



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)

Third Quarterly Report 2017





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

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

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

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This report, for which the directors (the “Directors”) of G.A. Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”) 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.

The board of Directors (the “Board”) of G.A. Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the nine months ended 30 September 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2017

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2017 HK\$'000	2016 HK\$'000 (Restated)	2017 HK\$'000	2016 HK\$'000 (Restated)
Revenue	2	553,312	124,825	1,474,727	368,441
Other income	2	9,849	5,818	36,175	14,961
		563,161	130,643	1,510,902	383,402
Changes in inventories		(39,214)	8,972	68,669	(5,312)
Auto parts and accessories, and motor vehicles purchased		(433,717)	(80,172)	(1,307,586)	(208,703)
Employee benefit expenses		(32,887)	(13,492)	(94,234)	(45,321)
Depreciation and amortisation		(10,835)	(5,694)	(31,930)	(17,529)
Operating lease charges		(5,174)	(3,843)	(13,125)	(12,251)
Exchange differences, net		1,752	(450)	3,319	(2,422)
Other expenses		(18,675)	(17,527)	(57,304)	(50,928)
Profit from operations		24,411	18,437	78,711	40,936
Finance costs		(6,499)	(1,418)	(19,423)	(4,097)
Profit before income tax		17,912	17,019	59,288	36,839
Income tax expense	3	(5,539)	(4,931)	(18,341)	(14,587)
Profit for the period		12,373	12,088	40,947	22,252



	Note	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Other comprehensive income/ (expense), item that may be reclassified subsequently to profit or loss:					
Exchange difference arising from translation of financial statements of foreign operations		10,844	(3,593)	26,101	(12,783)
Total comprehensive income for the period		23,217	8,495	67,048	9,469
Profit/(Loss) for the period attributable to:					
Owners of the Company		12,373	12,546	39,567	25,359
Non-controlling interests		-	(458)	1,380	(3,107)
		12,373	12,088	40,947	22,252
Total comprehensive income/ (expense) for the period attributable to:					
Owners of the Company		23,217	9,039	65,325	12,870
Non-controlling interests		-	(544)	1,723	(3,401)
		23,217	8,495	67,048	9,469
Earnings per share		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted	4	2.60	2.63	8.31	5.32

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	Attributable to owners of the Company								Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
For the nine months ended 30 September 2017 (unaudited)										
As at 1 January 2017	47,630	29,522	8,623	26,670	-	(30,752)	459,363	541,056	10,582	551,638
Profit for the period	-	-	-	-	-	-	39,567	39,567	1,380	40,947
Other comprehensive income										
Translation difference	-	-	-	-	-	25,758	-	25,758	343	26,101
Total comprehensive income for the period	-	-	-	-	-	25,758	39,567	65,325	1,723	67,048
Transactions with owners										
Acquisition of non-controlling interests	-	-	-	-	(10,735)	-	-	(10,735)	(12,305)	(23,040)
Appropriation to statutory reserve	-	-	-	3,970	-	-	(3,970)	-	-	-
Total transactions with owners	-	-	-	3,970	(10,735)	-	(3,970)	(10,735)	(12,305)	(23,040)
As at 30 September 2017	47,630	29,522	8,623	30,640	(10,735)	(4,994)	494,960	595,646	-	595,646
For the nine months ended 30 September 2016 (unaudited)										
As at 1 January 2016	47,630	29,522	8,623	22,064	-	(646)	416,070	523,263	12,362	535,625
Profit/(Loss) for the period	-	-	-	-	-	-	25,359	25,359	(3,107)	22,252
Other comprehensive expense										
Translation difference	-	-	-	-	-	(12,489)	-	(12,489)	(294)	(12,783)
Total comprehensive income/(expense) for the period	-	-	-	-	-	(12,489)	25,359	12,870	(3,401)	9,469
Transactions with owners										
Appropriation to statutory reserve	-	-	-	1,434	-	-	(1,434)	-	-	-
As at 30 September 2016	47,630	29,522	8,623	23,498	-	(13,135)	439,995	536,133	8,961	545,094



Notes:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Group is 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.

These unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the functional currency of the Company, unless otherwise stated.

(a) Statement of compliance

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the unaudited condensed consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

In preparing the unaudited consolidated financial statements, management make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group’s accounting policies, the key sources of estimation uncertainty, and, except as described below, the accounting policies adopted for the preparation of these unaudited condensed consolidated statements of the Group are consistent with those applied to the consolidated financial statements for the year ended and as at 31 December 2016.

(b) Adoption of new or revised Hong Kong Financial Reporting Standards

The HKICPA has issued certain new and amended HKFRSs that are first effective or available for early adoption for the current period of the Group. These new and amended HKFRSs have no significant impact on how the results and financial position for the current and prior periods have been prepared and presented.

The Group has not applied any new and amended HKFRSs that are not yet effective for the current accounting period.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (continued)

(c) Restatements

	(Unaudited) HK\$'000 As previously stated	(Unaudited) HK\$'000 Reclassification	(Unaudited) HK\$'000 As restated
Three months ended			
30 September 2016			
Revenue	118,987	5,838	124,825
Other income	11,656	(5,838)	5,818
Nine months ended			
30 September 2016			
Revenue	349,526	18,915	368,441
Other income	33,876	(18,915)	14,961

During the year ended 31 December 2016, 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" was classified as "Revenue". Accordingly, car rental income for the three months and nine months ended 30 September 2016 amounting to HK\$5,838,000 and HK\$18,915,000, respectively, have been reclassified from other income to revenue in the comparatives of the condensed consolidated statement of profit or loss and other comprehensive income. The restatement has no financial impact on the Group's condensed consolidated statement of financial position.

2. REVENUE AND OTHER INCOME

The Group recognised revenue by category as follows:

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000 (Restated)	2017 HK\$'000	2016 HK\$'000 (Restated)
Revenue				
Sales of motor vehicles	414,188	37,953	1,065,521	96,779
Servicing of motor vehicles and sales of auto parts	130,372	73,839	384,908	232,741
Technical fee income	1,876	7,195	5,192	20,006
Car rental income	6,876	5,838	19,106	18,915
	553,312	124,825	1,474,727	368,441
Other income				
Bank interest income	281	86	1,042	543
Commission income	3,733	3,368	15,665	8,907
Consultant service income	3,209	–	11,479	275
Financial guarantee income	1,022	873	2,539	1,297
Gain on disposal of property, plant and equipment	250	748	1,886	1,144
Reversal of impairment loss on trade receivables	198	–	538	–
Sundry income	1,156	743	3,026	2,795
	9,849	5,818	36,175	14,961

3. INCOME TAX EXPENSE

The income tax expense is comprised of:

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Current – Hong Kong				
Charge for the period	-	249	-	863
Over – provision in prior years	(20)	-	(20)	-
Current – Overseas				
Charge for the period	5,762	4,692	18,965	12,527
Current tax – total	5,742	4,941	18,945	13,390
Deferred tax	(203)	(10)	(604)	1,197
Total income tax expense	5,539	4,931	18,341	14,587

Hong Kong profits tax rate is 16.5% (2016: 16.5%) for the period. Hong Kong profits tax has not been provided for the nine months ended 30 September 2017 as the Group has no assessable profits for the period. Hong Kong profits tax has been calculated on the estimated assessable profits for the nine months ended 30 September 2016.

The income tax provision in respect of operations in the PRC is calculated at the applicable rates on the estimated assessable profits for the period based on the unification of the income tax rates for domestic-invested and foreign invested enterprises at 25% (2016: 25%).

The income tax in respect of operations in Singapore is calculated at the rate of 17% (2016: 17%) on the estimated assessable profits for the period.



4. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 30 September 2017 is based on the unaudited profit attributable to the owners of the Company for the three months ended 30 September 2017 of HK\$12,373,000 (three months ended 30 September 2016: HK\$12,546,000) and on the weighted average number of 476,300,000 (three months ended 30 September 2016: 476,300,000) ordinary shares in issue during the three months ended 30 September 2017.

