835,000 in year 2012. It is the Group policy to review its employer's pay levels and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.

Charges on Group Assets

As at 31 December 2013, there was no fixed deposits of the Group (2012: HK$8,976,000) was pledged to any bank to secure any banking facilities (2012: up to approximately HK$29,856,000) granted to North Anhua Group Corporation ("NAGC Group") as disclosed in note 21 to the financial statements.

Leasehold lands and buildings of approximately HK$4,709,000 (2012: HK$4,888,000) and HK$797,000 (2012: HK$842,000) respectively, are pledged to bank to secure banking facilities up to approximately HK$89,670,000 (2012: HK$149,280,000) granted to Zhong Bao Group at the reporting date.

Material Investments or Capital Assets

As at 31 December 2013, the Group had no future plans for material investment. (2012: Nil)

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 2013, the Group had a gearing ratio of approximately 0.03 (2012: 0.18).

Foreign Exchange Exposure

For the year ended 31 December 2013, the Group had an exchange gain of approximately HK$1,440,000 (2012: exchange loss of approximately HK$1,795,000), mainly resulted from the translation of trade receivables, and inter-company balances from Renminbi, Singapore dollars, Euro and United States dollars to Hong Kong dollars, as well the transactions of imports and exports bill denominated in Euro and United States dollars during the year.

Contingent Liabilities

As at 31 December 2013, no bank guarantee (2012: HK$29,856,000) was provided by the Group to any bank in respect of banking facilities to a related company of NAGC Group.

As at 31 December 2013, the Group provided bank guarantee amounted to HK$89,670,000 in respect of banking facilities to Zhong Bao Group (2012: HK$149,280,000).

Subsequent Events

On 14 March 2014, the Company obtained approval from its shareholders in extraordinary general meeting ("EGM") that the Group has entered into a major transaction involving the Group's provision of the facilities guarantees, in an aggregate amount of approximately RMB112 million (equivalent to approximately HK$143 million) to banks in favour of Zhong Bao Group's facilities under facilities guarantee agreements entered into with Zhong Bao Group.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2013 (2012: Nil).

PROSPECT

The Board is optimistic about the long term prospects of the sales of motor vehicles though the market is adapting to the change of customer behavior under general anti-extravagance campaign in China. With the introduction of more than ten new models of BMW, including the electric BMWi3 series in April 2014, a wider range of luxurious automobiles will be offered to our customers. Furthermore, the Board is confident in securing the dealership of a premium brand of European automobiles in near future.

Striving for growth through sustaining development in core operations car-related business the Group is also seeking dynamic expansion through acquisition or establishing business venture as appropriate.

Enhancing the level of corporate governance of the Group, further human and financial resources will be devoted. In addition, the Board is considering establishing a reporting structure of corporate social responsibility and sustainability issues which are relevant for the business of the Group.

As a whole, the Group is prudently optimistic in a fruitful result in 2014.

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 2013.

PRINCIPAL ACTIVITIES

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

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

RESULTS, DIVIDENDS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Company and the Group are set out in the consolidated financial statement on pages 30 to 99 of this report.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2013. 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 2013. (2012: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting is scheduled to be convened on Friday, 9 May 2014. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 7 May 2014 to Friday, 9 May 2014 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, 5 May 2014.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company had reserves available for distribution to shareholders amounted to approximately HK$26,916,000 (2012: HK$29,679,000). It comprised share premium of approximately HK$29,522,000 (2012: HK$29,522,000) less accumulated losses of approximately HK$2,606,000 (2012: retained profits of approximately HK$157,000).

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 2013 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 2013, 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
Name	Capacity	Personal Interest	Family Interest	Corporate Interest	Other Interests	Total	percentage of 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 Investment 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 Investment Limited and Loh & Loh Construction Group Ltd.

2. Out of the 100,149,480 shares deemed to be interested by Mr. Loh Boon Cha, 45,284,000 shares are held by Loh & Loh Construction Group Ltd. which in turn is interested as to 21% by Mr. Loh Boon Cha, 15% by Mr. Loh Kim Her, and 15% by Mr. Loh Nee Peng. Out of the 100,149,480 shares deemed interested by Mr. Loh Boon Cha, 54,865,480 shares are held by Big Reap Investment Limited which in turn is interested as to 100% by Mr. Loh Nee Peng. By virtue of the SFO, Mr. Loh Boon Cha is deemed to be interested in the shares held by Loh & Loh Construction Group Ltd. and Big Reap Investment Limited as Mr. Loh Boon Cha is the father of Mr. Loh Nee Peng and the brother of Mr. Loh Kim Her.

Save as disclosed above, as at 31 December 2013, 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 2013, 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	11.19%
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 International 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 2013, 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 2013 and up to the date of this report are:

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

Independent Non-Executive Directors
Mr. Lee Kwok Yung
Mr. Yin Bin
Miss Song Qi Hong
Mr. Wong Jacob

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. Lee Kwok Yung, Mr. Yin Bin and Mr. Wong Jacob, 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 five years and three years, commencing from 1 January 2011 and 4 August 2012 respectively, subject to early termination by the Company giving not less than three months' notice of termination or payment in lieu. 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 100 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 21 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 Renminbi ("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 39 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 2013, the percentage of sales and purchases attributable to the Group's major customers and suppliers are set out as below:

Sales	
– The largest customer	12.6%
– The total of five largest customers	36.02%
Purchases	
– The largest supplier	45.5%
– The total of five largest suppliers	66.5%

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.

AUDITORS

The financial statements of the Company for the year ended 31 December 2013 were audited by BDO Limited, who will retire and a resolution to re-appoint BDO Limited as an auditor of the Company will be proposed at the forthcoming annual general meeting.

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. Yeung Chak Sang Johnson, aged 49, 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 61, 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 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).

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 2013, 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 Listing Rule 17.14, "relevant advance to an entity" means the aggregate of amounts due from and all guarantees given on behalf of (i) an entity; (ii) the entity's controlling shareholder; (iii) the entity's subsidiaries; (iv) the entity's affiliated companies; and (v) any other entity with the same controlling shareholders.

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

Directors' Report

As at 31 December 2013, the Company's total assets were approximately HK$680,259,000.

	(Audited) As at 31 December 2013	Assets Ratio	(Audited) As at 31 December 2012	Increment as compared to Assets Ratio
	HK$'000	*(%)*	*HK$'000*	*(%)*
Guarantee to NAGC Group	–	–	29,856	N/A
Guarantees to Zhong Bao Group*	89,670	13.2%	149,280	N/A
	89,670	13.2%	179,136	

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

	(Audited) As at 31 December 2013	Assets Ratio	(Unaudited) As at 30 September 2013	Increment as compared to Assets Ratio
	HK$'000	*(%)*	*HK$'000*	*(%)*
Guarantee to NAGC Group	–	–	30,408	N/A
Guarantees to Zhong Bao Group*	89,670	13.2%	152,040	N/A
	89,670	13.2%	182,448	

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

Guarantee to NAGC Group

No guarantee (2012: HK$29,856,000) was provided to a bank in respect of banking facilities granted to NAGC Group. The above guarantee had been released during the last quarter in year 2013 for the banking facilities granted for the use in car rental business by the Three Sub-licensees in prior years. The Group did 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$89,670,000 (2012: HK$149,280,000) 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.

