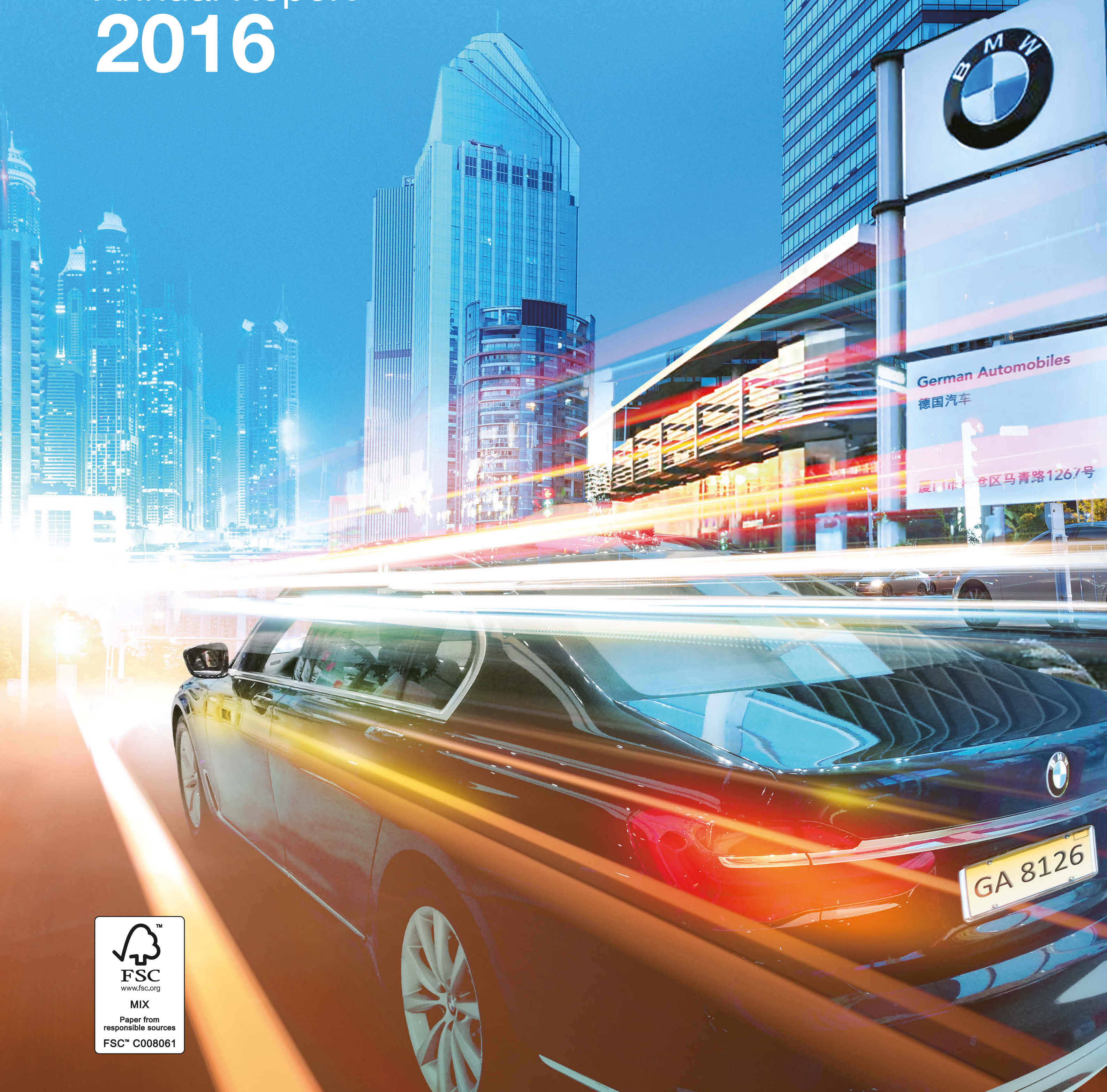
G.A. Holdings Limited
G.A.控股有限公司

(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 2016



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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 GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

Corporate Information

DIRECTORS

Mr. Luo Wan Ju *(Chairman)*
Mr. Choy Choong Yew *(Managing Director)*
Mr. Lin Ju Zheng
Mr. Ma Hang Kon, Louis
Ms. Guan Xin*
Mr. Xue Guo Qiang
Mr. Yin Bin*
Mr. Zhang Xi
Mr. Zhou Ming *

* *Independent Non-Executive Directors*

AUDIT COMMITTEE

Mr. Zhou Ming *(Chairman)**
Mr. Yin Bin*
Ms. Guan Xin*

REMUNERATION COMMITTEE

Mr. Zhou Ming *(Chairman)**
Mr. Yin Bin*
Ms. Guan Xin*

NOMINATION COMMITTEE

Mr. Luo Wan Ju *(Chairman)*
Mr. Yin Bin*
Ms. Guan Xin*

COMPLIANCE OFFICER

Mr. Choy Choong Yew

AUTHORISED REPRESENTATIVES

Mr. Luo Wan Ju
Mr. Ma Hang Kon, Louis

COMPANY SECRETARY

Mr. Ma Hang Kon, Louis

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants

PRINCIPAL BANKERS

Chiyu Banking Corporation Limited
Bank of China Limited
China Merchants Bank Company Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

HEAD OFFICE

51 Goldhill Plaza #15-05
Singapore 308900

PRINCIPAL PLACE OF BUSINESS

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

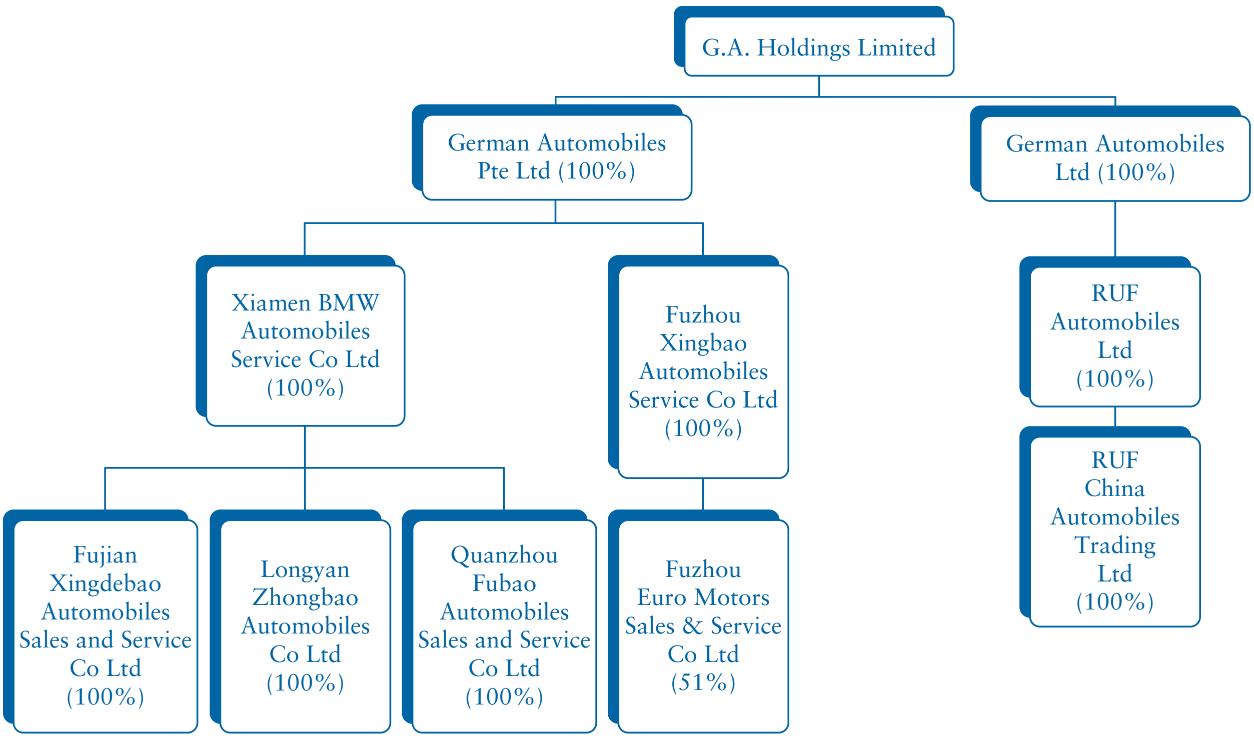
COMPANY WEBSITE

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

STOCK CODE

8126

Group Structure



Only principal subsidiaries are presented

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of G.A. Holdings Limited (the "Company" and together with its subsidiaries, the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2016.

2016 is a year of excitement for the Group. We are delighted to report that the Group has successfully acquired three dealer shops for premium automobile brands, one each in Fuzhou, Quanzhou and Longyan. Each of the dealer shops offers a full range of products and services to customers including sales of automobiles, auto parts, after-sales services as well as other value-added services. The acquisitions expanded and strengthened the product and service portfolio offered by the Group and we expect that the synergetic effect of the acquisitions will further solidify our position in the Chinese automotive industry.

Our dealer shop for ultra-luxury brands in Fuzhou continues to grow and maintains a strong foothold in the market and the new acquisition already started to contribute to our business results in 2016. Total revenue for the year increased to HK$563,086,000, representing a 7.7% increase compared to 2015. Profit for the year increased by 19.0% to HK$46,862,000 in 2016 from HK$39,386,000 in 2015 after excluding a one-time interest waiver from profit for the year of HK$85,012,000 in 2015 where the one-time waiver was included in other income.

In 2017, we expect a smooth integration of the newly acquired business and will continue to look for opportunities for growth.

In order to retain adequate working capital for the expansion of our dealership business and related corporate development, the Board does not propose any payment of dividend for the year ended 31 December 2016.

On behalf of the Board, I would like to express our sincere gratitude to all our customers, business partners, employees and shareholders for their continuous support. I would also like to convey my heartfelt gratefulness to Mr. Loh Boon Cha, Mr. Tan Cheng Kim and Ms. Song Qi Hong who resigned from the Board, for their invaluable advice and guidance. Going forward, we believe the new directors will continue to build on the past success of the Group.

Yours sincerely,
Loh Wan Ju
Chairman

Hong Kong, 22 March 2017

Biographical Information of Directors

EXECUTIVE DIRECTORS

Mr. Luo Wan Ju, *Chairman*

Mr. Luo, aged 63, is the chairman of the Group, an executive Director, the chairman and a member of the nomination committee of the Board and an authorised representative of the Company under the GEM Listing Rules with effect from 4 July 2016. Mr. Luo joined the Group in November 1993 and was an executive Director from 5 June 2002 to 9 July 2004 when he was responsible for the overall strategic planning of the business of the Group, as well as the establishment and operation of the Group's authorised service centers in the People's Republic of China (the "PRC"). Mr. Luo has over 20 years of experience in distribution and servicing of motor vehicles business in the Asia region.

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

Mr. Choy, aged 64, is currently the Managing Director and compliance officer of the Group, as well as the general manager of Fuzhou Xingbao Automobiles Service Co., Ltd., a wholly-owned subsidiary of the Company. He joined the Group in 1987 as the administration and finance manager of the Group and has achieved significant results for the Group in several roles since then.

Mr. Choy has broad-based expertise in general management, operations and finance. He is known for his ability to drive excellent business outcomes, through insightful strategic planning, participative leadership, and focus on operational efficiency and sound financial management principles. Mr. Choy's 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 the Group's Managing Director and compliance officer since May 2012.

Mr. Lin Ju Zheng

Mr. Lin, aged 69, holds a bachelor degree in foreign language majoring in English from Fujian No.2 Normal College (福建第二師範學院) (which merged with other colleges to become Fujian Normal University (福建師範大學)). He is a senior economist with extensive experience in banking operations and management. Before joining the Company, Mr. Lin occupied senior positions in one of the major banks in the PRC till December 2007. Mr. Lin was appointed as an Independent Non-Executive Director in June 2010 and was re-designated as an Executive Director of the Company in March 2012.

Mr. Ma Hang Kon, Louis

Mr. Ma, aged 54, is currently the chief financial officer and the company secretary of the Company. He has over 30 years of working experience, mainly in professional services in Hong Kong, petrochemical, electronics and resources industries, both in the United States and in the Asia Pacific region. He also has extensive experience in managing businesses in listed companies both in Hong Kong and in the United States. Mr. Ma is a member of each of The Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Montana Board of Public Accountants and the Institute of Chartered Secretaries and Administrators. He graduated from the Kellogg School of Business, Northwestern University in the United States, the Hong Kong University of Science and Technology and the Hong Kong Polytechnic (the predecessor of The Hong Kong Polytechnic University).

Mr. Ma was an executive director and the chief executive officer of Merdeka Financial Services Group Limited (previously known as CCT Resources Holdings Limited and Tradeeasy Holdings Limited) (stock code: 8163), a company listed on the Growth Enterprise Market of the Stock Exchange, from October 2008 to January 2010 and from November 2010 to October 2013. Mr. Ma is also a director of various private companies.