The calculation of basic earnings per share for the nine months ended 30 September 2017 is based on the unaudited profit attributable to the owners of the Company for the nine months ended 30 September 2017 of HK\$39,567,000 (nine months ended 30 September 2016: HK\$25,359,000) and on the weighted average number of 476,300,000 (nine months ended 30 September 2016: 476,300,000) ordinary shares in issue during nine months ended 30 September 2017.

Diluted earnings per share for the three months and nine months ended 30 September 2017 and 2016 are the same as the basic earnings per share as there was no dilutive potential ordinary share during the respective periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group has successfully strengthened its revenue base through the acquisitions of three PRC entities with automobile dealer shops for premium automobile brands which were completed in late 2016 (the “Acquisitions”). Total revenue of the Group experienced a sharp increase of 300.3% for the nine months ended 30 September 2017 as compared to the corresponding period in 2016.

For the nine months ended 30 September 2017, the Group recorded a profit of HK\$40,947,000, an increase of 84.0% compared to HK\$22,252,000 in the corresponding period in 2016. The increase in total comprehensive income mainly resulted from i) the profit contribution from the subsidiaries newly acquired in late 2016; and ii) the continuous improvement in financial performance of the Group’s ultra-luxury dealer shop and service centres.

1. Sales of motor vehicles

For the nine months ended 30 September 2017, sales of motor vehicles increased by over 10 times to HK\$1,065,521,000 from HK\$96,779,000 in the corresponding period in 2016. The increase was driven by the three newly-acquired automobile dealer shops for premium automobile brands and the continuous improvement in customer awareness of the Group’s 4S store for ultra-luxury brands in Fuzhou.

2. Servicing of motor vehicles and sales of auto parts

Revenue generated from servicing of motor vehicles and sales of auto parts increased by 65.4% to HK\$384,908,000 compared to the corresponding period in 2016. The increase was driven by the three newly-acquired automobile dealer shops for premium automobile brands and the increase in demand for maintenance and repair services and related sales of auto parts.



3. Technical fee income

The Group received technical fee income from Xiamen Zhong Bao Automobiles Co., Ltd.* (“Xiamen Zhong Bao”) and certain of its subsidiaries and 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.

After the Acquisitions, the Group has gradually shifted its focus to sales and servicing of motor vehicles and sales of auto parts and as a result, technical fee income for the nine months ended 30 September 2017 dropped to HK\$5,192,000, from HK\$20,006,000 in the corresponding period in 2016.

4. Car rental business

The income from car rental business in Hong Kong for the nine months ended 30 September 2017 was HK\$19,106,000 which was stable compared to the corresponding period in 2016.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2016, the management of the Company reviewed the reporting structures for performance assessment and resources allocation of the Group in both Hong Kong and 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 car rental income for the nine months ended 30 September 2016 has been reclassified from other income to revenue in the comparatives of the condensed consolidated statement of profit or loss and other comprehensive income.

The unaudited consolidated revenue for the nine months ended 30 September 2017 increased sharply by 300.3%, from HK\$368,441,000 (restated) in the corresponding period in 2016 to HK\$1,474,727,000. The increase was the net result of the contribution from three subsidiaries newly acquired in late 2016 and the growth in sales of ultra-luxury motor vehicles, which out-weighted the decrease in technical fee income.

Gross Operating Profit and Gross Operating Margin

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

The gross operating profit for the nine months ended 30 September 2017 increased by 52.7% to HK\$235,810,000, as compared to HK\$154,426,000 in the corresponding period in 2016.

The gross operating margin for the nine months ended 30 September 2017 was 16.0%, as compared to 41.9% for the nine months ended 30 September 2016. The decrease in gross operating margin was mainly attributable to the increased share of sales contribution from sales of motor vehicles, which yields relatively lower profit as compared to the servicing of motor vehicles and car rental business.

Other Income

Other income increased from HK\$14,961,000 (restated) in the corresponding period in 2016 to HK\$36,175,000 for the nine months ended 30 September 2017 mainly due to the contributions from the newly acquired subsidiaries.