Subsequent to year end date, at the EGM held on 14 March 2014, the Company obtained the Shareholders' approval on the Facilities Guarantees and the Proposed Mandate. Immediately following the EGM, Xiamen BMW, an indirect wholly-owned subsidiary of the Company, entered into:

(1) the Facilities A Guarantee Agreement whereby Xiamen BMW agreed to provide a facility guarantee in favour of China CITIC Bank Xiamen Branch ("Facility A Lender") in relation to the principal (RMB50 million, equivalent to approximately HK$63.9 million), interest and fees of the borrowings under the Facilities A Agreements; and

(2) the Facilities B Guarantee Agreement whereby Xiamen BMW agreed to provide a facility guarantee in favour of China Minsheng Bank ("Facility B Lender") in relation to the principal (RMB50 million, equivalent to approximately HK$63.9 million), interest and fees of the borrowings under the Facilities B Agreements.

According to the Facilities A Agreements entered into between Facility A Lender and Xiamen Zhong Bao (the "Borrower") on 14 March 2014 and the Facilities B Agreements entered into between Facility B Lender and the Borrower on 14 March 2014, the interest in respect of Facility A and Facility B will be charged at rates to be determined at the time of utilization of the facilities, depending on the type of facilities utilized.

Details of the Facilities Guarantees, including but not limited to (i) the salient terms of the two Facilities Guarantee Agreements; (ii) background of the provision of the Facilities Guarantees which constitutes a major transaction of the Company; and (iii) information of the Borrower and the Lenders, have been set out in the Announcement as published on 14 March 2014 and Circular as published on 26 February 2014 respectively.

Taking into account the existing guarantee provided by Xiamen BMW to the Borrower of RMB70 million prior to the EGM, the aggregate amount of guarantees provided by Xiamen BMW to the Borrower immediately after entering into the Facilities Guarantee Agreements was amounted to RMB182 million (equivalent to approximately HK$232.4 million), which is based on the maximum principal amount of RMB100 million under the Facilities Agreements and the estimate maximum amount of interest and fees under the Facilities Guarantees of RMB12 million as disclosed in the Circular as published on 26 February 2014.

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 2013.

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

Hong Kong, 26 March 2014

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Group has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules (the "Code Provision") throughout the year ended 31 December 2013. 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 eight board meetings in 2013. The attendance records of each member of the Directors are set out below:

Executive Directors	Directors' Attendance
Loh Boon Cha	7/8
Loh Nee Peng	7/8
Choy Choong Yew	8/8
Lin Ju Zheng	8/8
Tan Cheng Kim	8/8
Yeung Chak Sang Johnson	8/8
Independent Non-Executive Directors	
Lee Kwok Yung	7/8
Yin Bin	8/8
Song Qi Hong	7/8
Wong Jacob	7/8

Responsibilities, accountabilities and contributions of the board and management

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

Mr. Loh Nee Peng and Mr. Loh Boon Cha have entered into a service contract with the Company for a renewal term of five years and three years, commencing from 1 January 2011 and 4 August 2012 respectively, subject to early termination by the Company giving not less than three months' notice of termination or payment in lieu. 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.

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

Retirement of directors

Under the Code Provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. According to the existing Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. In order to comply with the Code Provision A.4.2, Mr. Lee Kwok Yung, Mr. Yin Bin and Mr. Wong Jacob, 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 or Directors' duties. All our Directors are also currently member of the Hong Kong Institute of Directors and are continual improve their Directors' skill and keep up to date with all issues affecting their ability to fulfill their role.

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

Directors' Insurance

The Company has also arranged appropriate insurance cover in respect of the legal action against the Directors for the year 2013 and onwards.

CHAIRMAN AND CHIEF EXECUTIVE OFFIER

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 Independent Non-Executive Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed four Independent Non-Executive Directors, i.e. Mr. Lee Kwok Yung, Mr. Yin Bin, 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, Independent 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 renewal 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 Directors who were first appointed since year 2002 and 2004 respectively and have been continuously served as an Independent Non-Executive Director for more than nine years. In accordance with Code Provision A.4.3, the 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 held in May 2014. The Board considers that Mr. Lee and Mr. Yin continue to be independent as they have satisfied all the criteria for independence as set out in GEM Listing Rules.

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. In regard to the amendments to the Code promulgated by the Stock Exchange since year 2012, the committee adopted a revised written terms of references in compliance with the Code A.5.2.

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

During the year 2013, the Nomination Committee had held meeting once for making recommendation to the Board on annual review on the appointment of Directors, and review on assessment of the independence of the Independent Non-Executive Directors during the year and all members attended the meeting.

Remuneration Committee

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

Corporate Governance Report

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.

During the year 2013, the Remuneration Committee had met once to discuss and review the remuneration policy and structure of the Company and remuneration packages of the Independent Non-Executive Directors and the senior management under review for the year and all members attended the meeting.

Audit Committee

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

In regard to the amendments to the Code promulgated by the Stock Exchange since year 2012, the committee adopted a revised written terms of references in compliance with the Code Provision C3.3. The primary duties of the Audit Committee are mainly to (a) review the Group's annual reports, financial statements, interim reports and quarterly reports, and (b) to review and supervise the financial reporting process and the internal control procedures of the Group, and (c) liaise with the external auditor at least twice a year and provide advice and comments thereon to the Board. Further details on the terms of reference of the Audit Committee are available on the website of the Company and the website of the Stock Exchange.

During the year 2013, the Audit Committee held six meetings. The attendance record of each member of the Committee is set out as below:

Non-Executive Directors	**Attendance**
Lee Kwok Yung *(Chairman)*	6/6
Yin Bin	6/6
Song Qi Hong	6/6
Wong Jacob	6/6

The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Committee also carried out and discharged its duties set out in Code Provision. In the course of doing so, the Committee has met the company's management, qualified accountant and external auditors during 2013.

The audited financial results of the Group for the year ended 31 December 2013 have been reviewed by the Audit Committee.

AUDITOR'S REMUNERATION

For the year 2013, the remuneration paid or payable to external auditor of the Group, BDO Limited, in respect of audit services, amounted to approximately HK$495,000 (2012: approximately HK$449,000), and fee for non-audit related activities amounted to approximately HK$44,300 (2012: 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 system of internal control, including financial, operational, compliance controls and risk management functions.