Mr. Xue Guo Qiang

Mr. Xue, aged 39, an executive Director with effect from 4 July 2016. Mr. Xue, graduated from Yan Shan University (燕山大學) with a Bachelor degree in accounting in June 2013 and from Cheung Kong Graduate School of Business with an executive master in business administration in September 2016. Mr. Xue has over 20 years of experience with progressive responsibilities in the automotive sales and services industry in China with a leading chain of dealership for high-end and luxury vehicles and is experienced in the area of accounting, auditing, finance & control, risk management and treasury.

Mr. Zhang Xi

Mr. Zhang, aged 34, is currently the director and deputy general manager of Xiamen BMW Automobiles Service Co Ltd, a wholly-owned subsidiary of the Company. Prior to joining the Group, Mr. Zhang has worked in international high-end automobiles companies as key management, mainly responsible for overseeing operational efficiency and strategic planning. Mr. Zhang holds a Bachelor degree of Information Management System from Beihang University (北京航空航天大學) and a Master degree in International Relations from the University of International Relations (國際關係學院).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Guan Xin

Ms. Guan, aged 40, is currently the financial controller of a leading company in the PRC specialising in outdoor monitoring equipment and solutions. She has extensive experience in other major industries including finance, renewable energy, telecommunication and public accounting. Ms. Guan graduated from the Guanhua School of Management of Peking University with a master degree in professional accounting and is a certified public accountant in the PRC. She was appointed as an independent non-executive Director of the Company in July 2016.

Mr. Yin Bin

Mr. Yin, aged 45, obtained a master degree in Economics from the Hunan University. Mr. Yin is the general manager of a trading financial service agent in the PRC and has extensive experience in trade and finance. He was appointed as an independent non-executive Director of the Company since July 2004. Mr. Yin is an independent director of Wuhu Shunrong Sanqi Interactive Entertainment Network Technology Co., Ltd. (蕪湖順榮三七互娛網絡科技股份有限公司, stock code 002555.SZ) a company listed on the Shenzhen Stock Exchange in the PRC.

Mr. Zhou Ming

Mr. Zhou, aged 44, graduated from China University of Political Science and Law (中國政法大學) and holds a master degree in law from Peking University Law School (北京大學法學院). Mr. Zhou joined Global Law Office (Beijing) in 2001 and was admitted as a partner in 2007. He was appointed as an independent non-executive Director of the Company since November 2015.

Management Discussion and Analysis

BUSINESS REVIEW

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

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

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

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

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

Sales of Motor Vehicles

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

Servicing of Motor Vehicles and Sales of Auto Parts

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

Technical Fee Income

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

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

Car Rental Business

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

Management Discussion and Analysis

FINANCIAL REVIEW

Gross Operating Profit

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

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

Other Income

Other income decreased sharply from HK$76,286,000 in 2015 to HK$28,527,000 in 2016. It was a net result of i) absence of a one-off waiver of interest payable and a gain on disposal of subsidiaries in 2015; ii) the decrease in commission income resulting from the reforms on policies and regulations in the PRC automotive industry this year; and offset by iii) the gain on bargain purchase of HK$4,858,000 arising from the Acquisitions in current year.

Employee Benefit Expenses

The Group recorded employee benefit expenses of HK$64,307,000 for the year ended 31 December 2016, representing a 8.4% increase as compared to HK$59,306,000 in 2015. This was driven by increased sales incentives and nominal increase in salaries and benefits.

Operating Lease Charges

The operating lease charges for the year ended 31 December 2016 decreased by 19.2% from HK$19,710,000 in 2015 to HK$15,921,000 in 2016. This was mainly attributable to the removal of a showroom from downtown to uptown of Fuzhou during the current year, lowering the monthly rental expense.

Other Expenses

Other expenses were approximately HK$78,282,000, representing an increase of 4.6% as compared to 2015. The increase was the net result of i) an increase in legal and professional fee and ii) a decrease in repair and maintenance fee.

Finance Costs

Finance costs decreased by HK$2,569,000 from HK$8,162,000 for the year ended 31 December 2015 to HK$5,593,000 in 2016 primarily due to reduction in bank borrowing and the decrease in interest rate during the current year.

Income Tax Expense

Income tax expense during the year ended 31 December 2016 was HK$22,990,000 representing a decrease of HK$2,963,000 as compared with HK$25,953,000 in 2015. The amount of income tax expense represented the current tax expenses of HK$21,675,000 and deferred tax of HK$1,315,000 mainly arising from the provision for withholding tax upon distribution of profits earned by a PRC subsidiary.

Management Discussion and Analysis

Financial Resources and Liquidity

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

Capital Structure of the Group

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

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

Capital Expenditure and Capital Commitments

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

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

Material Acquisitions and Disposals of Subsidiaries or Affiliated Companies

The Group acquired the entire equity interests in Longyan Zhongbao Automobiles Company Limited, Fujian Xingdebao Automobiles Sales and Service Company Limited and Quanzhou Fubao Automobiles Sales and Service Company Limited on 23 November 2016, 21 December 2016 and 22 December 2016 respectively. Further details were set out in note 41 to the consolidated financial statements, the Company's announcement dated 23 December 2016 and the circular of the Company dated 26 October 2016.

Save for the disposal of subsidiaries as set out in note 42 to the consolidated financial statements, the Group had no material acquisitions and disposals of subsidiaries or affiliated companies during the year ended 31 December 2015.

Employees

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

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

Charges on Group Assets

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

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

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

Gearing Ratio

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

Foreign Exchange Exposure

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

Contingent Liabilities

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

DIVIDEND

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

PROSPECT

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

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

Directors' Report

The Board of Directors ("Board") is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

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 40 to the consolidated 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 consolidated financial statements.

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2016 and a discussion on the Group's future business development are provided in the sections "Chairman's Statement" and "Management Discussion and Analysis" of this report.

RESULTS, DIVIDENDS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated financial statements on pages 40 to 107 of this report.

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

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting ("AGM") is scheduled to be convened on Tuesday, 9 May 2017. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 5 May 2017 to Tuesday, 9 May 2017 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 4 May 2017.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company had reserves available for distribution to shareholders amounted to approximately HK$13,135,000. It comprised share premium of approximately HK$29,522,000 and capital reserve of approximately HK$2,854,000 less accumulated losses of approximately HK$19,241,000.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of property, plant and equipment of the Group during the year ended 31 December 2016 are set out in note 13 to the consolidated financial statements.

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

As at 31 December 2016, 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 5.48 of the Rules Governing that the Listing of securities on the GEM of the Stock Exchange (the "GEM Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares

Name	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Ma Hang Kon, Louis	Personal interest	500,000	0.10%
Xue Guo Qiang	Personal interest	13,292,000	2.79%
Zhang Xi	Personal interest	500,000	0.10%

Save as disclosed above, as at 31 December 2016, none of the Directors or their associates, had 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 2016, 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 Nee Peng	Interest of a controlled corporation *(Note 1)*	77,960,320	16.37%
Chan Hing Ka Anthony	Interest of a controlled corporation *(Note 2)*	69,631,085	14.62%
Tycoons Investment International Limited	Beneficial owner *(Note 2)*	69,631,085	14.62%
Loh & Loh Construction Group Ltd	Beneficial owner *(Note 1)*	45,284,000	9.51%
Big Reap Investment Limited	Beneficial owner *(Note 1)*	32,676,320	6.86%

Notes:

1. The 77,960,320 Shares are held as to 32,676,320 Shares by Big Reap Investment Limited and as to 45,284,000 Shares by Loh & Loh Construction Group Ltd. Big Reap Investment Limited is interested as to 100% by Mr. Loh Nee Peng and Loh & Loh Construction Group Ltd. is interested as to 64% by Mr. Loh Nee Peng. By virtue of Part XV of the SFO, Mr. Loh Nee Peng is deemed to be interested in the shares held by Big Reap Investment Limited and Loh & Loh Construction Group Ltd.

2. The 69,631,085 Shares are held by Tycoons Investment International Limited which is interested as to 100% by Mr. Chan Hing Ka Anthony. By virtue of the SFO, Mr. Chan Hing Ka Anthony is deemed to be interested in the shares held by Tycoons Investment International Limited.

Save as disclosed above, as at 31 December 2016, the Directors were not aware of any other person or corporation who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who is expected to be interested in 5% or more of the nominal value of any class of share capital or carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year ended 31 December 2016 are:

Executive Directors

Mr. Luo Wan Ju *(Chairman)* (appointed on 4 July 2016)
Mr. Choy Choong Yew *(Managing Director)*
Mr. Lin Ju Zheng
Mr. Ma Hang Kon, Louis
Mr. Xue Guo Qiang (appointed on 4 July 2016)
Mr. Zhang Xi
Mr. Tan Cheng Kim (resigned on 16 March 2016)
Mr. Loh Boon Cha *(Chairman)* (resigned on 4 July 2016)

Independent Non-Executive Directors

Ms. Guan Xin (appointed on 26 July 2016)
Mr. Yin Bin
Mr. Zhou Ming
Ms. Song Qi Hong (resigned on 26 July 2016)

In accordance with Article 84 (1) of the Company's Articles of Association, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at AGM at least once every three years. Pursuant to Article 83 of the Company's Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election. At the AGM, it is intended that Mr. Luo Wan Ju, Mr. Lin Ju Zheng, Mr. Zhang Xi, Mr. Xue Guo Qiang, Ms. Guan Xin and Mr. Zhou Ming, will be retired by rotation and will offer themselves for re-election thereof.

Mr. Choy Choong Yew, Mr. Lin Ju Zheng, Mr. Zhang Xi and Mr. Ma Hang Kon, Louis entered into appointment letters with the Company for a term of three years, commencing from 16 May 2015, 1 June 2015, 23 September 2015 and 16 November 2015 respectively, subject to early termination by the Company giving not less than three months' notice of termination or payment in lieu.

Mr. Luo Wan Ju and Mr. Xue Guo Qiang entered into a service contract with the Company for an initial term of three years commencing from 4 July 2016, subject to early termination by the Company giving not less than three months' notice of termination or payment in lieu.

Mr. Zhou Ming, Mr. Yin Bin and Ms. Guan Xin entered into appointment letters with the Company for a term of three years commencing from 16 November 2015, 1 July 2016 and 26 July 2016, respectively, subject to early termination by the Company giving not less than three months' notice of termination or payment in lieu.

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 executives or their spouse or children under the age of 18 was granted by the Company or any of its subsidiaries any right to subscribe for equity or debt securities of the Company or any body corporate.

GROUP'S EMOLUMENT POLICY

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

DIRECTORS' EMOLUMENTS AND THE HIGHEST PAID EMPLOYEES

Details of Directors' emoluments are set out in note 12 of the consolidated financial statements.

CONNECTED TRANSACTIONS

References are made to the announcements of the Company dated 14 March 2016, 15 March 2016, 21 March 2016 and 27 September 2016 (the "Clarification Announcements"), given that Mr. Zhao Guiming ("Mr. Zhao"), (i) was the beneficial owner of 99% of the equity interests in Beijing Zhong Bao Excellent International Trading Co., Ltd.* (北京中寶卓越國際貿易有限公司) ("Beijing Zhong Bao"), which is the holding company of Xiamen Zhong Bao, for the period between 21 August 2008 and 31 May 2011 and the beneficial owner of 100% of the equity interests in Beijing Zhong Bao for the period between 1 June 2011 and 1 November 2011. On 2 November 2011, Mr. Zhao transferred 99% of his beneficial interests in Beijing Zhao Bao to iAuto International Limited, wholly-owned by Mr. Zhao; and (ii) his capacity as a director of certain subsidiaries of the Company during the period from 19 October 2008 to 26 April 2015; Mr. Zhao was a connected person of the Company at the subsidiary level until 25 April 2016 under the GEM Listing Rule 20.07(2). Beijing Zhong Bao and its subsidiaries ("Zhong Bao Group") were associates of Mr. Zhao and therefore were connected persons of the Company at the subsidiary level. Accordingly, all transactions between the Group and Zhong Bao Group during the period from 19 October 2008 to 25 April 2016 (the "Relevant Period") were connected or continuing connected transactions which should have been but have not been, reported, announced, reviewed by independent financial advisors and/or approved by independent shareholders of the Company.

Please refer to the Clarification Announcements for further details.

During the period from 1 January 2016 to 25 April 2016, the Group generated income of car servicing and sale of auto parts of approximately HK$4,441,000 to and earned technical fee income of approximately HK$5,787,000 from Zhong Bao Group while the Group was charged rental of HK$2,151,000 and repair and maintenance fee of HK$1,673,000 by Zhong Bao Group. In addition, a financial guarantee of RMB190,000,000 (equivalent to approximately HK$231,800,000) was granted by the Group to Zhong Bao Group and subsisted during this period under the guarantee agreement entered into on 18 November 2015.

At the end of the Relevant Period, (i) the Group had net balance due from Zhong Bao Group of approximately HK$398,853,000 arising from advances and trading transactions; and (ii) The Group's bank loans of HK$21,358,000 were guaranteed by certain group companies of Zhong Bao Group.

