ANNUAL REPORT 2017

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)

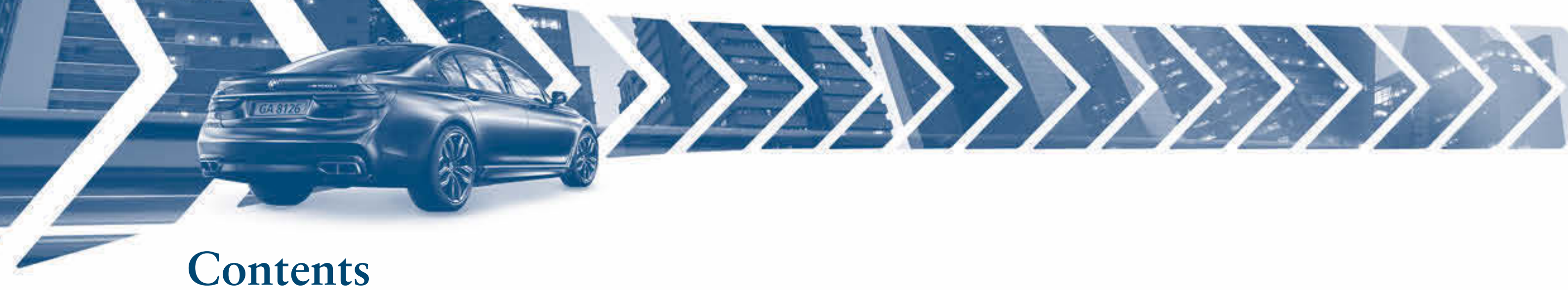
(Stock Code: 8126)

CHARACTERISTICS OF 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.

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.



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Corporate Information

DIRECTORS

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

* *Independent Non-Executive Directors*
\# *Non-Executive Director*

AUDIT COMMITTEE

Mr. Zhou Ming *(chairman)**
Mr. Yuen Kin Pheng*
Mr. Yin Bin*
Ms. Guan Xin*

REMUNERATION COMMITTEE

Mr. Zhou Ming *(chairman)**
Mr. Yuen Kin Pheng*
Mr. Yin Bin*
Ms. Guan Xin*

NOMINATION COMMITTEE

Mr. Luo Wan Ju *(chairman)*
Mr. Yuen Kin Pheng*
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
8 Hysan Avenue
Causeway Bay, Hong Kong