A Statement of Directors responsibilities for preparing the financial statements is set out in this Annual Report. The responsibilities of the external auditor 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 available on the website of the company, that offers a communication channel between the Company and its shareholders and investors; and (iv) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters.

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

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

Corporate Governance Report

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 2013 AGM to answer questions of shareholders.

The Company held its annual general meeting on 9 May 2013; the Company has invited representatives of the external auditor of the Company to attend the 2013 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

   (d) 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.

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

LOOKING FORWARD

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

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 99, which comprise the consolidated and company statements of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 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, 26 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	6	**370,251**	394,167
Other income	8	**94,346**	70,859
Changes in inventories	9.1	**1,119**	21,506
Auto parts and accessories used, and motor vehicles purchased	9.1	**(231,628)**	(303,510)
Employee benefit expenses	13	**(56,020)**	(44,835)
Depreciation and amortisation		**(16,834)**	(15,865)
Operating lease charges		**(10,537)**	(8,416)
Exchange differences, net		**1,440**	(1,795)
Other expenses		**(58,378)**	(45,056)
Profit from operating activities		**93,759**	67,055
Finance costs	9.2	**(11,287)**	(11,248)
Profit before income tax	9	**82,472**	55,807
Income tax expense	10	**(8,163)**	(21,615)
Profit for the year		**74,309**	34,192
Other comprehensive income, item that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of financial statements of foreign operations		**9,163**	7,027
Other comprehensive income for the year		**9,163**	7,027
Total comprehensive income for the year		**83,472**	41,219

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Profit for the year attributable to:			
Owners of the Company		**75,243**	34,237
Non-controlling interests		**(934)**	(45)
		74,309	34,192
Total comprehensive income attributable to:			
Owners of the Company		**84,252**	41,248
Non-controlling interests		**(780)**	(29)
		83,472	41,219
Earnings per share attributable to owners of the Company for the year (HK$ cents)	12		
Basic		**15.80**	7.19
Diluted		**15.80**	7.19

Consolidated Statement of Financial Position

as at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	80,109	82,792
Leasehold lands	15	4,709	4,888
Prepaid rental expenses	16	35,533	37,713
Non-current receivables	21	–	21
Prepayments for acquisition of property, plant and equipment		10,900	–
Goodwill	17	3,798	–
		135,049	125,414
Current assets			
Inventories	19	53,272	52,153
Trade receivables	20	112,563	92,791
Prepayments, deposits and other current assets	21	315,321	278,495
Due from a director	27	26	26
Pledged deposits	22	9,992	27,512
Cash and cash equivalents	22	54,036	86,129
		545,210	537,106
Current liabilities			
Trade payables	23	19,155	15,626
Accruals and other payables	24	96,554	93,830
Pension and other employee obligations	33	34	33
Bills payable	25	16,987	80,985
Borrowings	25	42,449	66,773
Due to related companies	26	314	315
Due to directors	27	32,450	38,615
Tax payable	29	15,919	21,311
		223,862	317,488
Net current assets		321,348	219,618
Total assets less current liabilities		456,397	345,032
Non-current liabilities			
Borrowings	25	6,572	9,956
Deferred tax liabilities	28	1,272	1,272
		7,844	11,228
Net assets		448,553	333,804

Consolidated Statement of Financial Position

as at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	30	**47,630**	47,630
Reserves	31	**368,420**	284,168
		416,050	331,798
Non-controlling interests	34	**32,503**	2,006
Total equity		**448,553**	333,804

On behalf of the Board:

Loh Boon Cha
Director

Loh Nee Peng
Director

Statement of Financial Position

as at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	18	**80,878**	80,878
Current assets			
Other receivables	21	**224**	219
Due from a subsidiary	18	**6,411**	8,121
		6,635	8,340
Current liabilities			
Accruals and other payables	24	**2,108**	1,707
Due to subsidiaries	18	**7,498**	6,841
Due to directors	27	**507**	507
		10,113	9,055
Net current liabilities		**(3,478)**	(715)
Net assets		**77,400**	80,163
EQUITY			
Share capital	30	**47,630**	47,630
Reserves	31	**29,770**	32,533
Total equity		**77,400**	80,163

On behalf of the Board:

Loh Boon Cha
Director

Loh Nee Peng
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

	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 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									
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 and 1 January 2013	47,630	29,522	8,623	35,342	210,681	–	331,798	2,006	333,804
Profit for the year	–	–	–	–	75,243	–	75,243	(934)	74,309
Other comprehensive income									
Translation difference	–	–	–	9,009	–	–	9,009	154	9,163
Total comprehensive income for the year	–	–	–	9,009	75,243	–	84,252	(780)	83,472
Non-controlling interest of a subsidiary disposed during the year	–	–	–	–	–	–	–	31,277	31,277
At 31 December 2013	**47,630**	**29,522**	**8,623**	**44,351**	**285,924**	**–**	**416,050**	**32,503**	**448,553**

* These reserves accounts comprise the consolidation reserves of HK$368,420,000 (2012: HK$284,168,000) in the consolidated statement of financial position as at 31 December 2013.

Consolidated Statement of Cash Flows

for the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Profit before income tax		82,472	55,807
Adjustments for:			
Interest expense	9.2	10,539	10,520
Interest element of finance lease rental payments	9.2	748	728
Interest income	8	(839)	(624)
Gain on disposal of property, plant and equipment	9.3	(1,288)	(1,098)
Depreciation of property, plant and equipment	9.3	15,789	14,815
Amortisation of prepaid rental expenses	9.3	946	953
Annual charges of prepaid operating land lease payments	9.3	99	97
Impairment of inventories	9.1	–	951
Impairment loss on trade receivables	9.3	–	1,173
Operating profit before working capital changes		108,466	83,322
Increase in inventories		(1,119)	(22,457)
Increase in trade receivables		(19,772)	(617)
Decrease/(increase) in prepayments, deposits and other current assets		5,129	(34,794)
Net movement in balance with directors		–	3,850
Increase/(decrease) in trade payables		3,529	(20)
(Decrease)/increase in accruals and other payables		(51,288)	10,465
Increase in pension and other employee obligations		–	4
(Decrease)/increase in bills payable		(63,998)	38,347
Cash (used in)/generated from operations		(19,053)	78,100
Interest received		839	624
Interest paid		(10,539)	(10,520)
Interest element of finance lease rental payments paid		(748)	(728)
Overseas tax refund		8,572	–
Overseas tax paid		(17,781)	(13,235)
Hong Kong Profits Tax paid		(4,402)	(2,511)
Dividend paid		–	(3,001)
Net cash (used in)/generated from operating activities		(43,112)	48,729