Employee Benefit Expenses

The Group recorded employee benefit expenses of HK\$94,234,000 for the nine months ended 30 September 2017, representing a 107.9% increase as compared to HK\$45,321,000 in the corresponding period in 2016. This was driven by the increased commission paid to salesmen in line with increased sales contributed by the newly acquired subsidiaries.

Depreciation and Amortisation

The depreciation and amortisation for the nine months ended 30 September 2017 increased by 82.2% from HK\$17,529,000 in the corresponding period in 2016 to HK\$31,930,000 in 2017. This is mainly attributable to the contributions from the newly acquired subsidiaries.

Operating Lease Charges

The operating lease charges for the nine months ended 30 September 2017 increased by 7.1% from HK\$12,251,000 in the corresponding period in 2016 to HK\$13,125,000 in 2017. This was mainly attributable to the net effect of i) the contributions from the newly acquired subsidiaries and ii) the relocation of a showroom from downtown to uptown of Fuzhou during the first half year of 2016, which lowered the monthly rental expense.



Foreign Exchange Exposure

For the nine months ended 30 September 2017, there was an exchange gain of HK\$3,319,000 (2016: loss of HK\$2,422,000), which resulted from the translation of trade receivables, and inter-company balances mainly from Renminbi (“RMB”) to HK\$, as the Group’s main operation was conducted in RMB.

Other Expenses

For the nine months ended 30 September 2017, other expenses were HK\$57,304,000, representing an increase of 12.5% compared to HK\$50,928,000 in the corresponding period in 2016. The increase was the net result of the expenses attributable to the newly acquired subsidiaries and a decrease in repair and maintenance expense.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the nine months ended 30 September 2017 was HK\$39,567,000 while HK\$25,359,000 was recorded in the corresponding period in 2016. The increase was mainly due to the contributions from the three newly acquired subsidiaries, the growth of business in the Group’s 4S store for ultra-luxury brands in Fuzhou and better cost control on servicing of motor vehicles and sales of auto parts during the current period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2017 (nine months ended 30 September 2016: Nil).

PROSPECTS

As the largest automobile market in the world, China continues to offer various opportunities despite intensifying competition. There is still a huge growth potential for the China market given relatively lower vehicle parc density compared to Americas. The growing middle class in China which is the target customer segment of the Group, continues to favour high-end and luxury brands in their choice of cars. Sales is expected to improve year-on-year with expanding product portfolio offered by the manufacturers covering a wider price range to cater for consumer needs. With the successful acquisitions completed in late 2016 and the acquisition of remaining 49% equity interest of 福洲歐利行汽車銷售服務有限公司 in the first half of 2017, the Group has attained stronger financial positions and increased earnings. The geographical expansion of business in the province of Fujian puts the Group in the leading position relative to its competitors. The Group has been diligent in the integration of new dealer shops to the its businesses.

The integration has been smooth and this enables the Group to keep on realising potential synergetic effect which is accretive to the Group's earnings. The said acquisitions have boosted the Group's car sales business and provided a platform for growing our after-sales and value-added services which contribute higher profit margin to the Group.

Looking forward, the Company will continue to build on its solid foundation, with focus on high-end and luxury brands of automobiles and quality services from car sales to all facets of after-sales services.

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

As at 30 September 2017, 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 GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares of the Company

Name	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Luo Wan Ju	Personal interest	8,000,000	1.68%
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 30 September 2017, none of the Directors or their associates has any interests or short positions 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 SUBSTANTIAL SHAREHOLDERS

As at 30 September 2017, 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	Beneficial owner and interest of a controlled corporation (<i>Note 1</i>)	83,272,320	17.48%
Chan Hing Ka Anthony	Interest of a controlled corporation (<i>Note 2</i>)	63,043,085	13.24%
Tycoons Investment International Limited	Beneficial owner (<i>Note 2</i>)	63,043,085	13.24%
Loh & Loh Construction Group Ltd.	Beneficial owner (<i>Note 1</i>)	45,284,000	9.51%
Big Reap Investment Limited	Beneficial owner (<i>Note 1</i>)	32,676,320	6.86%