Subsequent to the Relevant Period, Mr. Zhao has ceased to be a connected person of the Company under the GEM Listing Rule 20.07(1). Accordingly, Zhong Bao Group is not a connected person of the Company and any transactions between the Group and Zhong Bao Group are not connected transactions thereafter.

The Board including all the independent non-executive Directors have reviewed all the connected transactions during the Relevant Period and have unanimously confirmed that all the connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better terms; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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 108 of this annual report. This summary does not form part of the audited consolidated financial statements.

MANAGEMENT OF RISKS

Details of risk management are set out in note 36 to the consolidated financial statements.

SEGMENTAL INFORMATION

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

BIOGRAPHICAL DETAILS OF DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Confirmation of independence has been received from each of the Independent Non-Executive Directors of the Company and the Company considers all existing Independent Non-Executive Directors to be independent in accordance with 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 2016, the percentage of sales and purchases attributable to the Group's major customers and suppliers are set out as below:

Sales

– The largest customer	6.3%
– The total of five largest customers	19.9%

Purchases

– The largest supplier	51.5%
– The total of five largest suppliers	94.8%

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2016 and up to the date of this annual report, the Company has maintained the prescribed public float as required by the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

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

AUDITORS

BDO Limited resigned as auditors of the Company on 23 June 2016 and Grant Thornton Hong Kong Limited ("Grant Thornton") was appointed by the Directors to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years. The consolidated financial statements of the Company for the year ended 31 December 2016 were audited by Grant Thornton, who will retire and a resolution for re-appointment of Grant Thornton as auditors of the Company will be proposed at the forthcoming AGM.

COMPANY SECRETARY

Mr. Ma Hang Kon, Louis, aged 54, is appointed as the company secretary and authorised representative of the Company with effect from 16 November 2015. He is a member of each of The Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Montana Board of Public Accountants and the Institute of Chartered Secretaries and Administrators. Mr. Ma confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 December 2016.

COMPLIANCE OFFICER

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

Mr. Choy, aged 64, is currently the Managing Director and compliance officer of the Group, as well as the general manager of Fuzhou Xingbao Automobiles Service Co., Ltd., a wholly-owned subsidiary of the Company. He joined the Group in 1987 as the administration and finance manager of the Group and has achieved significant results for the Group in several roles since then.

Mr. Choy has broad-based expertise in general management, operations and finance. He is known for his ability to drive excellent business outcomes, through insightful strategic planning, participative leadership, and focus on operational efficiency and sound financial management principles. Mr. Choy's 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 the Group's Managing Director and compliance officer since May 2012.

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

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

Details of the Share Option Scheme are set out in note 38 to the consolidated financial statements.

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

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year.

SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in note 40 to the consolidated financial statements of the Group.

ADVANCES TO ENTITIES

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

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

Directors' Report

As at 31 December 2016, the Company's consolidated total assets were approximately HK$1,420,897,000.

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

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

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

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

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

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

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

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

PERMITTED INDEMNITY PROVISIONS

During the year and the time when the directors' report are approved, a permitted indemnity provision that meets the requirements specified in section 469(2) of the Companies Ordinance for the benefit of all directors are in force.

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

Hong Kong, 22 March 2017

Corporate Governance Report

CODE ON 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 2016.

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

Board Composition

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

Executive Directors

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

Independent Non-Executive Directors

Ms. Guan Xin
Mr. Yin Bin
Mr. Zhou Ming

Mr. Tan Cheng Kim resigned as Executive Director on 16 March 2016, Mr. Loh Boon Cha resigned as Executive Director and the Chairman of the Board on 4 July 2016 while Ms. Song Qi Hong resigned as Independent Non-Executive Director on 26 July 2016.

Board Meetings

The Board meets regularly over the Company's affairs and operations and held twelve board meetings in 2016. The attendance records of each member of the Directors are set out below:

Executive Directors Directors' Attendance	
Luo Wan Ju (appointed on 4 July 2016)	4/4
Choy Choong Yew	12/12
Lin Ju Zheng	12/12
Ma Hang Kon, Louis	12/12
Xue Guo Qiang (appointed on 4 July 2016)	4/4
Zhang Xi	12/12
Tan Cheng Kim (resigned on 16 March 2016)	1/2
Loh Boon Cha (resigned on 4 July 2016)	7/8
Independent Non-Executive Directors	
Guan Xin (appointed on 26 July 2016)	3/3
Yin Bin	12/12
Zhou Ming	12/12
Song Qi Hong (resigned on 26 July 2016)	8/9

Responsibilities, accountabilities and contributions of the board and management

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

Details of the backgrounds and qualifications of the Chairman of the Company and the other Directors are set out on pages 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. Lin Ju Zheng, Mr. Zhang Xi and Mr. Zhou Ming will retire at the forthcoming annual general meeting of the Company, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Continuous Professional Development

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

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

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

Directors' Insurance

The Company has also arranged appropriate insurance cover in respect of the legal action against the Directors for the year 2016 and onwards.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Executive Directors, including the Chief Executive Officer, 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 three Independent Non-Executive Directors, i.e. Mr. Zhou Ming, Mr. Yin Bin and Ms. Guan Xin, representing one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. Confirmation of independence has been received from each of the 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.

Under Code Provision A.4.1, Independent Non-Executive Directors should be appointed for a specific term, subject to re-election. Three Independent Non-Executive Directors, Mr. Zhou Ming, Mr. Yin Bin and Ms. Guan Xin entered into appointment letters with the Company for a term of three years commencing from 16 November 2015, 1 July 2016 and 26 July 2016 respectively.

BOARD COMMITTEES

The Board is supported by a number of committees, including the Audit Committee, Nomination Committee and Remuneration Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference are available on the websites of the Company and the Stock Exchange.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

The Board 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. 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. As at 31 December 2016, it comprises of one Executive Director and two Independent Non-Executive Directors, namely Mr. Luo Wan Ju, Mr. Yin Bin and Ms. Guan Xin. Mr. Luo Wan Ju is the Chairman of the Nomination Committee.

The principal duties of the Nomination Committee include reviewing the Board composition, including its structure, size and diversity, 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. The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the balance of, including but not limited to, their expertise, skills, experience, professional knowledge and personal integrity of such individuals, the requirements of the Group and other relevant statutory requirements and regulations. 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 2016, the Nomination Committee had held meeting twice 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.

Remuneration Committee

The Remuneration Committee was formed on 27 September 2005. 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. As at 31 December 2016, the Remuneration Committee is made up of three Independent Non-Executive Directors, namely Mr. Zhou Ming, Mr. Yin Bin and Ms. Guan Xin. Mr. Zhou Ming is the chairman of the Remuneration Committee.

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 2016, the Remuneration Committee had met twice to discuss and review the remuneration policy and structure of the Company and remuneration packages of the Independent Non-Executive Directors and the senior management under review for the year.

Audit Committee

The Audit Committee was formed on 5 June 2002 and is currently composed of Mr. Zhou Ming, Mr. Yin Bin and Ms. Guan Xin. Mr. Zhou Ming is the Chairman of the Audit Committee.

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

During the year 2016, the Audit Committee held six meetings. The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its risk management and internal control system and has made suggestions 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, external risk management and internal audit professionals and external auditors during 2016. The audited financial results of the Group for the year ended 31 December 2016 have been reviewed by the Audit Committee.

The attendance records of each committee members in each of the committee meetings are set out below:

	Nomination Committee	Remuneration Committee	Audit Committee
Executive Director			
Luo Wan Ju (appointed on 4 July 2016)	1/1	N/A	N/A
Loh Boon Cha (resigned on 4 July 2016)	0/1	N/A	N/A
Independent Non-executive Director			
Zhou Ming	N/A	2/2	6/6
Yin Bin	2/2	2/2	5/6
Guan Xin (appointed on 26 July 2016)	N/A	N/A	3/3
Song Qi Hong (resigned on 26 July 2016)	1/2	1/2	3/3

AUDITOR'S REMUNERATION

BDO Limited resigned as auditors of the Company on 23 June 2016 and Grant Thornton Hong Kong Limited ("Grant Thornton")was appointed by the Directors to fill the casual vacancy so arising, the remuneration paid or payable to Grant Thornton or it affiliated firms is as follows:

	2016 HK$'000
Statutory audit	911
Review of interim results	110
Other non-audit services (mainly tax advisory and other reporting review services)	42

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year under review.

COMPANY SECRETARY

Mr. Ma Hang Kon, Louis ("Mr. Ma") was appointed as the Company Secretary and the Authorised Representative of the Company with effect from 16 November 2015. 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. Mr. Ma has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 December 2016.

DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. The Company has therefore adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board.

Pursuant to the policy, the Nomination Committee seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, in the context of the talents, skills and experience the Board as a whole requires to be effective.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for overseeing the Company's risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Senior management is responsible for administering the Company's risk management and is accountable for ensuring that the Company's business operations are conducted in compliance with relevant laws and regulations, taking into consideration changes in the environment and the Company's risk tolerance.

The Company, during the year, an engaged external professional party to conduct a review of the Company's and its subsidiaries' risk management and internal control system in accordance with the requirements under Code Provision. Such review included one-on-one interviews with key executives on behalf of the Audit Committee and the Company to understand the Company's risk management process. Relevant risks were identified and rated; with mitigating factors evaluated and documented. The review also made an assessment of the adequacy of internal controls through inquires and discussion with the management, observations and review of documents and performance of the internal control system. The risk assessment and internal control review reports were reviewed and commented in detail by the Company's Chief Financial Officer and the Chairman of the Audit Committee; and was distributed and presented to the Audit Committee, including a discussion of the risks relevant to the Company; room for improvement in the internal control system; and resolution of material internal control defects identified, if any. The Audit Committee concluded that the Company had in place effective and adequate risk management and internal control system.

Risk management process

Key process and components of risk management and internal control of the Group are set out below:

Risk identification – a review on the current operation of the Group to identify relevant strategic risk, operating risk, financial risk and information risk. Key risk indicators are taken into consideration including economic data, industry trends, competitors' behavior, the Company's and its subsidiaries' management capabilities and financial information.

Risk estimation – an assessment of the management on the likelihood of occurrence of the risks identified and their qualitative and quantitative significance to the Group.

Risk evaluation – a process to make an overall judgement on the acceptability of each risk identified based on its estimated probability of occurrence and potential impact.

Taking measures – applying different strategies (e.g. risk elimination, risk mitigation or risk retention) and measures to respond to the risks identified, including but not limited to developing appropriate audit plan.

Monitoring – regular reviews by the management on key operating and financial performance of each business segment.

Significant risks relevant to the Company

The Company's 2016 risk management process identified the most significant risks relevant to the Company as follows:

Political and regulatory risk in the PRC

The majority of the Group's business is conducted in the PRC, where laws and regulations are continuously evolving in response to changing economic and other conditions. The automobile industry is highly regulated and has been undergoing reforms in policies and measures to improve transparency and enable fair competition which greatly affect all stakeholders in the industry. To mitigate the risks associated with recent changes and challenges, the Company's senior management closely monitor the changing laws and regulations, including regular discussion with outside counsel, and researching into applicable laws to ensure compliance.

Downturn in the PRC economy

The Group's revenue is substantially dependent on the supply of automobiles by the manufactures that it is serving and the purchasing power of the customers. A sustained economic downturn could curtail consumer spending especially on automobiles, auto parts, and after sales services that we are selling. To mitigate this risk, senior management continues to evaluate the impact of the Chinese economy on its operations and to investigate alternatives as the need arises.

Information technology

The Company's internal work processes and communication with automobile manufacturers are highly dependent on the assistance of its information system. A major deficiency in the Company's information technology infrastructure systems, including hardware, software, networks, people and processes, will make it difficult for the Company to cope with the ever-changing business, resulting in lower operating efficiency and increased operating costs and may even disrupt the business. As the Company is essentially providing services to customers for the selection, purchase and maintenance of automobiles with a service-centric strategy, low efficiency can greatly reduce customer satisfaction which may result in a serious threat to the Company's competitiveness and profitability. In mitigating the risk, the Company ensure the investment of adequate resources and manpower to monitor the systems and closely communicate with the automobile manufacturers.

Inside information

The Company's directors, with the assistance of outside legal counsels and professionals as and when necessary, assess the likely impact of any unexpected and significant event that may impact the price of the Shares of their trading volume and decide whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 17.10 and 17.11 of the GEM Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

Internal control

1. Defined organisational structure, with specified limits of authority and lines of responsibility, has been established.

2. Established operating policies and procedures.

3. Delegation of authority – The Directors and/or management are delegated with respective level of authority relating to certain businesses or operational objectives. Committees (e.g. Audit, Remuneration and Nomination), of which their decision-making authority has been delegated by the Board, are established where necessary to review, approve and monitor particular aspects of operations of the Group.

4. Budgetary system – (i) Business plans and forecasts are prepared annually and subject to monthly review and approval by the management. With an annual budget and monthly rolling forecasts, the management are able to identify and evaluate the likelihood of the financial impact of significant business risks in the coming year and achieve the business objectives; (ii) A budgetary system in relation to monthly recurrent and major capital expenditure is in place. Any material variances against budgets are investigated, explained and approved by the respective financial controller.