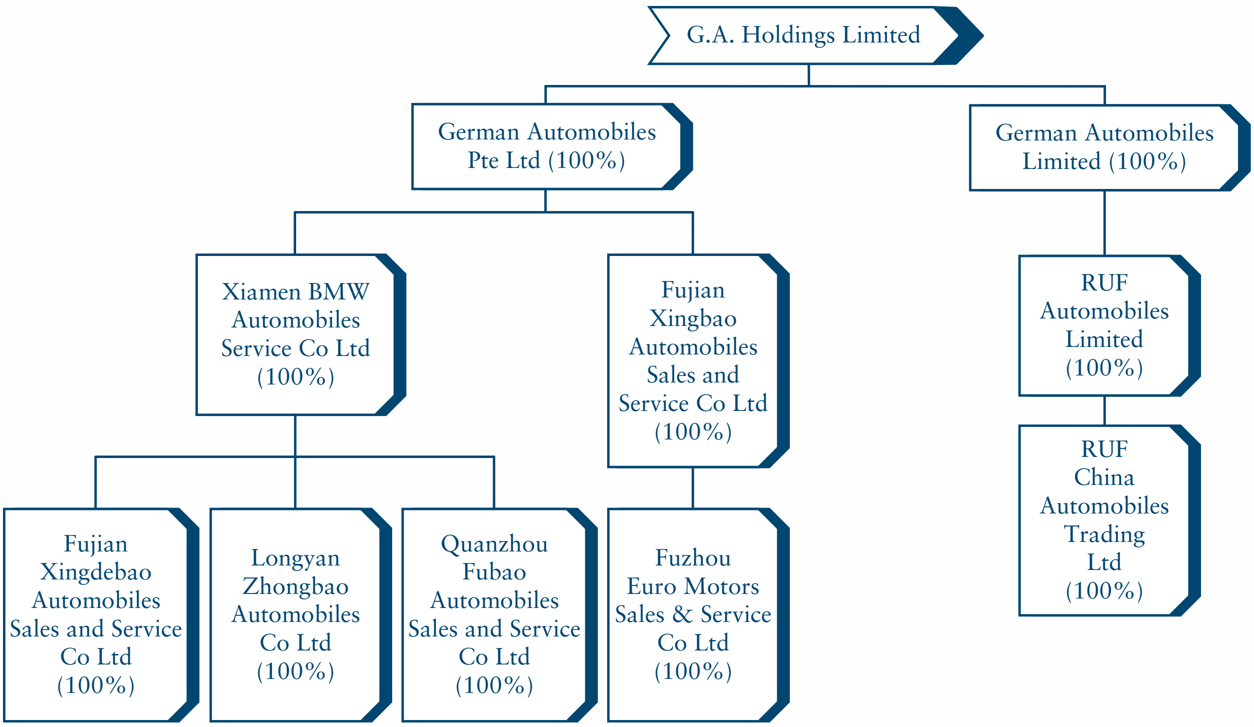
COMPANY WEBSITE

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 2017.

The year of 2017 was a milestone for the development of the Group. Subsequent to the successful acquisitions of three subsidiaries at the end of 2016, the Group offers a full range of products and services of luxury brands to customers including sales of automobiles, auto parts, after-sales services as well as other value-added services. We are delighted to report that the Group has recorded a sharp increase in total revenue from HK$563,086,000 in 2016 to HK$2,027,453,000 this year, representing a 260.1% increase and the profit from operations for the year increased to HK$98,186,000 from HK$75,445,000 in 2016. This reflected the smooth integration of the newly acquired business and the synergetic effect of the acquisitions which further solidify our position and enhance our competitiveness in the Chinese automotive industry.

To further create shareholders' value and demonstrate the Group's commitment to the premium, luxury and ultra-luxury automobile market, the Group has acquired the remaining 49% equity interest of a non-wholly owned subsidiary from the minority shareholder in the middle of 2017. With our dedicated effort on cost control and effective promotion, this subsidiary for ultra-luxury brands has successfully turned its net results from loss to profit this year.

In 2018, the Group will continue to look for opportunities for growth through internal development and acquisitions and to strengthen our management for better operational efficiency.

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 2017.

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. Going forward, we will continue to strive to provide comprehensive premium services to customers and to bring greater value to shareholders with fruitful achievements and results.

Yours sincerely,
Loh Wan Ju
Chairman

Hong Kong, 21 March 2018

Biographical Information of Directors

EXECUTIVE DIRECTORS

Mr. Luo Wan Ju, *Chairman*

Mr. Luo, aged 64, is the Chairman of the Group, 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 Fujian Xingbao Automobiles Sales and 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. He is an executive Director of the Company since 2012.

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 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. Ma Hang Kon, Louis

Mr. Ma, aged 55, is currently the chief financial officer, the company secretary and an authorised representative of the Company under the GEM Listing Rules since November 2015. 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. Xue Guo Qiang

Mr. Xue, aged 40, is 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.

Biographical Information of Directors

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). He has been appointed as an executive Director of the Company since September 2015.

NON-EXECUTIVE DIRECTOR

Mr. Lin Ju Zheng

Mr. Lin, aged 70, 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. On 23 March 2017, he was re-designated as a Non-Executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Guan Xin

Ms. Guan, aged 41, 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 Guanghua 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 46, obtained a master degree in Economics from the Hunan University. Mr. Yin is the general manager of a trading financial service agent in the PRC and has extensive experience in trade and finance. He has been 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. Yuen Kin Pheng

Mr. Yuen Kin Pheng, aged 68, currently serves as the Senior Advisor to Singapore Power International Pte. Ltd. Throughout his career, he held various senior executive leadership positions in Fortune 500 companies as well as major listed companies in Singapore, covering businesses in the Asia Pacific region. His executive titles included chief executive officer, president and vice president, spanning across various industries such as aerospace and aviation, HVAC (heating, ventilation and air conditioning), diesel engines, home appliances and building materials. Mr. Yuen has a distinguished career with the Republic of Singapore Air force with a number of diverse positions in operations, planning and administration. He left the service to pursue a second career in business after 18 years with the rank of Lieutenant Colonel. Mr. Yuen holds a bachelor's degree (First-Class Honors) in business administration and a master of business administration from the National University of Singapore and completed the advanced management program from the Wharton School of Business at the University of Pennsylvania, United States of America. He was appointed as an independent non-executive Director of the Company since 23 March 2017.