Consolidated Statement of Cash Flows

for the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from investing activities			
Prepayments to acquire property, plant and equipment		**(3,924)**	–
Decrease in non-current receivables		**21**	–
Proceeds from disposal of property, plant and equipment		**2,471**	1,684
Decrease/(increase) in pledged deposits		**17,668**	(3,610)
Purchase of property, plant and equipment		**(12,754)**	(1,663)
Acquisition of subsidiary, net of cash acquired	35	**1,150**	–
Net cash generated from/(used in) investing activities		**4,632**	(3,589)
Cash flows from financing activities			
New bank loans		**83,352**	9,011
Repayment of bank loans		**(100,622)**	(16,918)
Capital element of finance lease rental payments		**(11,646)**	(11,012)
Net movement in balance with directors		**(6,165)**	–
Cash proceed of disposal of non-controlling interest of a subsidiary		**31,277**	–
Net cash used in financing activities		**(3,804)**	(18,919)
Net (decrease)/increase in cash and cash equivalents		**(42,284)**	26,221
Translation adjustments		**10,191**	5,004
Cash and cash equivalents at the beginning of the year		**86,129**	54,904
Cash and cash equivalents at the end of the year		**54,036**	86,129
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**54,036**	86,129

Notes to the Financial Statements

for the year ended 31 December 2013

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 2013 were approved for issue by the Board of Directors on 26 March 2014.

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

(a) Adoption of new or revised to HKFRSs – effective on 1 January 2013

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 19 (2011)	Employee Benefits
HK(IFRIC) – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine
Amendments to HKFRS 1	Government loans

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

Amendments to HKAS1 (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 and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 December 2013. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of profit or loss and other comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance. The title used by HKAS 1 for the "Statement of Comprehensive Income" has been changed to "Statement of profit or loss and other comprehensive income". The Group has chosen to use this new title.

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

(a) Adoption of new or revised to HKFRSs – effective on 1 January 2013 *(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 accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The adoption does not change any of the control conclusion which by the Group in respect of its involvement with other entities as at 1st January 2013.

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

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

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[1]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC) 21	Levies[1]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

Notes to the Financial Statements

for the year ended 31 December 2013

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

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

Amendments to HKAS 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.

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.

Amendments to HKFRS 9, HKFRS 7 and HKAS 39 – Hedge Accounting

The amendments overhaul hedge accounting to allow entities to better reflect their risk management activities in financial statements. Changes included in HKFRS 9 to address the own credit risk issue on financial liabilities designated at fair value through profit or loss can be applied in isolation without the need to change any other accounting for financial instruments. The amendments also remove the 1 January 2015 effective date for HKFRS 9.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

Amendments to HKAS 19 (2011) – Defined Benefit Plans: Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service.

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

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

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

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014.

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The amendments provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

HK (IFRIC) 21 – Levies

HK (IFRIC) 21 clarifies that an entity recognizes a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs.

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent charges to a number of standards where they are currently unclear. Among them HKAS 16 Property, Plant and Equipment has been amended to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

Notes to the Financial Statements

for the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

4.1 Basis of consolidation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.1 Basis of consolidation *(Continued)*

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

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

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

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

4.2 Subsidiaries

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

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivables.

Notes to the Financial Statements

for the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 Goodwill

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

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

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

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

4.4 Foreign currency translation

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

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 non-controlling 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)*

4.5 Revenue recognition

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

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Services fees are recognised when the relevant services are rendered.

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

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

4.6 Property, plant and equipment

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Leasehold land

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 4.9. Amortisation is calculated on a straight line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

4.8 Impairment of non-financial assets

The Group's property, plant and equipment, leasehold lands, prepaid rental expenses and the Company's interest in subsidiaries are subject to impairment testing.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a 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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Leases

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

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

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

(iii) Operating lease charges as the lessee

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

Notes to the Financial Statements

for the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Leases *(Continued)*

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

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

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

4.10 Financial assets

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

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

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 contractual rights to receive cash flows from the financial assets expire when the financial assets have been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial assets *(Continued)*

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

4.11 Inventories

Inventories are initially recognised at cost, and subsequently 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.

Notes to the Financial Statements

for the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Accounting for income taxes

Income tax comprises current and deferred tax.

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

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

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 in 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 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.

4.13 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4.14 Share capital

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

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

4.15 Borrowing costs

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

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.

Notes to the Financial Statements

for the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Retirement benefit costs and short term employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are 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.

4.17 Financial liabilities

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

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

A financial liability is derecognised when the obligation under the liability is discharged, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 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.

4.18 Provisions and contingent liabilities

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

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

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

Notes to the Financial Statements

for the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.19 Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

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

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

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

(v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 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.

4.21 Segment reporting

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

The Group has identified the following reportable segments:

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

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

- Commission income from sales of cars from German Automobiles Pte Limited ("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.

Notes to the Financial Statements

for the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.21 Segment reporting *(Continued)*

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

- rental income
- financial guarantee 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 ageing analysis of accounts and on management's judgement. A considerable amount of judgement and estimates are required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer and debtor. If the financial condition of the debtors was to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

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

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.

Impairment of goodwill

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

6. REVENUE

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

	2013 HK$'000	2012 HK$'000
Sales of motor vehicles	**52,336**	135,709
Technical fee income	**29,809**	25,592
Servicing of motor vehicles and sales of auto parts	**288,106**	232,866
	370,251	394,167

Notes to the Financial Statements

for the year ended 31 December 2013

7. SEGMENT INFORMATION

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

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

	2013			
	Activity 1 HK$'000	Activity 2 HK$'000	Activity 3 HK$'000	Total HK$'000
Revenue				
From external customers	82,145	288,106	–	370,251
From other segments	–	–	1,577	1,577
Reportable segment revenue	82,145	288,106	1,577	371,828
Reportable segment profit	21,474	39,037	1,577	62,088
Bank interest income	29	810	–	839
Depreciation and amortisation of non-financial assets	(1,054)	(5,911)	–	(6,965)
Reportable segment assets	135,639	409,471	–	545,110
Addition to non-current segment assets during the year	–	3,043	–	3,043
Reportable segment liabilities	24,277	81,322	2,792	108,391

7. SEGMENT INFORMATION *(Continued)*

	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

Notes to the Financial Statements

for the year ended 31 December 2013

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:

	2013 HK$'000	2012 HK$'000
Reportable segment revenues	371,828	399,058
Elimination of inter segment revenues	(1,577)	(4,891)
Group revenues	370,251	394,167
Reportable segment profit	62,088	70,246
Other income	56,297	41,791
Unallocated corporate expenses	(23,049)	(40,091)
Finance costs	(11,287)	(11,248)
Elimination of inter segment profits	(1,577)	(4,891)
Profit before income tax	82,472	55,807
Reportable segment assets	545,110	491,579
Non-current corporate assets	39,896	30,299
Current corporate assets	95,253	140,642
Group assets	680,259	662,520
Reportable segment liabilities	108,391	193,215
Non-current corporate liabilities	6,572	9,956
Current corporate liabilities	116,743	125,545
Group liabilities	231,706	328,716

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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Singapore (domicile)	**–**	–	**877**	949
The PRC	**370,251**	394,167	**105,177**	94,188
Hong Kong	**–**	–	**28,995**	30,277
	370,251	394,167	**135,049**	125,414

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 the year, HK$46,703,000 or 13% of the Group's revenue depended on a single customer in sales of motor vehicles and provision of car-related technical service segment (2012: HK$49,209,000 or 12%).