5. Internal Audit Review – The internal auditor has unrestricted access to review all aspects of the Group's activities and internal controls and risk management. Any serious internal control and risk management deficiencies or fraud identified would be reported immediately to the Directors or directly to the Audit Committee.

6. Review by Audit Committee and the Board – The Directors review major business and operational activities and financial performance of the Group.

7. Comprehensive accounting system – A reliable and comprehensive accounting system is in place for the recording of financial information of the Group.

8. Monthly review by the management – Key operating and financial performance of each business segment are reviewed by the management on monthly basis. Regular meetings are held to review the business and financial performance against forecasts and business strategies to be taken.

Based on the findings and recommendations from the external professional party and the representations made by the management, the Board is satisfied with the effectiveness and adequacy of the existing internal control and risk management systems of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES AND PERFORMANCE

Throughout 2016, the Group has complied with "comply on explain" provisions set out in the ESG Reporting Guideline. Information about the Group's ESG policies and performance in 2016 is set out in the Environmental, Social and Governance Report on page 32 to 34.

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. There has been no change in the Company's constitutional documents during the year.

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

COMMUNICATIONS WITH SHAREHOLDERS

The general meetings of the Company provide an opportunity for direct communication between the Board and the shareholders. The Company encourages the participation of the shareholders through annual general meetings and other general meetings where the shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings.

The Company held its annual general meeting on 6 May 2016. The chairman of the Board as well as chairman of each of the Audit Committee, the Nomination Committee and the Remuneration Committee were available to answer shareholders' questions on the Group's businesses at the meeting.

The Company has invited representatives of the external auditor of the Company to attend the 2016 AGM to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditors' report and auditor independence.

The Company maintains a website at www.ga-holdings.com.hk, where updates on the Company's business developments and operations, financial information and news can always be found. Shareholders may also contact the Company Secretary to direct their written enquires.

Procedures for shareholders to convene an extraordinary general meeting

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

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

2. The requisition must specify:

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

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

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

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

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

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

LOOKING FORWARD

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

Environmental, Social and Governance Report

G.A. Holdings Limited is embracing the challenge of integrating its business objective – to become one of the top service providers and dealers in the PRC's premium automobile industry – with its responsibilities to stakeholders, business partners, staff, and the communities in which it operates. It sees these two goals as being complementary ones, and believes that by fulfilling its social responsibilities it will indeed move more powerfully towards establishing itself at the head of its industry. One way the Group is doing this is by helping to build stronger relationships between the countries and jurisdictions in which it operates: namely the PRC, Hong Kong and China. Through its role as a 'Platinum Sponsor' of SingCham (the Singapore Chamber of Commerce and Industry in China), the Group is actively supporting business, technological and cultural exchange and development between Singapore and China. In August 2016, the Group was a joint sponsor for the 51st Singapore National Day Dinner, held in Beijing.

SHAREHOLDERS AND INVESTORS

The Corporate Governance Report in this Annual Report lays out in detail the structures and the checks and balances that are in place to ensure that shareholders and investors in the Group can be fully confident about its business decisions and its risk management actions. Our risk management procedure is regularly reviewed by the Board of Directors, most recently in December 2016, and is supported by monthly management meetings by the top management of the Group. In addition, the Board reviews the overall effectiveness of the Group's internal control system at least annually.

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

ANTI-CORRUPTION AND FRAUD

The Group maintains a high standard of business integrity throughout its operations. The Group has established a whistleblowing policy and communicated to its employees. At the same time, the Group strictly adheres to the rules and regulations relating to anti-corruption and fraudulent behaviors as set out by the relevant authorities.

LABOR STANDARD

The Group strictly complies with the relevant labor regulations relating to working hours, rest and holidays to ensure the physical and mental health of all employees. Employees are not forced to work beyond working hours and are entitled to overtime pay in accordance with local regulations. The Group has a 'No Child Labor" policy and does not hire persons under the age of 16.

EMPLOYEES

The quality of its employees is a major asset for the Group, in an industry in which quality and prestige is what differentiates it from its competitors. We value our staff and take all possible measures to retain them, in particular by offering them good career advancement opportunities and an attractive, employee-friendly working environment. As at 31 December 2016, the Group employed a total of 873 staff, made up of 838 in the PRC, 29 in Hong Kong and 6 in Singapore who were aged between 18 and 69. Of these, 511 were providing sales and technical services, with the bulk of the remainder being involved in management, administration, finance and customer service.

The Group employed 558 men and 315 women as at 31 December 2016. Currently the ratio of men to women employed by the Group is around 1.8:1, and this is largely a result of the fact that most qualified mechanics and similar auto technician professionals in China are male. However, we comply with all equal opportunity laws and regulations in the areas where we operate, and are committed to offering equal pay for men and women doing equivalent jobs.

Environmental, Social and Governance Report

The Group, as a conscientious and responsible employer, has a strong sense to nurture the next generation so as to contribute to the society. We, therefore, have developed an internship program with aiming at equipping young adults with the skills and knowledge that are required in the commercial enterprises and locating the outstanding and talented interns to join our Group as full-time employees. Selected interns are assigned to work in one or two departments according to their interests and strengths for three to six months. Performance evaluation will be conducted by the heads of each user department before the internship ends. Outstanding interns graduated with good results and meeting the Group's qualification requirements will be first invited to join our Group on a permanent basis. As at 31 December 2016, 16 interns are hired within our Group.

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

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

A total of 338 staff provide either technical services or logistical support for the Group's operations, and these are the areas in which safety issues have most relevance for the purposes of this report. We take care that the working conditions, tools, equipment and machinery used or operated by these staff are kept in excellent working order and that all staff are fully trained on their safe operation. Regular on-the-job training to newer staff is provided by our more experienced staff and supervisor team, to ensure that a consistent safety philosophy is communicated right across our operations. New technicians in workshops are provided with specific safety training as specified by BMW AG. The safety culture is supported by our use of the latest in equipment and machinery as required by BMW AG, one of the leading vehicle manufacturers in the world, for all its authorised distributors.

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

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

Environmental, Social and Governance Report

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

SUPPLY CHAIN MANAGEMENT AND PRODUCT RESPONSIBILITY

The Group has set up a strict supply chain management system to ensure that high quality products and services are provided to our customers. All our major suppliers are all qualified, reputable and reliable suppliers. The Group operates with the suppliers' specified standardised stock replenishment and management systems which strongly strengthened the sustainability and reliability of the quality of the products and services we provide to our customers.

The Group complies with various PRC regulations and suppliers' international standards relevant to the operation of its business in areas such as health and safety relating to its products and services. With regular trainings and updates delivered by our suppliers as well as in house training, our technicians, customer service representatives and sales personnel are well trained and the quality of our products and services are guaranteed.

We strive to maintain a high level of customer satisfaction. Collecting feedback from our customers is critical for monitoring customer satisfaction. We have conducted customer satisfaction survey, follow up procedures and improvement measures are maintained and implemented. Customers are encouraged to provide us comments and ideas for improvements.

THE ENVIRONMENT

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

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

Independent Auditor's Report

Grant Thornton 致同

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

OPINION

We have audited the consolidated financial statements of G.A. Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 107, which comprise the consolidated statement of financial position as at 31 December 2016, and 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the amounts due from Zhong Bao Group

Refer to significant accounting policies in Note 4.8, significant accounting estimates in Note 5 and the disclosure of the amounts due from Zhong Bao Group in Notes 20 and 32 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The Group has net balance due from Zhong Bao Group of HK$290,684,000 as at 31 December 2016. The management assess the recoverability of the amounts due on a regular basis. Management has concluded that there is no provision for impairment in respect of the amounts due from Zhong Bao Group for the year ended 31 December 2016. We have identified the recoverability of the amounts due from Zhong Bao Group as a key audit matter because of its significance to the consolidated financial statements and because critical judgements are required on assessing the ultimate realisation of the receivables, including the creditworthiness and the past collection history of Zhong Bao Group.	Our procedures in relation to the management's recoverability assessment included: – Reviewing the historical settlement record of Zhong Bao Group. – Obtaining the pledge agreement signed between the Group and Zhong Bao Group and assessing the sufficiency of the collateral in place. – Checking the subsequent settlement of the balances.

Accounting for the acquisitions of subsidiaries

Refer to significant accounting policies in Note 4.2, significant accounting estimates in Note 5 and the disclosure of the acquisitions of subsidiaries in Note 41 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The Group completed the acquisitions of three subsidiaries during the year. The Group, with assistance of professional valuer, performed a purchase price allocation exercise to fair value of assets and liabilities of the acquired subsidiaries. The fair values of the intangible assets are based on valuation techniques built, in part, on assumptions about the future performance of the business. We have identified this area because significant judgements were involved in assessing the fair values of assets and liabilities acquired.	Our procedures in relation to the acquisition accounting included: – Inspecting the relevant agreements relating to the acquisition and reviewing the acquisition accounting adopted by the management. – Assessing the competence of the independent valuation expert, and undertook interviews with them to understand and assess their work and valuation methodology. – Obtaining the forecast model and evaluating the key assumptions applied in the model, such as forecast revenue growth, margins assumptions, discount rates, based on our knowledge of the industry and through review of external market data.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2016 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

22 March 2017

Lin Ching Yee Daniel
Practising Certificate No.: P02771

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
Revenue	6	563,086	522,601
Other income	8	28,527	76,286
Changes in inventories	9.1	(17,329)	(14,348)
Auto parts and accessories, and motor vehicles purchased	9.1	(311,593)	(274,872)
Employee benefit expenses	12	(64,307)	(59,306)
Depreciation and amortisation		(23,651)	(25,040)
Operating lease charges		(15,921)	(19,710)
Exchange differences, net		(5,085)	(7,913)
Impairment loss on goodwill	17	–	(3,750)
Other expenses		(78,282)	(74,821)
Profit from operations		75,445	119,127
Finance costs	9.2	(5,593)	(8,162)
Profit before income tax	9	69,852	110,965
Income tax expense	10	(22,990)	(25,953)
Profit for the year		46,862	85,012
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		(30,849)	(39,310)
Reclassification adjustment for exchange differences on disposal of subsidiaries		–	(836)
Other comprehensive expense for the year		(30,849)	(40,146)
Total comprehensive income for the year		16,013	44,866

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Profit/(Loss) for the year attributable to:			
Owners of the Company		**47,899**	96,008
Non-controlling interests		**(1,037)**	(10,996)
		46,862	85,012
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**17,793**	57,035
Non-controlling interests		**(1,780)**	(12,169)
		16,013	44,866
		HK cents	HK cents
Earnings per share			
Basic and diluted	11	**10.06**	20.16

Consolidated Statement of Financial Position

as at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	267,444	98,567
Leasehold land	14	85,767	4,206
Intangible asset	15	22,360	–
Prepaid rental expenses	16	14,987	31,402
Goodwill	17	6,310	–
		396,868	134,175
Current assets			
Inventories	18	202,522	92,733
Trade receivables	19	228,798	102,430
Prepayments, deposits and other receivables	20	409,319	335,770
Tax recoverable		1,569	–
Pledged deposits	21	94,695	23,945
Cash and bank balances	21	87,126	86,413
		1,024,029	641,291
Current liabilities			
Trade payables	22	59,856	37,917
Accruals and other payables	23	254,946	43,573
Bills payable	22	163,986	–
Borrowings	24	335,053	105,707
Amounts due to related companies	25	274	293
Amounts due to directors	26	–	27,315
Tax payable		34,520	14,641
		848,635	229,446
Net current assets		175,394	411,845
Total assets less current liabilities		572,262	546,020

Consolidated Statement of Financial Position

as at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Borrowings	24	3,470	6,312
Deferred tax liabilities	27	17,154	4,083
		20,624	10,395
Net assets		551,638	535,625
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	47,630	47,630
Reserves	29	493,426	475,633
		541,056	523,263
Non-controlling interests	30	10,582	12,362
Total equity		551,638	535,625