Mr. Zhou Ming

Mr. Zhou, aged 45, 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

Subsequent to the acquisitions of three subsidiaries which operate automobile dealer shops for premium automobile brands (the "Acquisitions") in 2016, the Group further acquired the remaining 49% equity interest of a non-wholly owned subsidiary from the minority shareholder during the year ended 31 December 2017. The revenue base has therefore been strengthened and total revenue of the Group experienced a sharp increase of 260.1% to HK$2,027,453,000 for the year ended 31 December 2017 as compared to HK$563,086,000 in 2016.

During the year ended 31 December 2017, the profit from operations was HK$98,186,000, representing a 30.1% increase compared to HK$75,445,000 in 2016. The increase in the profit from operations was a net result of i) the profit contribution from the subsidiaries newly acquired in the late 2016; ii) the continuous improvement in financial performance of the Group's ultra-luxury dealer shop and service centres; iii) the exchange gain of HK$3,910,000 resulting from the appreciation of Renminbi ("RMB") to Hong Kong dollars, offset by iv) the absence of gain on bargain purchase of HK$4,858,000 arising from the Acquisitions; and v) the decline of HK$20,998,000 in technical fee income.

Sales of Motor Vehicles

Sales of motor vehicles accounted for 72.3% (2016: 30.6%) of the total revenue of the Group in 2017, and amounted to HK$1,465,175,000. The increase was mainly driven by the three newly acquired subsidiaries and the continuous improvement in customer awareness of the Group's 4S store for ultra-luxury brands in Fuzhou.

Servicing of Motor Vehicles and Sales of Auto Parts

Revenue generated from servicing of motor vehicles and sales of auto parts increased by 56.9% to HK$528,335,000 compared to 2016. The increase was driven by the contribution of the three newly-acquired subsidiaries.

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 ("Zhong Bao Group") for providing management consulting and technical assistance in relation to the PRC locally assembled BMW motor vehicles sold by Xiamen Zhong Bao.

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 year ended 31 December 2017 dropped to HK$7,577,000 from HK$28,575,000 in 2016.

Car Rental Business

The income from car rental business in Hong Kong for the year ended 31 December 2017 was HK$26,366,000 which was stable compared to 2016.

Management Discussion and Analysis

FINANCIAL REVIEW

The consolidated revenue for the year ended 31 December 2017 increased sharply by 260.1%, from HK$563,086,000 in 2016 to HK$2,027,453,000. The increase was mainly driven by the contribution from three subsidiaries newly acquired in the 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 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 2017 increased by HK$90,540,000 to HK$324,704,000 as compared to HK$234,164,000 in 2016. The gross operating margin for the year ended 31 December 2017 was 16.0%, as compared to 41.6% for the year ended 31 December 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

The increase in other income from HK$28,527,000 in 2016 to HK$43,824,000 for the year ended 31 December 2017 was mainly attributable to the contribution from the newly acquired subsidiaries.

Employee Benefit Expenses

The Group recorded employee benefit expenses of HK$130,450,000 for the year ended 31 December 2017, representing a 102.9% increase as compared to HK$64,307,000 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 year ended 31 December 2017 increased by 85.7% from HK$23,651,000 in 2016 to HK$43,913,000. This was mainly attributable to the contribution from the newly acquired subsidiaries.

Operating Lease Charges

The operating lease charges for the year ended 31 December 2017 increased by 7.9% from HK$15,921,000 in 2016 to HK$17,186,000 this year. This was mainly attributable to the net effect of i) the expenses incurred in the newly acquired subsidiaries; 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; and (iii) the decrease in number of cars rented for daily operation.

Other Expenses

Other expenses were HK$82,703,000, representing an increase of 5.6% compared to HK$78,282,000 in 2016. The increase was the net result of the expenses incurred in the newly acquired subsidiaries and a decrease in repair and maintenance expenses.