As at 31 December 2013, 31% of the Group's trade receivables were due from this customer (2012: 14%).

8. OTHER INCOME

	2013	2012
	HK$'000	HK$'000
Rental income	**23,687**	19,093
Interest income on financial assets stated at amortised cost	**839**	624
Financial guarantee income	**3,029**	3,378
Warranty claims	**38,049**	29,068
Other income	**28,742**	18,696
	94,346	70,859

Notes to the Financial Statements

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9. PROFIT BEFORE INCOME TAX

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

		2013 HK$'000	2012 HK$'000
9.1	**Changes in inventories**		
	– Motor vehicles	**3,489**	(25,111)
	– Auto parts and accessories	**(4,608)**	3,605
		(1,119)	(21,506)
	Auto parts and accessories used, and motor vehicles purchased		
	– Motor vehicles (including impairment loss of inventories of nil (2012: HK$951,000))	**43,835**	151,968
	– Auto parts and accessories	**187,793**	151,542
		231,628	303,510
		230,509	282,004
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	**10,539**	10,520
	Interest element of finance lease rental payments	**748**	728
		11,287	11,248
9.3	**Other items**		
	Auditor's remuneration	**495**	449
	Depreciation of property, plant and equipment*	**15,789**	14,815
	Gain on disposal of property, plant and equipment	**(1,288)**	(1,098)
	Amortisation of prepaid rental expenses	**946**	953
	Annual charges of prepaid operating land lease payments	**99**	97
	Impairment loss on trade receivables	**–**	1,173

* Amount included depreciation charge of HK$5,731,000 (2012: HK$5,678,000) for the Group's assets held under finance leases.

10. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 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% (2012: 25%).

The income tax provision in respect of operations in Singapore is calculated at the rate of 17% (2012: 17%) on the estimated assessable profits for the year.

	2013 HK$'000	2012 HK$'000
Current – Hong Kong		
Charge for the year	**3,135**	2,588
Under-provision in prior years	**327**	37
Current – Overseas		
Charge for the year	**18,053**	11,065
(Over)/under-provision in prior years	**(13,352)**	7,925
Total income tax expense	**8,163**	21,615

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

	2013 HK$'000	2012 HK$'000
Profit before income tax	**82,472**	55,807
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**18,768**	12,541
Non-deductible expenses	**12,446**	3,241
Non-taxable revenue	**(10,835)**	(2,129)
(Over)/under-provision in prior years	**(13,025)**	7,962
Others	**809**	–
Income tax expense	**8,163**	21,615

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

Notes to the Financial Statements

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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$75,243,000 (2012: HK$34,237,000), a loss of HK$2,763,000 (2012: a profit of HK$5,127,000) 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$75,243,000 (2012: HK$34,237,000) and on the weighted average number of 476,300,000 (2012: 476,300,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2013 and 2012 are the same as the basic earnings per share as there was no dilutive potential ordinary share for the years ended 31 December 2013 and 2012.

13. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2013 **HK$'000**	2012 HK$'000
Salaries and wages	**46,019**	38,728
Other benefits	**9,363**	5,537
Pension costs – defined contribution plans	**638**	570
	56,020	44,835

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

13.1 Directors emoluments

Executive Directors and Independent Non-Executive Directors

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

Notes to the Financial Statements

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

13.1 Directors emoluments *(Continued)*

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

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Contributions to defined contribution plan HK$'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 Zhang	(b)	221	–	–	–	221
Ms. Song Qi Hong		148	–	–	–	148
Mr. Wong Jacob	(d)	166	–	–	–	166
		655	2,946	297	169	4,067

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.

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 (2012: four) directors whose emoluments are included in the analysis presented above. The emoluments payable to the remaining one (2012: one) individuals during the year are as follows:

	2013 HK$'000	2012 HK$'000
Salaries, allowances and benefits in kind	643	588
Contributions to defined contribution plan	15	14
	658	602

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands		
HK$ Nil to HK$1,000,000	1	1

13.3 Key management personnel compensation

	2013 HK$'000	2012 HK$'000
Short term employee benefits	5,561	3,831
Post-employment benefits	226	183
	5,787	4,014

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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$'000	Total HK$'000
At 1 January 2012						
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
Year ended 31 December 2013						
Opening net carrying amount	842	41,786	6,365	30,938	2,861	82,792
Exchange differences	(28)	1,209	156	18	63	1,418
Additions	–	–	898	9,680	2,176	12,754
Disposals	–	–	–	(1,142)	–	(1,142)
Depreciation	(17)	(2,343)	(2,343)	(10,066)	(1,020)	(15,789)
Acquisition of a subsidiary	–	–	–	–	76	76
Closing net carrying amount	**797**	**40,652**	**5,076**	**29,428**	**4,156**	**80,109**
At 31 December 2013						
Cost	2,970	48,447	22,517	61,427	14,654	150,015
Accumulated depreciation and impairment	(2,173)	(7,795)	(17,441)	(31,999)	(10,498)	(69,906)
Net carrying amount	**797**	**40,652**	**5,076**	**29,428**	**4,156**	**80,109**

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 36 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$23,724,000 (2012: HK$26,459,000) in respect of assets held under finance leases.

No plant and machinery (2012: with an aggregate carrying amount of approximately HK$6,365,000) are pledged to secure the banking facilities granted to the Group.

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	
	2013	2012
	HK$'000	HK$'000
Outside Hong Kong, held on		
Lease of over 50 years	**4,709**	4,888
Opening net carrying amount at 1 January	**4,888**	4,767
Annual charges	**(99)**	(97)
Exchange differences	**(80)**	218
Closing net carrying amount at 31 December	**4,709**	4,888

Leasehold lands with carrying amount of approximately HK$4,709,000 (2012: HK$4,888,000) are pledged to secure the banking facilities of Zhong Bao Group as disclosed in note 36 to the financial statements.

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16. PREPAID RENTAL EXPENSES

	Group	
	2013	2012
	HK$'000	HK$'000
Opening net carrying amount at 1 January	**38,682**	37,394
Amortisation for the year	**(946)**	(953)
Exchange differences	**(1,266)**	2,241
Closing net carrying amount at 31 December	**36,470**	38,682
Less: Current portion of prepaid rental expenses (note 21)	**(937)**	(969)
Non-current portion	**35,533**	37,713

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 (2012: HK$22,716,000) was completed in 2001 and its charge for the year amounting to HK$509,000 (2012: HK$511,000). 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 (2012: HK19,480,000) was completed in December 2003 and its charge for the year amounting to HK$437,000 (2012: HK$442,000).