Luo Wan Ju
Director

Choy Choong Yew
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium* HK$'000 (Note 29)	Capital reserve* HK$'000 (Note 29)	Statutory reserve* HK$'000 (Note 29)	Translation reserve* HK$'000 (Note 29)	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	47,630	29,522	8,623	16,325	38,327	325,801	466,228	26,362	492,590
Profit/(Loss) for the year	–	–	–	–	–	96,008	96,008	(10,996)	85,012
Other comprehensive expense:									
Exchange difference arising on translation of foreign operations	–	–	–	–	(38,137)	–	(38,137)	(1,173)	(39,310)
Reclassification adjustment for exchange differences on disposal of subsidiaries	–	–	–	–	(836)	–	(836)	–	(836)
Other comprehensive expense for the year	–	–	–	–	(38,973)	–	(38,973)	(1,173)	(40,146)
Total comprehensive income/(expense) for the year	–	–	–	–	(38,973)	96,008	57,035	(12,169)	44,866
Transactions with owners:									
Appropriation to statutory reserve	–	–	–	5,739	–	(5,739)	–	–	–
Disposal of subsidiaries (Note 42)	–	–	–	–	–	–	–	(1,831)	(1,831)
Total transactions with owners	–	–	–	5,739	–	(5,739)	–	(1,831)	(1,831)
At 31 December 2015 and 1 January 2016	**47,630**	**29,522**	**8,623**	**22,064**	**(646)**	**416,070**	**523,263**	**12,362**	**535,625**
Profit/(Loss) for the year	**–**	**–**	**–**	**–**	**–**	**47,899**	**47,899**	**(1,037)**	**46,862**
Other comprehensive expense:									
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(30,106)**	**–**	**(30,106)**	**(743)**	**(30,849)**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**(30,106)**	**47,899**	**17,793**	**(1,780)**	**16,013**
Transaction with owners:									
Appropriation to statutory reserve	**–**	**–**	**–**	**4,606**	**–**	**(4,606)**	**–**	**–**	**–**
At 31 December 2016	**47,630**	**29,522**	**8,623**	**26,670**	**(30,752)**	**459,363**	**541,056**	**10,582**	**551,638**

* The total balances of these equity accounts at the reporting date of HK$493,426,000 (2015: HK$475,633,000) represent reserves in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

for the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Profit before income tax		69,852	110,965
Adjustments for:			
Finance costs		5,593	8,162
Bank interest income		(557)	(724)
Gain on disposal of property, plant and equipment		(2,206)	(2,747)
Depreciation of property, plant and equipment		22,668	24,081
Amortisation of prepaid rental expenses		846	863
Amortisation of prepaid operating land lease payments		137	96
Reversal of impairment loss on trade receivables		(1,113)	(84)
Write off of other receivables		584	–
Provision for inventories		–	1,864
Impairment loss on goodwill		–	3,750
Waiver of interest payable	8	–	(45,626)
Gain on disposal of subsidiaries	42	–	(2,667)
Gain on bargain purchase arising from acquisitions of subsidiaries	41	(4,858)	–
Operating profit before working capital changes		90,946	97,933
Decrease in inventories		11,899	5,765
(Increase)/decrease in trade receivables		(42,635)	8,449
Increase in prepayments, deposits and other receivables		(30,195)	(24,424)
(Decrease)/increase in trade payables		(12,312)	21,242
Increase/(decrease) in accruals and other payables		42,595	(24,049)
Cash generated from operations		60,298	84,916
Interest received		557	724
Interest paid for borrowings		(4,897)	(6,888)
Interest element of finance lease rental payments paid		(696)	(1,274)
Income tax paid		(16,989)	(18,188)
Income tax refund		–	859
Net cash from operating activities		38,273	60,149
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		8,648	3,870
Increase in pledged deposits		(3,077)	(4,405)
Purchase of property, plant and equipment		(21,363)	(7,444)
Acquisition of subsidiaries, net of cash acquired	41	(23,927)	–
Net cash used in investing activities		(39,719)	(7,979)

Consolidated Statement of Cash Flows

for the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Cash flows from financing activities		
New borrowings raised	**151,059**	247,965
Repayment of borrowings	**(129,196)**	(222,442)
Capital element of finance lease rental payments	**(13,699)**	(17,477)
Net movement in balance with directors	**–**	823
Net cash from financing activities	**8,164**	8,869
Net increase in cash and cash equivalents	**6,718**	61,039
Translation adjustments	**(6,005)**	(8,898)
Cash and cash equivalents at the beginning of the year	**86,413**	34,272
Cash and cash equivalents at the end of the year, represented by cash and bank balance	**87,126**	86,413

Notes to the Consolidated Financial Statements

for the year ended 31 December 2016

1. GENERAL INFORMATION

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

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

The consolidated financial statements for the year ended 31 December 2016 were approved and authorised for issue by the Board of Directors on 22 March 2017.

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

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

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

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

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

2.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, the following new and amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 9 "Financial Instruments"

HKFRS 9 "Financial Instruments" introduces extensive changes to HKAS 39's guidance on the classification and measurement of financial assets and financial liabilities, impairment requirements for financial assets and general hedge accounting.

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

2.2 Issued but not yet effective HKFRSs *(Continued)*

HKFRS 9 "Financial Instruments" *(Continued)*

The directors have started assessing the impact of HKFRS 9 but are not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.

- an expected credit loss-based impairment (either on a twelve-month basis or a lifetime basis) will need to be recognised on the Group's trade receivables (see Note 19) in accordance with the new criteria.

HKFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

1. Identify the contract(s) with customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when (or as) the entity satisfies a performance obligation

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

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

HKFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The directors have started to assess the impact of HKFRS 15 but are not yet in a position to provide quantified information.

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

2.2 Issued but not yet effective HKFRSs *(Continued)*

HKFRS 16 "Leases"

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. HKFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. As at the reporting date, the group has non-cancellable operating lease commitments of HK$33,745,000 (2015: HK$45,515,000), see Note 33.1. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. However, in order to determine the impact the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under HKFRS 16's new definition;
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices;
- assessing their current disclosures for finance leases (Note 24.2) and operating leases (Note 33.1) as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets;
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions; and
- assessing the additional disclosures that will be required.

3. BASIS OF PREPARATION

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

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

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

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 and amended HKFRSs and the impacts on the consolidated financial statements, if any, are disclosed in Note 2.

3. BASIS OF PREPARATION *(Continued)*

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 consolidated financial statements, are disclosed in Note 5.

Restatements

Year ended 31 December 2015

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

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

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.1 Basis of consolidation *(Continued)*

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

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 interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Business combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition–date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

4.3 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 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 4.13. 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.

4.5 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

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

Buildings	1.5% to 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.

The gain or loss arising on retirement or 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. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

4.6 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Goodwill *(Continued)*

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see Note 4.18).

4.7 Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at costs. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straightline basis over the assets' estimated useful lives. Car dealership is amortised from the date of acquisition over its estimated useful life of 10 years.

4.8 Financial assets

The Group's accounting policies for financial assets other than interests in subsidiaries are set out below.

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.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

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

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

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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 there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the 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 the profit or loss of the period in which the impairment occurs.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Inventories

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

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

4.10 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.

4.11 Financial liabilities

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

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see Note 4.20).

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

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

Finance lease liabilities

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

Trade and bills payable and other payables

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

Borrowings

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 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 payments 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 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 in 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.

4.13 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Leases *(Continued)*

(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.

(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.

4.14 Provisions and contingent liabilities

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

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

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

4.15 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 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.

4.17 Vendor rebates

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

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

4.18 Impairment of non-financial assets

The following assets are subject to impairment testing:

– Goodwill arising on acquisition of a subsidiary;
– Other intangible assets;
– Property, plant and equipment;
– Leasehold land;
– Prepaid rental expenses; and
– The Company's interests in subsidiaries

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.18 Impairment of non-financial assets *(Continued)*

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, 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 asset.

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. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other 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.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

4.19 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.19 Employee benefits *(Continued)*

Retirement benefits *(Continued)*

The employees of the Group's subsidiaries which operates in the Peoples' Republic of China (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 are limited to the fixed percentage contributions payable.

Short-term employee benefits

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

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

4.20 Borrowing costs

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

4.21 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.21 Accounting for income taxes *(Continued)*

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

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

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

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

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

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

(a) the Group has the legally enforceable right to set off the recognised amounts; and

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

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

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

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

    (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.22 Segment reporting

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

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

The Group has identified the following reportable segments:

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

- Car rental business

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

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

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

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

No asymmetrical allocations have been applied to reportable segments.

4.23 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 the key management personnel of the Group or a parent of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.23 Related parties *(Continued)*

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

(i) the entity and the Group are members of the same group.

(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) the entity and the Group are joint ventures of the same third party.

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the 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 the key management personnel of the entity (or of a parent of the entity).

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

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.

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 (Notes 19 and 20) of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement and estimates are required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer and debtor. If the financial condition of the debtors was to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

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

Critical accounting estimates and assumptions *(Continued)*

Depreciation, amortisation and impairment assessment of property, plant and equipment and intangible asset

Property, plant and equipment (Note 13) and intangible asset (Note 15) with finite useful lives are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

Property, plant and equipment and intangible assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the assets have been determined based on the higher of fair value and value-in-use calculations. These calculations require the use of judgement and estimates.

Provision for inventories

The management of the Group reviews the condition and an ageing analysis of inventories (Note 18) at the end of the reporting period and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in providing repairing and maintenance service or sale. The management estimates the net realisable value for motor vehicles, auto parts and accessories based primarily on the latest selling and purchase prices and on current market conditions. The Group carries out an inventory review on an item-by-item basis at the end of the reporting period and makes allowance for slow-moving inventories. If the market condition was to deteriorate, resulting in a lower net realisable value for such inventories, additional allowances may be required.

Income taxes

As detailed in Note 10, 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.

Fair value of assets acquired and liabilities assumed upon acquisition

In connection with acquisition of subsidiaries through business combination (Note 41), the assets acquired and liabilities assumed are adjusted to their estimated fair values on the respective date of acquisition. The determination of the values of assets acquired and liabilities assumed involves management's judgement and assumptions. Any change in such judgement and assumptions would affect the fair value of assets acquired and liabilities assumed.

Impairment of goodwill

Determinate whether goodwill (Note 17) 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 amount of each significant category of revenue recognised during the year is as follows:

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

7. SEGMENT INFORMATION

The directors have identified two operating segments as further described in Note 4.22.

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

In addition, the Group acquired three subsidiaries which are principally engaged in sales and services of motor vehicles (detailed in Note 41). Subsequent to the acquisitions, the CODM reassessed the Group's business and determined to manage and analyse the i) sales of motor vehicles and provision of car-related technical services segment and ii) servicing of motor vehicles and sales of auto parts segment as a whole because their business performance are closely related. The directors considered that this change will result in a more effective management of the segment assets and liabilities. Consequently, the directors aggregated the above segments into a single reportable segment, "Motor vehicles sales and services business" segment. The segment information for the year ended 31 December 2015 is restated to conform with the current year presentation.

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

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

7. SEGMENT INFORMATION *(Continued)*

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

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

Note: Additions include those arising from the acquisitions of subsidiaries (Note 41).

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

7. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities

	2016		
	Motor vehicles sales and services business HK$'000	Car rental business HK$'000	Total HK$'000
Reportable segment assets	**1,184,527**	**37,690**	**1,222,217**
Reportable segment liabilities	**774,323**	**16,892**	**791,215**

	2015 (Restated)		
	Motor vehicles sales and services business HK$'000	Car rental business HK$'000	Total HK$'000
Reportable segment assets	608,316	40,405	648,721
Reportable segment liabilities	168,028	22,577	190,605

7. SEGMENT INFORMATION *(Continued)*

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

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

Notes:

(i) Non-current corporate assets mainly include property, plant and equipment that are not directly attributable to the business activities of the operating segments.

(ii) Current corporate assets mainly include prepayments, deposits and other receivables, tax recoverable, cash and bank balances and pledged deposits that are not directly attributable to the business activities of the operating segments or that are managed on group basis.

(iii) Non-current corporate liabilities include deferred tax liabilities and finance lease liabilities that are not directly attributable to the business activities of the operating segments.

(iv) Current corporate liabilities include accruals and other payables, tax payable and borrowings that are not directly attributable to the business activities of the operating segments or that are managed on group basis.

7. SEGMENT INFORMATION *(Continued)*

(d) Geographical segments

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

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

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

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

8. OTHER INCOME

	2016	2015
	HK\$'000	HK\$'000 (Restated)
Bank interest income	**557**	724
Financial guarantee income	**2,412**	3,304
Commission income	**14,751**	18,000
Waiver of interest payable (Note)	**–**	45,626
Gain on disposal of property, plant and equipment	**2,206**	2,747
Gain on disposal of subsidiaries (Note 42)	**–**	2,667
Gain on bargain purchase arising from acquisitions of subsidiaries (Note 41)	**4,858**	–
Reversal of impairment loss on trade receivables (Note 19)	**1,113**	84
Sundry income	**2,630**	3,134
	28,527	76,286

Note:

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

9. PROFIT BEFORE INCOME TAX

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

9.1 Cost of inventories

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

9.2 Finance costs on financial liabilities stated at amortised cost

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

9. PROFIT BEFORE INCOME TAX *(Continued)*

9.3 Other items

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

* Amount included depreciation charge of HK$4,567,000 (2015: HK$6,255,000) 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% (2015: 16.5%) on the estimated assessable profits. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rate of tax prevailing in the countries in which the Group operates.

The income tax provision in respect of operations in the PRC is calculated at the applicable rates on the estimated assessable profits for the year based on the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25% (2015: 25%).