Finance Costs

Finance costs increased by HK$22,620,000 from HK$5,593,000 for the year ended 31 December 2016 to HK$28,213,000 in 2017 primarily due to borrowings raised in the newly acquired subsidiaries.

Management Discussion and Analysis

Income Tax Expense

Income tax expense during the year ended 31 December 2017 was HK$22,444,000 representing a decrease of HK$546,000 as compared with HK$22,990,000 in 2016. The amount of income tax expense represented i) the current tax expense of HK$24,440,000 and ii) deferred tax of HK$1,996,000 credited to profit or loss mainly arising from the recognition of tax losses of a subsidiary and the additional depreciation for fair value adjustments on the Aquisitions.

Financial Resources and Liquidity

As at 31 December 2017, shareholders' fund of the Group amounted to HK$611,019,000 (2016: HK$551,638,000). Current assets amounted to HK$1,107,724,000 (2016: HK$1,024,029,000) of which HK$247,442,000 (2016: HK$181,821,000) were cash and pledged deposits. Current liabilities amounted to HK$904,660,000 (2016: HK$848,635,000) and mainly represented trade payables, bills payable, borrowings, accruals and other payables. The Group had non-current liabilities amounted to approximately HK$21,993,000 (2016: HK$20,624,000). The net asset value per share as at 31 December 2017 was HK$1.28 (2016: HK$1.16).

Capital Structure of the Group

During the year ended 31 December 2017, the Group had no debt securities in issue (2016: 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 2017, the Group has available unutilised banking facilities of approximately HK$395,350,000 (2016: HK$329,868,000).

Capital Expenditure and Capital Commitments

In 2017, the Group incurred capital expenditure amounted to HK$62,899,000 (2016: HK$31,581,000) on acquisition of property, plant and equipment.

Capital commitments contracted but not provided for in the consolidated financial statements at 31 December 2017 amounted to HK$4,196,000 (2016: HK$261,000).

Material Acquisitions and Disposals of Subsidiaries or Affiliated Companies

During the year ended 31 December 2017, the Group acquired additional equity interests of 49% in a non-wholly owned subsidiary, Fuzhou Euro Motors Sales & Services Co., Ltd. for a consideration of RMB20,000,000 (equivalent to approximately HK$23,040,000). Further details were set out in note 30 to the consolidated financial statements and the announcements of the Company dated 15 June 2017 and 29 June 2017 respectively.

Save for the acquisitions of three subsidiaries, Longyan Zhongbao Automobiles Co., Ltd., Fujian Xingdebao Automobiles Sales and Service Co., Ltd. and Quanzhou Fubao Automobiles Sales and Service Co., Ltd. on 23 November 2016, 21 December 2016 and 22 December 2016 respectively as set out in note 40 to the consolidated financial statements, the Group had no material acquisitions and disposals of subsidiaries or affiliated companies during the year ended 31 December 2016.

Employees

As at 31 December 2017, the total number of employees of the Group was approximately 896 (2016: 873). For the year ended 31 December 2017, the staff costs including directors' remuneration of the Group amounted to HK$130,450,000 (2016: HK$64,307,000), representing 6.4% (2016: 11.4%) of the revenue of the Group. Appropriate staff force is maintained cautiously in accordance with the operational needs and activities of the Group.

Management Discussion and Analysis

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's Assets

As at 31 December 2017, fixed deposits of HK$94,979,000 (2016: HK$78,238,000) were pledged to banks and other financial institutions to secure facilities of the Group while amounts of HK$16,439,000 (2016: HK$16,457,000) 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$86,307,000 (2016: HK$60,154,000) and HK$2,939,000 (2016: nil) were pledged to secure banking facilities of the Group and Xiamen Zhong Bao respectively as at 31 December 2017.

The net carrying amount of motor vehicles held under finance leases of HK$19,038,000 (2016: HK$21,729,000) was also pledged to secure the respective borrowings as at 31 December 2017.

Gearing Ratio

The Group expresses its gearing ratio as a percentage of total borrowings (including bills payable, short-term and long-term 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 2017, the Group had a gearing ratio of 0.48 (2016: 0.43).

Foreign Exchange Exposure

During the year ended 31 December 2017, the Group had an exchange gain of approximately HK$3,910,000 (2016: exchange loss of HK$5,085,000), mainly resulted from the appreciation of Renminbi against Hong Kong dollars during the year.