17. GOODWILL

Group

	2013 HK$'000	2012 HK$'000
At 1 January	–	–
Acquired through business combinations (note 35)	3,783	–
Exchange adjustment	15	–
At 31 December	3,798	–

Impairment assessment of goodwill

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

The recoverable amounts of the CGU, car dealership, have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3%, which does not exceed the long-term growth rate for the automobile industry in the PRC. Discount rate is 24% which is pre-tax and reflect specific risks relating to the relevant CGU. Operating margin is 12% which has been based management's past experience.

No impairment of goodwill is necessary as at 31 December 2013 (2012: Nil).

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18. INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	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**	1,261
	80,878	80,878

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

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

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the 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 of US$7,600,000; Paid-in capital of US$2,387,925	–	100%	Trading of motor vehicles
Fuzhou Euro Motors Sales and Services Co., Ltd. ("Fuzhou Euro") ##	The PRC	Registered and Paid-in capital of RMB50,000,000	–	51%	Sales of high-end motor vehicles

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

registered as a limited liability under the PRC law

incorporated as a limited liability company under local jurisdiction

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

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19. INVENTORIES

	Group	
	2013	2012
	HK$'000	HK$'000
Motor vehicles	**26,441**	29,930
Auto parts and accessories	**26,831**	22,223
	53,272	52,153

20. TRADE RECEIVABLES

At 31 December 2013, the ageing analysis of trade receivables, based on invoice date, was as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
0 – 90 days	**26,722**	45,330
91 – 180 days	**16,795**	13,137
181 – 365 days	**40,572**	11,133
Over 1 year	**33,182**	27,959
	117,271	97,559
Less: allowance for impairment of receivables	**(4,708)**	(4,768)
	112,563	92,791

In addition to the advances to NAGC Group and Zhong Bao Group as disclosed in note 21, the Group's trade receivables included trade debts of HK$90,881,000 (2012: HK$71,503,000) due from Zhong Bao Group as at 31 December 2013.

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	
	2013	2012
	HK$'000	HK$'000
At 1 January	**4,768**	3,394
Impairment loss recognised during the year	**–**	1,173
Exchanges differences	**(60)**	201
At 31 December	**4,708**	4,768

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 21(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	
		2013	2012
	Notes	HK$'000	HK$'000
Neither past due nor impaired	(a)	**72,958**	65,097
1 – 90 days past due	(a)	**2,855**	29
91 – 180 days past due	(a)	**9,782**	4,474
Over 180 days past due	(b)	**26,968**	23,191
		39,605	27,694
		112,563	92,791

Notes:

(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.

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20. TRADE RECEIVABLES *(Continued)*

As at 31 December 2013, trade receivables of HK$72,958,000 (2012: HK$65,097,000) 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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Advances to NAGC Group (note a)	**508**	504	**–**	–
Advances to Zhong Bao Group (note b)	**180,422**	182,859	**–**	–
Portion classified as non-current assets	**–**	(21)	**–**	–
Current portion of advances to NAGC Group and Zhong Bao Group	**180,930**	183,342	**–**	–
Current portion of prepaid rental expenses (note 16)	**937**	969	**–**	–
Other prepayments and current assets	**102,916**	64,055	**224**	219
Deposit paid	**30,538**	30,129	**–**	–
	315,321	278,495	**224**	219

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

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$508,000 (2012: HK$504,000).

(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$266,569,000 (2012: HK$254,362,000).

On 19 March 2014, 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 2013 (the "ZB Advance"). Pursuant to the ZB Payment Agreements, Xiamen Zhong Bao agreed to settle the outstanding balance amounted to HK$180,422,000 (2012: HK$182,859,000) as at 31 December 2013 to the Group by monthly instalments by 30 September 2014. 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.

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22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group	
	Notes	**2013** **HK$'000**	2012 HK$'000
Cash and bank balances		**54,036**	86,129
Pledged deposits:			
Guarantee money in respect of security of suppliers	(a)	**9,992**	18,536
For banking facilities granted to NAGC Group	(b)	**–**	8,976
		9,992	27,512
		64,028	113,641

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 which were fully utilised as at 31 December 2012. No fixed deposits are pledged to secure these banking facilities at the reporting date.

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 0.17% to 0.4% (2012: 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$55,634,000 (2012: HK$97,271,000). 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	
	2013	2012
	HK$'000	HK$'000
0 – 30 days	**13,947**	6,258
31 – 180 days	**1,983**	2,138
181 – 365 days	**884**	3,073
1 – 2 years	**915**	932
Over 2 years	**1,426**	3,225
	19,155	15,626

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

24. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**44,355**	45,716	**847**	446
Deposit received	**26,294**	24,336	**–**	–
Other payables	**24,753**	19,677	**–**	–
Financial guarantee issued	**1,152**	4,101	**1,261**	1,261
	96,554	93,830	**2,108**	1,707

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25. BILLS PAYABLE AND BORROWINGS

25.1 Bills payable to banks and bank loans

2013

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

2012

	Group					
	Secured HK$'000	Unsecured HK$'000	Total secured and unsecured HK$'000	Guaranteed HK$'000	Unguaranteed HK$'000	Total Guaranteed and Unguaranteed HK$'000
Non-current						
Borrowings						
Finance lease liabilities	9,956	–	9,956	–	9,956	9,956
Current						
Bills Payable	–	80,985	80,985	80,985	–	80,985
Borrowings						
Bank loans	27,417	29,483	56,900	5,522	51,378	56,900
Finance lease liabilities	9,873	–	9,873	–	9,873	9,873
	37,290	29,483	66,773	5,522	61,251	66,773
Total	47,246	110,468	157,714	86,507	71,207	157,714

25. BILLS PAYABLE AND BORROWINGS *(Continued)*

25.1 Bills payable to banks and bank loans *(Continued)*

As at 31 December 2013, the Group's trust receipt loans of HK$16,987,000 (2012: HK$80,985,000) and banks loans of HK$1,520,000 (2012: HK$5,522,000) are guaranteed by the Company.