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

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

10. INCOME TAX EXPENSE *(Continued)*

	2016 HK$'000	2015 HK$'000
Current tax – Hong Kong		
Charge for the year	1,135	1,305
Under-provision/(Over-provision) in prior years	50	(681)
Current tax – Overseas		
Charge for the year	20,490	23,393
Under-provision in prior years	–	61
Current tax – total	21,675	24,078
Deferred tax (Note 27)	1,315	1,875
Total income tax expense	22,990	25,953

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

	2016 HK$'000	2015 HK$'000
Profit before income tax	69,852	110,965
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	17,393	23,221
Tax effect of non-deductible expenses	5,383	13,469
Tax effect of non-taxable revenue	(4,159)	(3,431)
Tax effect of withholding income tax on undistributed profit of subsidiaries in the PRC	1,315	–
Tax effect of tax losses not recognised	1,856	–
Utilisation of tax losses previously not recognised	–	(8,049)
Withholding tax for dividend paid	1,167	–
Under-provision/(Over-provision) in prior years	50	(620)
Others	(15)	1,363
Income tax expense	22,990	25,953

11. EARNINGS PER SHARE

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

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

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2016 HK$'000	2015 HK$'000
Salaries and wages	54,638	51,464
Other benefits	9,059	7,276
Pension costs – defined contribution plans	610	566
	64,307	59,306

12.1 Directors' emoluments

Executive Directors and Independent Non-Executive Directors

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Contribution to defined contribution plan HK$'000	Total HK$'000
2016						
Executive Directors						
Mr. Luo Wan Ju	(iii)	–	–	–	–	–
Mr. Loh Boon Cha	(viii)	–	–	–	–	–
Mr. Lin Ju Zheng		–	210	–	–	210
Mr. Choy Choong Yew#		–	1,487	–	36	1,523
Mr. Tan Cheng Kim	(vii)	–	93	–	17	110
Mr. Ma Hang Kon, Louis	(ii)	–	1,800	–	18	1,818
Mr. Zhang Xi	(i)	–	266	–	–	266
Mr. Xue Guo Qiang	(iii)	–	110	–	–	110
Independent Non-Executive Directors						
Mr. Yin Bin		210	–	–	–	210
Ms. Song Qi Hong	(ix)	81	–	–	–	81
Mr. Zhou Ming	(ii)	210	–	–	–	210
Ms. Guan Xin	(iv)	59	–	–	–	59
		560	3,966	–	71	4,597

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

12.1 Directors' emoluments *(Continued)*

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Contribution to defined contribution plan HK$'000	Total HK$'000
2015						
Executive Directors						
Mr. Loh Boon Cha	(viii)	–	–	–	–	–
Mr. Loh Nee Peng	(v)	–	650	–	–	650
Mr. Lin Ju Zheng		–	224	–	–	224
Mr. Choy Choong Yew#		–	1,309	–	34	1,343
Mr. Tan Cheng Kim	(vii)	–	440	247	57	744
Mr. Yeung Chak Sang	(vi)	–	1,420	–	15	1,435
Mr. Ma Hang Kon, Louis	(ii)	–	198	–	3	201
Mr. Zhang Xi	(i)	–	50	–	–	50
Independent Non-Executive Directors						
Mr. Lee Kwok Yung	(vi)	105	–	–	–	105
Mr. Yin Bin		224	–	–	–	224
Ms. Song Qi Hong	(ix)	149	–	–	–	149
Mr. Wong Jacob	(v)	144	–	–	–	144
Mr. Zhou Ming	(ii)	27	–	–	–	27
		649	4,291	247	109	5,296

\# As a managing director taking Chief Executive Officer's role

Notes:

(i) Appointed on 23 September 2015
(ii) Appointed on 16 November 2015
(iii) Appointed on 4 July 2016
(iv) Appointed on 26 July 2016
(v) Resigned on 20 August 2015
(vi) Resigned on 16 November 2015
(vii) Resigned on 16 March 2016
(viii) Resigned on 4 July 2016
(ix) Resigned on 26 July 2016

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.

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

12.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2015: three) directors whose emoluments are included in the analysis presented above. The emoluments payable to the remaining three (2015: two) individual during the year are as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries, allowances and benefits in kind	**2,480**	1,503
Contributions to defined contribution plan	**166**	72
	2,646	1,575

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands		
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	–

12.3 Key management personnel compensation

	2016 **HK$'000**	2015 HK$'000
Short term employee benefits	**7,006**	6,690
Post-employment benefits	**238**	181
	7,244	6,871

13. PROPERTY, PLANT AND EQUIPMENT

	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 2015						
Cost	2,970	60,834	26,259	85,521	21,551	197,135
Accumulated depreciation and impairment	(2,199)	(11,362)	(19,755)	(44,041)	(12,462)	(89,819)
Net carrying amount	771	49,472	6,504	41,480	9,089	107,316
Year ended 31 December 2015						
Opening net carrying amount	771	49,472	6,504	41,480	9,089	107,316
Exchange differences	(44)	(2,695)	(311)	(277)	(425)	(3,752)
Additions	–	338	824	18,413	632	20,207
Disposals/written off	–	–	–	(1,122)	(1)	(1,123)
Depreciation	(12)	(4,950)	(1,729)	(14,793)	(2,597)	(24,081)
Closing net carrying amount	715	42,165	5,288	43,701	6,698	98,567
At 31 December 2015						
Cost	2,970	61,172	27,083	102,812	22,182	216,219
Accumulated depreciation and impairment	(2,255)	(19,007)	(21,795)	(59,111)	(15,484)	(117,652)
Net carrying amount	715	42,165	5,288	43,701	6,698	98,567
Year ended 31 December 2016						
Opening net carrying amount	**715**	**42,165**	**5,288**	**43,701**	**6,698**	**98,567**
Exchange differences	**(225)**	**(2,412)**	**(294)**	**(351)**	**(329)**	**(3,611)**
Acquisitions of subsidiaries (Note 41)	**144,205**	**355**	**8,392**	**13,566**	**3,499**	**170,017**
Additions	**–**	**11,078**	**882**	**17,883**	**1,738**	**31,581**
Disposals/written off	**–**	**(2,574)**	**–**	**(3,868)**	**–**	**(6,442)**
Depreciation	**(72)**	**(3,881)**	**(1,305)**	**(15,135)**	**(2,275)**	**(22,668)**
Closing net carrying amount	**144,623**	**44,731**	**12,963**	**55,796**	**9,331**	**267,444**
At 31 December 2016						
Cost	**147,175**	**66,784**	**36,357**	**106,319**	**27,419**	**384,054**
Accumulated depreciation and impairment	**(2,552)**	**(22,053)**	**(23,394)**	**(50,523)**	**(18,088)**	**(116,610)**
Net carrying amount	**144,623**	**44,731**	**12,963**	**55,796**	**9,331**	**267,444**

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

The net carrying amount of the motor vehicles of the Group includes an amount of approximately HK$21,729,000 (2015: HK$28,684,000) in respect of assets held under finance leases.

As at 31 December 2016, the Group is in the process of obtaining the property ownership certificates in respect of a building located in the PRC with carrying value of approximately HK$109,197,000 (2015: Nil).

14. LEASEHOLD LAND

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

	2016 HK$'000	2015 HK$'000
Opening net carrying amount at 1 January	**4,206**	4,564
Acquisitions of subsidiaries (Note 41)	**68,156**	–
Transfer from prepaid rental expenses (Note 16)	**13,985**	–
Amortisation	**(137)**	(96)
Exchange differences	**(443)**	(262)
Closing net carrying amount at 31 December	**85,767**	4,206

As at 31 December 2016, leasehold land with net book amounts totalling HK$60,154,000 (2015: Nil) were pledged as collateral for the Group's bank borrowings (Note 24.1).

As at 31 December 2016, the Group is in the process of obtaining the land use right certificates in respect of a land located in the PRC with carrying value of approximately HK$22,807,000 (2015: Nil).

15. INTANGIBLE ASSET

	Car dealership HK$'000
Year ended 31 December 2016	
Opening net carrying amount	–
Acquisition of a subsidiary (Note 41)	22,360
Amortisation	–
Closing net carrying amount	22,360
At 31 December 2016	
Cost	22,360
Accumulated amortisation	–
Net carrying amount	22,360

The Group's identifiable intangible asset represents car dealership in the PRC, arising from the relationship with the automobile manufacturer, with an estimated useful life of 10 years. The intangible assets were recognised as a result of the acquisition of a subsidiary during the year ended 31 December 2016 (Note 41). The fair value of the car dealership at the acquisition date was determined by using the multi-period excess earnings method.

16. PREPAID RENTAL EXPENSES

	2016 HK$'000	2015 HK$'000
Opening net carrying amount at 1 January	32,239	35,128
Transfer to leasehold land (Note 14)	(13,985)	–
Amortisation	(846)	(863)
Exchange differences	(1,980)	(2,026)
Closing net carrying amount at 31 December	15,428	32,239
Less: Current portion included in prepayments, deposits and other receivables (Note 20)	(441)	(837)
Non-current portion	14,987	31,402

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

17. GOODWILL

The main changes in the carrying amounts of goodwill result from the acquisition of a subsidiary and the impairment of goodwill previously recognised. The net carrying amount of goodwill can be analysed as follows:

	2016 HK$'000	2015 HK$'000
Opening net carrying amount	–	3,759
Acquisition of a subsidiary (Note 41)	6,310	–
Impairment loss recognised	–	(3,750)
Exchange adjustment	–	(9)
Closing net carrying amount	6,310	–

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

In 2015, the recoverable amounts of the cash generating unit to which the goodwill is allocated, being car dealership conducted by a subsidiary, Fuzhou Euro Motors Sales & Services Co., Ltd. ("Fuzhou Euro"). During the year ended 31 December 2015, due to the prolonged impact arising from the anti-extravagance policy in the PRC and the sluggish sale market of ultra-luxury automobiles, the sales of Fuzhou Euro was adversely affected and it cannot meet the sales target previously set. This had an adverse impact on the estimated value in use of this cash generating unit and an impairment loss on goodwill of HK$3,750,000 was recognised in profit or loss during the year ended 31 December 2015.

As at 31 December 2016, the recoverable amounts of the cash generating unit to which goodwill is allocated, being the car dealership business conducted by a subsidiary acquired during the year. The recoverable amounts of the cash generating units to which the goodwill have been determined based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-year period are extrapolated using a growth rate of 3%, which does not exceed the long-term growth rate for the automobile industry in the PRC. Discount rate is 18.71% which is pre-tax and reflect specific risks relating to the relevant cash generating units. Gross profit margin is 8.5% which has been determined with reference to actual performance during the period and the expected market development. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount.

18. INVENTORIES

	2016 HK$'000	2015 HK$'000
Motor vehicles	158,844	58,631
Auto parts and accessories	43,678	34,102
	202,522	92,733

19. TRADE RECEIVABLES

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

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

In addition to the advances to Zhong Bao Group as disclosed in Note 20, the Group's trade receivables included trade debts of HK$121,124,000 (2015: HK$93,689,000) due from Zhong Bao Group as at 31 December 2016.

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:

	2016 HK$'000	2015 HK$'000
At 1 January	1,496	1,674
Reversal of impairment loss during the year	(1,113)	(84)
Exchanges differences	(48)	(94)
At 31 December	335	1,496

19. 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 20, none of the Group's receivables are secured by collateral or other credit enhancements.

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

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**125,322**	62,785
1 – 90 days past due	**59,312**	14,603
91 – 180 days past due	**778**	11,340
Over 180 days past due	**43,386**	13,702
	103,476	39,645
	228,798	102,430

Trade receivables that were past due but not impaired related to a certain number of customers that had a good track record of credit with the Group. Based on the past credit history, management believed 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.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Advances to Zhong Bao Group (note)	312,846	244,401
Current portion of prepaid rental expenses (Note 16)	441	837
Other receivables, prepayments and deposits paid	96,032	90,532
	409,319	335,770

Note:

The Group has maintained long term business relationship with Xiamen Zhong Bao Automobiles Co., Limited ("Xiamen Zhong Bao") and its related companies (collectively, "Zhong Bao Group"). Pursuant to the technical and management service agreements (the "Technical Agreements") entered into between the Group and Zhong Bao Group, the Group would provide technical expertise, management service and financial assistance to Zhong Bao Group including making advances for the operations of the distribution of locally manufactured BMW motor vehicles in the PRC by Zhong Bao Group. The technical fee charged by the Group is based on agreed terms with reference to the monthly actual sales quantity of specified car model of Zhong Bao Group.

Other than the above, the Group sells motor vehicles, auto parts and provides motor vehicles services to the customers of Zhong Bao Group. Receivables arising from the above transactions including advances made to Zhong Bao Group outstanding as at 31 December 2016 amounted to HK$433,970,000 (2015: HK$338,090,000), which was reduced to HK$290,684,000 (2015: HK$335,818,000) after netting off the trade and other payables balances due by the Group to Zhong Bao Group. The amount is interest free and repayable on demand.

On 19 March 2015, the Group entered into an agreement with Xiamen Zhong Bao, pursuant to which Xiamen Zhong Bao agreed to pledge their motor vehicles inventories to the Group until full settlement of all the outstanding amount due by Zhong Bao Group. As at 31 December 2016, the market value of the pledged assets amounted approximately HK$421,574,000 which provide safeguard for the balances due by Zhong Bao Group. The collateral remains effective as long as there are outstanding balances due by Zhong Bao Group.