Contingent Liabilities

As at 31 December 2017, the Group provided guarantees with aggregate principal amounts of approximately HK$166,244,000 in respect of banking facilities to Zhong Bao Group (2016: HK$156,520,000).

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: 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 and more new models from our major suppliers will be unveiled in 2018, the Group is well confident to further 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 (the "Board") is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

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 subsidiary 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 39 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 2017 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 annual report.

RESULTS, DIVIDENDS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated financial statements on pages 41 to 111 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 December 2017. 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 2017 (2016: nil).

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting ("AGM") is scheduled to be convened on Monday, 7 May 2018. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 3 May 2018 to Monday, 7 May 2018 both days inclusive, during which period no transfer of shares will be registered. 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 Wednesday, 2 May 2018.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company had reserves available for distribution to shareholders amounted to approximately HK$3,551,000. 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$28,825,000.

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 2017 are set out in note 13 to the consolidated financial statements.

Directors' Report

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 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 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 total issued voting shares
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 31 December 2017, 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.

Directors' Report

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 31 December 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 total issued voting shares
Loh Nee Peng	Beneficial owner and interest of a controlled corporation *(Note 1)*	83,272,320	17.48%
Chan Hing Ka Anthony	Interest of a controlled corporation *(Note 2)*	57,267,085	12.02%
Tycoons Investment International Limited	Beneficial owner *(Note 2)*	57,267,085	12.02%
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 83,272,320 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 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 57,267,085 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 2017, 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 was 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' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year ended 31 December 2017 and as at the date of this report were:

Executive Directors

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

Non-Executive Director

Mr. Lin Ju Zheng (re-designated from executive director to non-executive director on 23 March 2017)

Independent Non-Executive Directors

Ms. Guan Xin
Mr. Yuen Kin Pheng (appointed on 23 March 2017)
Mr. Yin Bin
Mr. Zhou Ming

In accordance with Article 84 (1) of the Company's Articles of Association (the "Articles") adopted on 11 May 2012, 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 Articles, 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. Choy Choong Yew, Mr. Ma Hang Kon, Louis, Mr. Lin Ju Zheng and Mr. Yin Bin, will be retired by rotation and will offer themselves for re-election thereof.

Mr. Choy Choong Yew, 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, 23 September 2015 and 16 November 2015 respectively, subject to early termination by the Company giving not less than three months' notice of termination in writing or payment in lieu.

Mr. Luo Wan Ju and Mr. Xue Guo Qiang each 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 in writing or payment in lieu at any time during the term.

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, 6 May 2016 and 26 July 2016, respectively, subject to early termination by the Company giving not less than three months' notice of termination in writing or payment in lieu.

Mr. Lin Ju Zheng entered into a service contract with the Company as he was re-designated as a non-executive director on 23 March 2017 which is subject to early termination by either party by giving not less than three months' notice at any time during the term and Mr. Yuen Kin Pheng entered into an appointment letter with the Company for a term of three years commencing from 23 March 2017, subject to early termination by the Company giving not less than three months' notice of termination in writing or payment in lieu.

Directors' Report

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or 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 to the consolidated financial statements.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

On 15 June 2017, the Group entered into a sale and purchase agreement to acquire additional equity interests of 49% in a non-wholly owned subsidiary, Fuzhou Euro Motors Sales & Services Co., Ltd. from the minority shareholder for a consideration of RMB20,000,000 (equivalent to approximately HK$23,040,000). The transaction constitutes a connected transaction which is subject to the reporting and announcements requirements, but is exempt from the circular and the independent shareholders' approval requirements under in Chapter 20 of the GEM Listing Rules. Details are set out in note 30 to the consolidated financial statements and the announcements of the Company dated 15 June 2017 and 29 June 2017 respectively.

Save for the above, the Directors consider that the related party transactions set out in note 33 to the consolidated financial statements of the Group fall under the definitions of "continuing connected transactions" in Chapter 20 of the GEM Listing Rules. The Company has complied with the disclosure requirements with respect to connected transactions entered into by the Group during the year ended 31 December 2017.

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 112 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 35 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.