25.2 Finance lease liabilities

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

	Group	
	2013	2012
	HK$'000	HK$'000
Due within one year	**11,313**	10,474
Due in the second to fifth years	**6,699**	10,259
	18,012	20,733
Future finance charges on finance leases	**(615)**	(904)
Present value of finance lease liabilities	**17,397**	19,829

The present value of finance lease liabilities is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Due within one year	**10,825**	9,873
Due in the second to fifth years	**6,572**	9,956
	17,397	19,829
Less: Portion due within one year included under current liabilities	**(10,825)**	(9,873)
Non-current portion included under non-current liabilities	**6,572**	9,956

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

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25. BILLS PAYABLES AND BORROWINGS *(Continued)*

25.3 Other information about the borrowings

	Group				
		Effective interest rate (%) per annum			
	Original currency	2013		2012	
		Fixed	Floating	Fixed	Floating
Bank loans	HK$	**6.25%**	**–**	–	4.25%-6.25%
Bank loans	RMB	**6.3%-7.2%**	**–**	6.56%-7.26%	5.84%-7.544%
Finance lease liabilities	HK$	**2.5%-4.91%**	**–**	3.59%-4.91%	–

26. DUE TO RELATED COMPANIES

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

27. DUE FROM A DIRECTOR/DUE TO DIRECTORS

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

	Group		
Name	2013 HK$'000	Maximum amount outstanding during the year HK$'000	2012 HK$'000
Mr. Loh Nee Peng	**26**	**26**	26

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

28. DEFERRED TAX LIABILITIES

No movement on the deferred tax liabilities during the year:

	Group
	Accelerated tax depreciation
	HK$'000
Deferred tax liabilities at 1 January 2012, 31 December 2012 and 2013	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$5,793,000 (2012: HK$2,725,000) 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$115,856,000 (2012: HK$54,509,000).

29. TAX PAYABLE

Included in tax payable of the Group was an amount of approximately nil (2012: HK$9,080,000) 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 ("SITA"), IRAS may take actions to recover the outstanding tax payable including penalties and interest. As stipulated under the SITA, 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 was made during the year ended 31 December 2012. During the current year, IRAS finalised the tax assessment and made tax refund as explained in note 10 to the financial statements.

30. SHARE CAPITAL

	Group and Company			
	2013		2012	
	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

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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 HK$'000	Capital reserve HK$'000	(Accumulated losses)/retained profits HK$'000	Total HK$'000
At 1 January 2012	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
Loss for the year	–	–	(2,763)	(2,763)
At 31 December 2013	**29,522**	**2,854**	**(2,606)**	**29,770**

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 4.4 to the financial statements.

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$9,214,000 (2012: HK$15,653,000).

33. PENSION AND OTHER EMPLOYEE OBLIGATIONS

	Group	
	2013	2012
	HK$'000	HK$'000
Current obligations on:		
– pensions – defined contributions plans	**34**	33

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% (2012: 20%) and 16% (2012: 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$638,000 (2012: HK$570,000) were paid to the schemes.

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34. NON-CONTROLLING INTERESTS

On 28 October 2013, the Group disposed of 49% equity interest in Fuzhou Euro to a third party for cash proceeds of approximately HK$31,277,000 (equivalent to RMB24,500,000) and a non-controlling interest ("NCI") of approximately HK$31,277,000 is recognised.

	HK'000
Proceeds from disposal of non-controlling interest in a subsidiary	31,277
Net assets attributable to non-controlling interest in a subsidiary	(29,422)
Goodwill attributable to non-controlling interest in a subsidiary	(1,855)
	(31,277)
Change in equity attributable to owners of the Company	–

34. NON-CONTROLLING INTERESTS *(Continued)*

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

	2013 HK$'000
For the year ended 31 December	
Revenue	–
Loss for the year	(4,983)
Total comprehensive expense	(4,983)
Loss allocated to NCI	(934)
Dividends paid to NCI	–
For the year ended 31 December	
Cash flows from operating activities	(22,131)
Cash flows from investing activities	(11,753)
Cash flows from financing activities	47,525
Net cash inflows	13,641
Current assets	56,529
Non-current assets	11,826
Current liabilities	(10,035)
Net assets	58,320

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35. BUSINESS ACQUISITION DURING THE YEAR

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

The fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

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

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

The fair value of other receivables amounted to approximately HK$49,003,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

36. TRANSACTIONS WITH NAGC GROUP AND ZHONG BAO GROUP

As stated in note 21 to the 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 21 to the financial statements.

(iii) No fixed deposits of the Group (2012: HK$8,976,000) are pledged to any bank to secure banking facilities (2012: HK$29,856,000) granted to NAGC Group as disclosed in note 22 to the financial statements.

II. Zhong Bao Group

During the year, the Group sold motor vehicles and sales of autoparts of HK$92,450,000 (2012: HK$110,825,000) and earned technical fee income of HK$29,809,000 (2012: HK$25,592,000) from Zhong Bao Group, the details of which have been disclosed in note 21 to the financial statements.

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

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

(b) Trade balances of HK$90,881,000 (2012: HK$71,503,000) receivables from Zhong Bao Group as included in "Trade receivables".

(c) Leasehold lands and buildings of approximately HK$4,709,000 (2012: HK$4,888,000) (note 15) and HK$797,000 (2012: HK$842,000) (note 14) respectively are pledged to bank to secure banking facilities up to approximately HK$89,670,000 (2012: HK$149,280,000) granted to Zhong Bao Group at the reporting date.

(d) Contingent liabilities arising from transactions as disclosed in note 38 to the financial statements.

(e) Acquisition of a subsidiary as disclosured in note 35.

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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37. COMMITMENTS

37.1 As lessor

At 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**12,200**	10,782
After one year but within five years	**8,266**	9,729
	20,466	20,511

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.

37.2 As lessee

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

At 31 December 2013, total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**4,810**	1,549
After one year but within five years	**13,869**	185
After five years	**18,727**	–
	37,406	1,734

37.3 Capital commitment

As at 31 December 2013, there is commitment of the purchase of property, plant and equipment of approximately HK$570,000 (2012: Nil).

38. CONTINGENT LIABILITIES

At 31 December 2013, the Group had given guarantees in the ordinary course of business as follows:

		Group	
	Notes	2013 HK$'000	2012 HK$'000
Guarantee for bank loan to NAGC Group:	(a)	–	29,856
Guarantees for bank loans to Zhong Bao Group:	(b)	89,670	149,280
		89,670	179,136

Notes:

(a) No guarantee (2012: HK$29,856,000) was provided to any bank in respect of banking facilities granted to NAGC Group.

(b) Leasehold lands and buildings of approximately HK$4,709,000 (2012: HK$4,888,000) (note 15) and HK$797,000 (2012: HK$842,000) (note 14) respectively are pledged to bank to secure banking facilities up to approximately HK$89,670,000 (2012: HK$149,280,000) granted to Zhong Bao Group at the reporting date.

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$149,572,000 (2012: HK$190,761,000) with respect to banking facilities made available to the subsidiaries.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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39. 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 2013 and 2012 may be categorised as follows. See notes 4.10 and 4.17 for explanations about how the category of financial instruments affects their subsequent measurement.