In addition, during the year ended 31 December 2016, the Group has acquired three subsidiaries from Xiamen Zhong Bao and its related companies (detailed in Note 41). As part of the terms of acquisitions, Mr. Zhao Guiming, the ultimate beneficial owner of Zhong Bao Group, has undertaken to procure Zhong Bao Group to settle the amount due to the Group in the sum of not less than RMB120,000,000 on or before 30 April 2017. Subsequent to the year ended 31 December 2016, Zhong Bao Group has settled the amount due to the Group for RMB166,922,000 (equivalent to approximately HK$188,455,000).

In view of the satisfactory settlement record and the collateral in place as mentioned above, the directors are of the opinion that the advances and the trade receivables due by Zhong Bao Group is fully recoverable and thus no impairment provision is considered necessary.

21. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**87,126**	86,413
Pledged deposits:		
Guarantee money in respect of security of suppliers	**16,457**	10,161
For bills facilities granted to the Group	**49,226**	–
For borrowing facilities granted to the Group (Note 24.1)	**29,012**	13,784
	94,695	23,945
	181,821	110,358

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.

At the reporting date, the cash and bank balances and pledged deposits of the Group denominated in RMB amounted to approximately HK$164,257,000 (2015: HK$95,852,000). 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.

22. TRADE AND BILLS PAYABLE

	2016 HK$'000	2015 HK$'000
Trade payables	59,856	37,917
Bills payable	163,986	–
	223,842	37,917

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

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

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

23. ACCRUALS AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Accruals	18,220	5,234
Deposit received	49,871	23,156
Other payables	184,503	13,125
Financial guarantee liabilities	2,244	1,876
Pension and other employee obligation	108	182
	254,946	43,573

24. BORROWINGS

	Secured HK$'000	Unsecured HK$'000	Total secured and unsecured HK$'000	Guaranteed HK$'000	Unguaranteed HK$'000	Total Guaranteed and Unguaranteed HK$'000
2016						
Non-current						
Finance lease liabilities	3,470	–	3,470	3,062	408	3,470
Current						
Bank borrowings	113,111	120,185	233,296	197,662	35,634	233,296
Other borrowings	91,400	–	91,400	91,400	–	91,400
Finance lease liabilities	10,357	–	10,357	7,791	2,566	10,357
	214,868	120,185	335,053	296,853	38,200	335,053
Total	218,338	120,185	338,523	299,915	38,608	338,523
2015						
Non-current						
Finance lease liabilities	6,312	–	6,312	5,614	698	6,312
Current						
Bank borrowings	45,968	48,638	94,606	73,114	21,492	94,606
Finance lease liabilities	11,101	–	11,101	9,872	1,229	11,101
	57,069	48,638	105,707	82,986	22,721	105,707
Total	63,381	48,638	112,019	88,600	23,419	112,019

24.1 Bank and other borrowings

Certain of the Group's bank and other borrowings are secured by:

(i) the Group's bank deposits amounting to HK$29,012,000 (2015: HK$13,784,000) (Note 21);

(ii) certain of the Group's leasehold land with carrying value of approximately HK$60,154,000 (2015: Nil) (Note 14);

(ii) certain assets of Zhong Bao Group;

(iii) guarantee provided by certain group companies of Zhong Bao Group; and

(iv) personal guarantee provided by one former director (2015: two former directors) of the Company (Note 34).

24. BORROWINGS *(Continued)*

24.2 Finance lease liabilities

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

	2016 HK$'000	2015 HK$'000
Due within one year	**10,621**	11,679
Due over one year but less than two years	**3,128**	5,101
Due over two years but less than five years	**395**	1,356
	14,144	18,136
Future finance charges on finance leases	**(422)**	(759)
Exchange difference	**105**	36
Present value of finance lease liabilities	**13,827**	17,413

The present value of finance lease liabilities is as follows:

	2016 HK$'000	2015 HK$'000
Due within one year	**10,357**	11,101
Due over one year but less than two years	**3,077**	4,967
Due over two years but less than five years	**393**	1,345
	13,827	17,413
Less: Portion due within one year included under current liabilities	**(10,357)**	(11,101)
Non-current portion included under non-current liabilities	**3,470**	6,312

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.

As at 31 December 2016, the Group's finance lease liabilities of approximately HK$10,853,000 (2015: HK$15,486,000) were guaranteed by the Company.

24. BORROWINGS *(Continued)*

24.3 Other information about the borrowings

	Original currency	Effective interest rate per annum 2016 Fixed	2016 Floating	2015 Fixed	2015 Floating
Bank borrowings	RMB	5.22%-8.4%	5%-6.53%	–	5.07%-7.5%
Bank borrowings	USD	–	3.5%-3.75%	–	2.93%
Other borrowings	RMB	3.99%-7.5%	–	–	–
Finance lease liabilities	HK$	2.9%-4.24%	–	3.86%-4.08%	–
Finance lease liabilities	RMB	24.5%-25.5%	–	17.53%-28.74%	–
Finance lease liabilities	SGD	3.72%	–	3.41%-3.88%	–

25. AMOUNTS 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.

26. AMOUNTS DUE TO DIRECTORS

As at 31 December 2015, the amounts due to directors are unsecured, interest-free and repayable on demand. During the year ended 31 December 2016, the amounts due to directors were reclassified to other payables upon the resignations of the directors.

27. DEFERRED TAX

The movement on the deferred tax liabilities is as follows:

	Fair value adjustments on business combination HK$'000	Accelerated tax depreciation HK$'000	Withholding tax on undistributed profits of PRC subsidiaries HK$'000	Total HK$'000
At 1 January 2015	–	2,208	–	2,208
Charge to profit or loss (Note 10)	–	1,875	–	1,875
At 31 December 2015 and 1 January 2016	–	4,083	–	4,083
Acquisitions of subsidiaries (Note 41)	11,842	–	–	11,842
Charge to profit or loss (Note 10)	–	–	1,315	1,315
Exchange difference	(31)	–	(55)	(86)
At 31 December 2016	**11,811**	**4,083**	**1,260**	**17,154**

27. DEFERRED TAX *(Continued)*

Deferred tax liabilities of HK$9,659,000 (2015: HK$11,041,000) have not been established for the withholding tax that would be payable on the certain of the unremitted earnings the Group's subsidiaries established in the PRC. In the opinion of the directors, 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$193,170,000 (2015: HK$220,888,000).

At 31 December 2016, the Group had unused tax losses of approximately HK$64,670,000 (2015: HK$59,600,000) available to offset against future profits of which approximately HK$34,305,000 (2015: HK$34,471,000) will expire at various dates up to 2021 (2015: 2020). No deferred tax assets had been recognised in respect of such tax losses due to unpredictability of future profit streams.

28. SHARE CAPITAL

	2016		2015	
	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

29. 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 HK$'000	Total HK$'000
At 1 January 2015	29,522	2,854	(6,377)	25,999
Loss for the year	–	–	(1,471)	(1,471)
At 31 December 2015 and 1 January 2016	29,522	2,854	(7,848)	24,528
Loss for the year	–	–	(11,393)	(11,393)
At 31 December 2016	**29,522**	**2,854**	**(19,241)**	**13,135**

Share premium

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

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

Capital reserve

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

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

Statutory reserve

According to the relevant PRC laws, the subsidiaries are required to transfer at least 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory reserve until the reserve balance reaches 50% of the subsidiaries' registered capital. The transfer of this reserve must be made before the distribution of dividend to the subsidiaries' equity owners. The statutory reserve is non-distributable other than upon the liquidation of the subsidiaries.

Translation reserve

The translation reserve has been set up and is dealt with in accordance with the accounting policy for foreign currencies as stated in Note 4.3.

30. NON-CONTROLLING INTERESTS

The following table list out the information related to Fuzhou Euro, the subsidiary of the Group which as material non-controlling interests. The summarised financial information presented below represents the amount before any inter-company eliminations:

	2016 HK$'000	2015 HK$'000
Non-controlling interest percentage	**49%**	49%
For the year ended 31 December		
Revenue	**162,497**	120,514
Loss for the year	**(2,117)**	(22,238)
Total comprehensive expense	**(3,634)**	(22,238)
Loss allocated to non-controlling shareholders	**(1,037)**	(10,897)
For the year ended 31 December		
Cash flows used in operating activities	**(520)**	(70)
Cash flows used in investing activities	**(12,675)**	(4,569)
Cash flows from financing activities	**20,061**	11,385
Net cash inflows	**6,866**	6,746
As at 31 December		
Current assets	**104,818**	100,581
Non-current assets	**24,503**	18,524
Current liabilities	**(107,726)**	(93,876)
Net assets	**21,595**	25,229

31. MAJOR NON-CASH TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year ended 31 December 2016, 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$10,218,000 (2015: HK$11,961,000).

32. TRANSACTIONS WITH ZHONG BAO GROUP

During the year, the Group has the following transactions with Zhong Bao Group:

During the year, the Group generated income from sales of motor vehicles, car servicing and sale of auto parts of HK$44,947,000 (2015: HK$46,256,000) from the customers of Zhong Bao Group and earned technical fee income of HK$28,575,000 (2015: HK$26,387,000) from Zhong Bao Group. The Group was charged rental of HK$6,302,000 (2015: HK$6,712,000) and repair and maintenance fee of HK$2,451,000 (2015: HK$5,267,000) by Zhong Bao Group during the year. As disclosed in Note 41, the Group also acquired three subsidiaries from Zhong Bao Group during the year ended 31 December 2016.

In addition, at the reporting date, the Group had the following exposures to Zhong Bao Group:

(a) Advances made as disclosed in Note 20.

(b) Trade balances due from Zhong Bao Group as included in "Trade receivables" as disclosed in Note 19.

(c) Contingent liabilities arising from transactions as disclosed in Note 35.

(d) The Group's bank and other borrowings of HK$247,933,000 (2015: HK$34,562,000) were guaranteed by certain group companies of Zhong Bao Group as disclosed in Note 24.1.

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.

33. COMMITMENTS

33.1 Operating lease commitments

As lessor

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.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**11,458**	13,201
After one year but within five years	**7,853**	11,883
	19,311	25,084

33. COMMITMENTS *(Continued)*

33.1 Operating lease commitments *(Continued)*

As lessee

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

At the end of the reporting period, total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	2016 HK$'000	2015 HK$'000
Within one year	8,405	15,182
After one year but within five years	14,802	20,319
After five years	10,538	10,014
	33,745	45,515

33.2 Capital commitment

As at 31 December 2016, there is commitment contracted but not provided for purchase of property, plant and equipment of approximately HK$261,000 (2015: HK$7,306,000).

34. RELATED PARTIES TRANSACTIONS

(a) The terms and conditions of amounts due to directors are disclosed in Note 26.

(b) The terms and conditions of amounts due to related companies are disclosed in Note 25.

(c) The compensations of key management personnel for the year are set out in Note 12.3.

(d) As at 31 December 2016, bank and other borrowings of approximately HK$139,710,000 (2015: HK$23,340,000) were guaranteed by Loh Nee Peng, a substantial shareholder of the Company and a former director of the Company who resigned during the year ended 31 December 2015.

(e) As at 31 December 2015, a bank borrowing of approximately HK$15,212,000 was guaranteed by Loh Boon Cha and Loh Nee Peng, the former directors of the Company who are resigned from the Group during the year ended 31 December 2016 and 2015 respectively. The bank borrowing was fully settled during the year ended 31 December 2016.

35. CONTINGENT LIABILITIES

At 31 December 2016, the Group had given guarantees as follows:

	2016 HK$'000	2015 HK$'000
Guarantees for banking facilities provided to Zhong Bao Group	156,520	143,280

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2016 and 2015 may be categorised as follows. See Notes 4.8 and 4.11 for explanations about how the category of financial instruments affects their subsequent measurement.

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables:		
Trade receivables	228,798	102,430
Other current assets	349,375	319,228
Pledged deposits	94,695	23,945
Cash and bank balances	87,126	86,413
	759,994	532,016
Financial liabilities		
Financial liabilities at amortised cost:		
Current liabilities		
Trade payables	59,856	37,917
Accruals and other payables	254,946	43,573
Bills payable	163,986	–
Borrowings	335,053	105,707
Amounts due to related companies	274	293
Amounts due to directors	–	27,315
	814,115	214,805
Non-current liabilities		
Non-current portion of long-term borrowings	3,470	6,312
	817,585	221,117

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

Credit risk

Credit risk refers to the risk the debtors will default on their obligations to repay the amounts due to the Group, resulting in a loss to the Group. The Group's sales are made to luxury car dealers in the PRC. The Group has adopted procedures in granting credit terms to customers and in monitoring its credit risk. The Group's credit risk exposures also extend to financial guarantees provided to Zhong Bao Group as disclosed in Note 35.

As disclosed in Note 20, the Group made advances to a key business partner, Zhong Bao Group. To reduce credit risk exposure arising from Zhong Bao Group, the Group has been actively monitoring the financial position of Zhong Bao Group and the status of its repayments. In addition, collaterals have been requested from Zhong Bao Group.