Notes:

1. The 83,272,320 shares are held as to 32,676,320 shares by Big Reap Investment Limited, 45,284,000 shares by Loh & Loh Construction Group Ltd as well as 5,312,000 shares directly by Mr. Loh Nee Peng. 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 63,043,085 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 30 September 2017, the Directors are not aware of any other person or corporation having an interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

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

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

COMPETING INTERESTS

During the nine months ended 30 September 2017, none of the Directors or the controlling shareholders of the Company had any interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

During the nine months ended 30 September 2017, no option has been granted under the share option scheme adopted by the Company on 10 October 2014 (2016: Nil).

ADVANCES TO ENTITIES

As defined in Rule 17.14 of the GEM Listing Rules, "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 Rule 17.16 of the GEM Listing Rules, a disclosure obligation arises where the increment of relevant advance amount to an entity from the Group exceeds 3% under the assets ratio as defined under Rule 19.07 (1) of the GEM Listing Rules (the "Assets Ratio").

As at 30 September 2017, the Company's total assets were approximately HK\$1,497,157,000.

	(Unaudited) As at 30 September 2017 HK\$'000	Assets Ratio (%)	(Unaudited) As at 30 June 2017 HK\$'000	Increment as compared to Assets Ratio (%)
Guarantees to Zhong Bao Group <i>(note)</i>	163,603	10.9	161,280	N/A

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 30 September 2017, the Company had adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had 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 Directors' securities transactions.

CORPORATE GOVERNANCE

The Company has complied with the standards and requirements concerning board practices and procedures of the Board and the Board also considers that the Company has complied with the Code Provisions as set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 15 of the GEM Listing Rules throughout the period. Application of corporate governance policies are consistent with those adopted by the Group in the preparation of the annual consolidated financial statements for the year ended 31 December 2016.

AUDIT COMMITTEE

Pursuant to Rule 5.28 and 5.33 of the GEM Listing Rules and Code Provision C.3.3., the Company's Audit Committee was formed on 5 June 2002 and is currently composed of, namely, Mr. Zhou Ming, Mr. Yuen Kin Pheng, 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; and (b) to review and supervise the financial reporting, risk management and internal control procedures of the Group; and (c) to liaise with the external auditor at least twice a year and provide advice and comments thereon to the Board. The Audit Committee has reviewed the 2017 third quarterly results and provided comments.

These unaudited condensed consolidated financial statements have been reviewed and commented by the Audit Committee of the Company and were approved by the Board on 8 November 2017.

PROPOSED TRANSFER OF LISTING

The Company submitted a formal application to the Stock Exchange on 30 June 2017 for the proposed transfer of listing of the shares from the GEM to the Main Board of the Stock Exchange pursuant to Chapter 9A and relevant provisions of the GEM Listing Rules. Shareholders and potential investors should be aware that the implementation of the proposed transfer of listing is subject to, among others, the fulfillment of all the conditions for the transfer of listing as set out in the Company's announcement "Proposed transfer of the listing of the shares from the Growth Enterprise Market to the Main Board of The Stock Exchange of Hong Kong Limited" dated 30 June 2017. Accordingly, there is no assurance that permission will be obtained from the Stock Exchange for the proposed transfer of listing.

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 securities during the nine months ended 30 September 2017.

DIRECTORS OF THE COMPANY

As at the date hereof, the executive Directors of the Company are Mr. Luo Wan Ju, Mr. Choy Choong Yew, Mr. Zhang Xi, Mr. Ma Hang Kon, Louis and Mr. Xue Guo Qiang; the non-executive Director is Mr. Lin Ju Zheng; and the independent non-executive Directors are Mr. Zhou Ming, Mr. Yuen Kin Pheng, Mr. Yin Bin and Ms. Guan Xin.

By Order of the Board
G.A. Holdings Limited
Luo Wan Ju
Chairman

Hong Kong, 8 November 2017

* For identification purpose only