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Financial assets				
Pledged deposits	**9,992**	27,512	**–**	–
Cash and bank deposits	**54,036**	86,129	**–**	–
	64,028	113,641	**–**	–
Loans and receivables:				
Non-current receivables	**–**	21	**–**	–
Trade receivables	**112,563**	92,791	**–**	–
Other current assets	**315,321**	278,495	**224**	219
Due from a subsidiary	**–**	–	**6,411**	8,121
Due from a director	**26**	26	**–**	–
	427,910	371,333	**6,635**	8,340
	491,938	484,974	**6,635**	8,340
Financial liabilities				
Financial liabilities at amortised cost:				
Current liabilities				
Trade payables	**19,155**	15,626	**–**	–
Other payables	**96,554**	93,830	**2,108**	1,707
Bills payables	**16,987**	80,985	**–**	–
Borrowings	**42,449**	66,773	**–**	–
Due to related companies	**314**	315	**–**	–
Due to subsidiaries	**–**	–	**7,498**	6,841
Due to directors	**32,450**	38,615	**507**	507
	207,909	296,144	**10,113**	9,055
Non-current liabilities				
Non-current portion of long-term borrowings	**6,572**	9,956	**–**	–
	214,481	306,100	**10,113**	9,055

39. 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 38 to the financial statements.

As disclosed in note 21, 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.

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

Liquidity risk *(Continued)*

As at 31 December 2013 and 31 December 2012, the Group's and Company's financial liabilities have contractual maturities which are summarised below:

	Group				
	Carrying amount	Total contractual undiscounted cash flows	Within one year or on demand	More than one year but less than two years	More than two years but less than five years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2013					
Trade payables	**19,155**	**19,155**	**19,155**	**–**	**–**
Other payables	**96,554**	**96,554**	**96,554**	**–**	**–**
Bills payables	**16,987**	**16,987**	**16,987**	**–**	**–**
Short-term borrowings	**42,449**	**44,244**	**44,244**	**–**	**–**
Due to related companies	**314**	**314**	**314**	**–**	**–**
Due to directors	**32,450**	**32,450**	**32,450**	**–**	**–**
Long-term borrowings	**6,572**	**6,699**	**–**	**6,226**	**473**
Total	**214,481**	**216,403**	**209,704**	**6,226**	**473**
Financial guaranteed issued: Maximum amount guaranteed (note 38)	**1,152**	**89,670**	**89,670**	**–**	**–**
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 38)	4,101	179,136	179,136	–	–

39. 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 2013				
Other payables	**2,108**	**2,108**	**2,108**	**–**
Due to subsidiaries	**7,498**	**7,498**	**7,498**	**–**
Due to directors	**507**	**507**	**507**	**–**
Total	**10,113**	**10,113**	**10,113**	**–**
Financial guaranteed issued:				
Maximum amount guaranteed (note 38)	**1,261**	**149,572**	**149,572**	**–**
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 38)	1,261	190,761	190,761	–

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 recognised assets and liabilities. As HK$ is pegged to US$, the foreign exchange exposure of US$ is considered minimal. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. This currency exposure is managed primarily through sourcing raw materials denominated in the same currency.

The sales transactions of the Group are mainly denominated in RMB and HK$ and there are expenses and acquisition of plant and machinery that are required to be settled in US$, EUR, RMB and HK$. Certain trade receivables and trade payables of the Group are denominated in foreign currencies, mainly US$, RMB and EUR. Thus, when the RMB strengthens in value against the HK$, as has occurred in 2012 and 2013, the Group's operating margins are impacted. The Group currently does not have a foreign currency hedging policy.

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39. 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 2013 and 2012 are as follows:

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

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

Foreign exchange risk *(Continued)*

	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

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 0.60% (2012: 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 2013, at rates ranging from the prime rate minus 1% to the prime rate plus 1% per annum (2012: prime rate minus 1% to the prime rate plus 1% per annum).

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39. 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 2013 would decrease/increase by HK$806,000 (2012: decrease/increase by HK$537,000). 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	
	2013	2012
	Effect on profit after tax and retained profits	Effect on profit after tax and retained profits
	HK$'000	HK$'000
USD	**168/(168)**	58/(58)
EUR	**1/(1)**	1/(1)
RMB	**556/(556)**	474/(474)
HKD	**77/(77)**	2/(2)
SGD	**4/(4)**	2/(2)

Fair values

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

40. 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.

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

The gearing ratios at 31 December 2013 and 2012 were as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Total borrowings	**66,008**	157,714
Less: Cash and cash equivalents	**(54,036)**	(86,129)
Net debt	**11,972**	71,585
Total equity	**448,553**	333,804
Total capital	**460,525**	405,389
Gearing ratio	**3%**	18%

41. SUBSEQUENT EVENTS

Subsequent to year end date, the Company obtained approval from its shareholders in an extraordinary general meeting held on 14 March 2014 that the Group has entered into a major transaction involving the Group's provision of the facilities guarantees, in an aggregate amount of approximately RMB112 million (equivalent to approximately HK$143 million) to banks in favour of Zhong Bao Group's facilities under the facilities guarantee agreements entered into with Zhong Bao Group.

Financial Summary

RESULTS

	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Revenue	**370,251**	394,167	301,830	244,784	195,995
Other income	**94,346**	70,859	78,062	57,342	50,762
Changes in inventories	**(230,509)**	(282,004)	(216,262)	(182,041)	(152,716)
Employee benefits expenses	**(56,020)**	(44,835)	(42,679)	(30,762)	(25,048)
Depreciation and amortisation	**(16,834)**	(15,865)	(12,789)	(10,587)	(9,195)
Operating lease charges	**(10,537)**	(8,416)	(13,142)	(7,860)	(6,435)
Exchange differences, net	**1,440**	(1,795)	500	(3,554)	(5,323)
Other expenses	**(58,378)**	(45,056)	(43,336)	(26,154)	(23,148)
Profit from operating activities	**93,759**	67,055	52,184	41,168	24,892
Finance costs, net	**(11,287)**	(11,248)	(11,150)	(8,878)	(9,134)
Profit before income tax	**82,472**	55,807	41,034	32,290	15,758
Income tax expense	**(8,163)**	(21,615)	(11,625)	(11,066)	(5,527)
Profit for the year	**74,309**	34,192	29,409	21,224	10,231
Dividends (HK$ 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)	**15.80**	7.19	6.18	4.72	2.36

	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES					
Total assets	**680,259**	662,520	568,174	530,356	423,059
Total liabilities	**(231,706)**	(328,716)	(272,588)	(272,354)	(213,009)
	448,553	333,804	295,586	258,002	210,050
Non-controlling interests	**(32,503)**	(2,006)	(2,035)	(1,989)	(1,963)
Equity attributable to owners of the Company	**416,050**	331,798	293,551	256,013	208,087