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

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

Liquidity risk

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

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

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

Liquidity risk *(Continued)*

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000
At 31 December 2016					
Trade payables	**59,856**	**59,856**	**59,856**	**–**	**–**
Accruals and other payables	**254,946**	**254,946**	**254,946**	**–**	**–**
Bills payables	**163,986**	**163,986**	**163,986**	**–**	**–**
Short-term borrowings	**335,053**	**343,836**	**343,836**	**–**	**–**
Amounts due to related companies	**274**	**274**	**274**	**–**	**–**
Long-term borrowings	**3,470**	**3,523**	**–**	**3,128**	**395**
Total	**817,585**	**826,421**	**822,898**	**3,128**	**395**
Financial guaranteed issued:					
Maximum amount guaranteed	**2,244**	**156,520**	**156,520**	**156,520**	**111,800**
At 31 December 2015					
Trade payables	37,917	37,917	37,917	–	–
Accruals and other payables	43,573	43,573	43,573	–	–
Short-term borrowings	105,707	108,842	108,842	–	–
Amounts due to related companies	293	293	293	–	–
Amounts due to directors	27,315	27,315	27,315	–	–
Long-term borrowings	6,312	6,457	–	5,101	1,356
Total	221,117	224,397	217,940	5,101	1,356
Financial guaranteed issued:					
Maximum amount guaranteed	1,876	143,280	143,280	–	–

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

Foreign exchange risk

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

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

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

Foreign exchange risk *(Continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2016 and 2015 are as follows:

	Denominated in USD HK$'000	Denominated in EUR HK$'000	Denominated in RMB HK$'000
2016			
Monetary assets			
Trade receivables	–	–	12,051
Prepayments, deposits and other receivables	11,098	8,280	–
Cash and bank balances	728	385	–
Total monetary assets	11,826	8,665	12,051
Monetary liabilities			
Accruals and other payables	(13,649)	–	(68)
Total monetary liabilities	(13,649)	–	(68)
Net monetary (liabilities)/assets	(1,823)	8,665	11,983
Foreign currency strengthen/(weaken) by:	10%/(10%)	10%/(10%)	10%/(10%)
(Decrease)/Increase in profit after tax and retained profits	(182)/182	867/(867)	1,198/(1,198)

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

Foreign exchange risk *(Continued)*

	Denominated in USD HK$'000	Denominated in EUR HK$'000	Denominated in RMB HK$'000
2015			
Monetary assets			
Trade receivables	–	–	7,169
Prepayments, deposits and other receivables	–	10,608	92,097
Cash and bank balances	–	742	–
Total monetary assets	–	11,350	99,266
Monetary liabilities			
Accruals and other payables	(1,487)	–	–
Borrowings	(15,212)	–	–
Total monetary liabilities	(16,699)	–	–
Net monetary (liabilities)/assets	(16,699)	11,350	99,266
Foreign currency strengthen/(weaken) by:	6%/(6%)	10%/(10%)	5%/(5%)
(Decrease)/Increase in profit after tax and retained profits	(1,002)/1,002	1,135/(1,135)	4,963/(4,963)

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Except for balance deposits, the Group has no significant interest-bearing assets.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank and other borrowings and obligations under finance leases. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 24 to the consolidated financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2016, 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 would decrease/increase by HK$1,705,000 (2015: HK$191,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

Fair values measurement

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

37. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bills payable, short-term borrowings and long-term borrowings, as shown in the consolidated statement of financial position) less cash and bank balances. Total capital is calculated as equity as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016 HK$'000	2015 HK$'000
Total borrowings	**502,509**	112,019
Less: Cash and bank balances	**(87,126)**	(86,413)
Net debt	**415,383**	25,606
Total equity	**551,638**	535,625
Total capital	**967,021**	561,231
Gearing ratio	**43%**	5%

38. SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2016

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Interests in subsidiaries	80,878	80,878
Current assets		
Other receivables	218	234
Amount due from a subsidiary	3,162	655
Cash and bank balances	6,132	–
	9,512	889
Current liabilities		
Accruals and other payables	4,988	219
Amounts due to subsidiaries	9,127	8,883
Amounts due to directors	–	507
Bank borrowings	15,510	–
	29,625	9,609
Net current liabilities	(20,113)	(8,720)
Net assets	60,765	72,158
EQUITY		
Share capital	47,630	47,630
Reserves (Note 29 (b))	13,135	24,528
Total equity	60,765	72,158

Luo Wan Ju
Director

Choy Choong Yew
Director

40. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ registration and operations	Particulars of issued capital	Percentage of issued capital held by the Company Directly	Percentage of issued capital held by the Company Indirectly	Principal activities
German Automobiles Pte Ltd.###	Singapore	7,876,996 shares of S$1 each	100%	–	Distribution of motor vehicles and provision of technical services
German Automobiles Limited###	Hong Kong	20,000 ordinary shares of HK$20,000	100%	–	Sales liaison and trading of spare parts for motor vehicles and provision of technical services
Xiamen BMW Automobiles Service Co., Ltd ("Xiamen BMW").#	The PRC	Registered and paid-in capital of US$11,200,000	–	100%	Provision of repair and maintenance services of high-end automobiles
Fuzhou Xingbao Automobiles Service Co., Ltd.# (formerly known as "Fuzhou BMW Automobiles Service Co., Ltd")	The PRC	Registered and paid-in capital of US$5,100,000	–	100%	Provision of repair and maintenance services of high-end automobiles
RUF Automobiles Ltd.###	Hong Kong	20,000 shares of HK$20,000	–	100%	Investment holding
RUF China Automobiles Trading Ltd.#	The PRC	Registered and paid-in capital of US$7,600,000	–	100%	Trading of motor vehicles
Fuzhou Euro##	The PRC	Registered and paid-in capital of RMB50,000,000	–	51%	Sales of high-end motor vehicles
Quanzhou Fubao Automobiles Sales and Service Co., Ltd ("QZ Fubao")##	The PRC	Registered and paid-in capital of RMB30,000,000	–	100%	Automobile dealership, exhibitions of motor vehicles, provision of auto parts and after-sales services
Longyan Zhongbao Automobiles Co., Ltd ("LY Zhongbao")##	The PRC	Registered and paid-in capital of RMB30,000,000	–	100%	Automobile dealership, exhibitions of motor vehicles, provision of auto parts and after-sales services
Fujian Xingdebao Automobiles Sales and Service Co., Ltd ("FJ Xingdebao")##	The PRC	Registered and paid-in capital of RMB10,000,000	–	100%	Automobile dealership, exhibitions of motor vehicles, provision of auto parts and after-sales services

40. PARTICULARS OF SUBSIDIARIES *(Continued)*

#	registered as a wholly foreign-owned enterprise under the PRC law
##	registered as a limited liability company under the PRC law
###	incorporated as a limited liability company under local jurisdiction

The English name of certain companies referred herein represent management's best effort at translating the Chinese names of these companies as no English name has been registered.

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.

None of the above subsidiaries had any debt securities in issue at the end of the reporting period.

41. ACQUISITIONS OF SUBSIDIARIES

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

Name of subsidiary	Date of acquisition	Consideration
LY Zhongbao	23 November 2016	RMB41,000,000 (equivalent to approximately HK$46,166,000)
FJ Xingdebao	21 December 2016	RMB6,000,000 (equivalent to approximately HK$6,708,000)
QZ Fubao	22 December 2016	RMB115,000,000 (equivalent to approximately HK$128,570,000)

41. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

	LY Zhongbao HK$'000	FJ Xingdebao HK$'000	QZ Fubao HK$'000
Assets acquired and liabilities recognised at fair values at the date of acquisition are as follows:			
Property, plant and equipment	26,872	96,847	46,265
Intangible asset	–	–	22,360
Leasehold land	25,560	22,807	19,789
Inventories	16,474	17,653	92,992
Trade receivables	11,416	19,007	59,633
Prepayments, deposits and other receivables	10,506	37,542	222,230
Tax recoverable	1,866	–	–
Pledged deposits	4,144	3,578	61,624
Cash and bank balances	4,380	8,077	16,490
Trade payables	(3,268)	(11,669)	(20,419)
Accruals and other payables	(19,215)	(141,995)	(64,007)
Bills payable	–	–	(163,986)
Borrowings	(24,895)	(41,526)	(148,270)
Tax payable	–	(2,094)	(14,934)
Deferred tax liabilities	(4,335)	–	(7,507)
Net assets	49,505	8,227	122,260
Goodwill arising on acquisition:			
Consideration transferred	46,166	6,708	128,570
Less: Net assets acquired	(49,505)	(8,227)	(122,260)
(Gain on bargain purchase)/Goodwill arising from acquisition	(3,339)	(1,519)	6,310
Consideration satisfied by:			
Cash paid/payable	46,166	6,708	128,570
Net cash outflow arising on acquisition:			
Consideration paid in cash (note)	(46,166)	(6,708)	–
Cash and cash equivalents acquired	4,380	8,077	16,490
	(41,786)	**1,369**	**16,490**

Note: The considerations for acquisitions of LY Zhongbao and FJ Xingdebao were fully settled in cash at the end of reporting period while the consideration payable to Xiamen Zhong Bao for the acquisition of QZ Fubao was included under other payable.

41. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

Goodwill arose on the above acquisitions because the costs of the combinations included a control premium. In addition, the considerations paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquirees. These benefits are not recognised separately from goodwill because they are not capable of being separated from the acquirees group and sold, transferred, licensed, rented or exchanged, either individually or collectively. None of the goodwill arising on these transactions is expected to be deductible for tax purposes.

The acquisition-related costs incurred by the Group for the acquisitions amounting to HK$4,239,000 have been excluded from the consideration transferred and have been recognised as other expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

Impact of acquisitions on the results of the Group

Since the acquisition and LY Zhongbao, FJ Xingdebao and QZ Fubao in aggregate contributed revenue of HK$35,037,000 and net profit of HK$918,000 to the Group for the period from their respective acquisition dates to 31 December 2016.

Had the combination taken place on 1 January 2016, the revenue and net profit of the Group for the year ended 31 December 2016 would have been HK$2,055,329,000 and HK$47,328,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor are they intended to be a projection of future results.

42. DISPOSAL OF SUBSIDIARIES

On 29 December 2015, the Group disposed of its subsidiaries, China Automobiles Asia Pte Ltd ("CAAPL") and its subsidiary, at a consideration of SGD2 (approximately HK$11). The net liabilities of CAAPL and its subsidiary at the date of disposal were as follows:

	HK$'000
Net liabilities disposed of:	
Prepayments and other receivables	199
Trade payables	(608)
Accruals and other payables	(5,264)
Amount due from immediate holding company	5,673
Non-controlling interests	(1,831)
	(1,831)

42. DISPOSAL OF SUBSIDIARIES *(Continued)*

	HK$'000
Consideration	–
Less: Net liabilities disposed of	1,831
Translation reserve released to profit or loss upon disposal	836
Gain on disposal of subsidiaries	2,667

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries were as follows:

	HK$'000
Cash consideration	–
Bank balances and cash disposed of	–
	–

Financial Summary

RESULTS

	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
		(Note)	(Note)	(Note)	(Note)
Revenue	563,086	522,601	447,653	431,987	442,328
Other income	28,527	76,286	29,147	32,610	22,698
Cost of inventories	(328,922)	(289,220)	(232,315)	(230,509)	(282,004)
Employee benefits expenses	(64,307)	(59,306)	(59,716)	(56,020)	(44,835)
Depreciation and amortisation	(23,651)	(25,040)	(20,301)	(16,834)	(15,865)
Operating lease charges	(15,921)	(19,710)	(19,745)	(10,537)	(8,416)
Exchange differences, net	(5,085)	(7,913)	(3,489)	1,440	(1,795)
Impairment loss on goodwill	–	(3,750)	–	–	–
Other expenses	(78,282)	(74,821)	(65,371)	(58,378)	(45,056)
Profit from operating	75,445	119,127	75,863	93,759	67,055
Finance costs	(5,593)	(8,162)	(9,266)	(11,287)	(11,248)
Profit before income tax	69,852	110,965	66,597	82,472	55,807
Income tax expense	(22,990)	(25,953)	(16,160)	(8,163)	(21,615)
Profit for the year	46,862	85,012	50,437	74,309	34,192
	HK cents	HK cents	HK cents	HK cents	HK cents
Earnings per share					
Basic and diluted	10.06	20.16	11.80	15.80	7.19

ASSETS AND LIABILITIES

	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
Total assets	1,420,897	775,466	760,562	680,259	662,520
Total liabilities	(869,259)	(239,841)	(267,972)	(231,706)	(328,716)
	551,638	535,625	492,590	448,553	333,804
Non-controlling interests	(10,582)	(12,362)	(26,362)	(32,503)	(2,006)
Equity attributable to owners of the Company	541,056	523,263	466,228	416,050	331,798

Note: Car rental income was reclassified from other income into revenue to conform with current year's presentation.