Directors' 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 2017, the percentage of sales and purchases attributable to the Group's major customers and suppliers are set out as below:

Sales	
– The largest customer	2.4%
– The total of five largest customers	7.9%
Purchases	
– The largest supplier	48.4%
– The total of five largest suppliers	93.0%

As far as the Directors are 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 2017 and up to the date of this 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 Articles or the laws in Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2017 were audited by Grant Thornton Hong Kong Limited ("Grant Thornton"), who will retire and a resolution to re-appoint Grant Thornton as auditor of the Company will be proposed at the forthcoming AGM.

COMPANY SECRETARY

Mr. Ma Hang Kon, Louis, aged 55, was 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 2017.

Directors' Report

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 Fujian Xingbao Automobiles Sales and 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 was appointed as an executive director of the Company since May 2012. Mr. Choy's educational qualifications include a Professional Diploma for Finance Controllers & Finance Directors of Foreign Investment and Foreign Enterprise in China (Zhongshan University and Hong Kong Management Association), Master of Finance (University of Royal Melbourne Institute of Technology), Diploma in Financial Management (Hong Kong Management Association) and Higher Diploma in Accounting (London Chamber of Commerce and Industry).

COMPETING INTERESTS

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

SHARE OPTION SCHEME

The Company has 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 37 to the consolidated financial statements of the Group.

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 39 to the consolidated financial statements of the Group.

ADVANCES TO ENTITIES

As defined in the 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 the 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 2017, the Company's consolidated total assets were approximately HK$1,537,672,000.

	(Audited) As at 31 December 2017	**Assets Ratio**	(Audited) As at 31 December 2016	Increment as compared to Assets Ratio
	HK$'000	*(%)*	*HK$'000*	*(%)*
Guarantees to Zhong Bao Group	**166,244**	**10.8%**	156,520	N/A

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

	(Audited) As at 31 December 2017	**Assets Ratio**	(Unaudited) As at 30 September 2017	Increment as compared to Assets Ratio
	HK$'000	*(%)*	*HK$'000*	*(%)*
Guarantees to Zhong Bao Group *(note)*	**166,244**	10.8%	163,603	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 guarantee agreement on 14 November 2017 (the "Guarantee Agreement") with Xiamen Zhong Bao Automobiles Co., Ltd. to replace the previous one entered into in April 2016, which has been expired on 31 December 2017. Pursuant to the Guarantee Agreement, Xiamen BMW Automobiles Service Co, Ltd. and its immediate holding company, German Automobiles Pte Ltd. will during the period from 1 January 2018 to 31 December 2019 guarantee Xiamen Zhong Bao's banking facilities to be incurred in its ordinary course of business in a maximum aggregate amount of RMB160 million. The Guarantee Agreement and the transactions contemplated thereunder have been approved by shareholders at the Company's extraordinary general meeting held on 29 December 2017.

Further details for the Guarantee Agreement were set out in the circular of the Company dated 12 December 2017 and the announcement of the Company dated 14 November 2017.

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 2017.

PERMITTED INDEMNITY PROVISIONS

During the year and at the time when the Directors' Report was approved, a permitted indemnity provision in line with the requirements specified in section 469(2) of the Hong Kong Companies Ordinance for the benefit of all directors of the Company was in force.

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

Hong Kong, 21 March 2018

Corporate Governance Report

CORPORATE GOVERNANCE CODE

The Group is committed to promoting good corporate governance, with the following objectives: (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 Provisions") throughout the year ended 31 December 2017.

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 2017, 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 five executive Directors, one non-executive Director and four independent non-executive Directors.

Executive Directors

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

Non-Executive Director

Mr. Lin Ju Zheng

Independent Non-Executive Directors

Ms. Guan Xin
Mr. Yin Bin
Mr. Yuen Kin Pheng
Mr. Zhou Ming

Mr. Lin Ju Zheng was re-designated from executive Director to non-executive Director and Mr. Yuen Kin Pheng was appointed as independent non-executive Director on 23 March 2017.

Corporate Governance Report

Board Meetings

The Board meets regularly over the Company's affairs and operations and held seven board meetings in 2017. The attendance records of each Director are set out below:

Executive Directors' Attendance

Luo Wan Ju	6/7
Choy Choong Yew	7/7
Ma Hang Kon, Louis	7/7
Xue Guo Qiang	7/7
Zhang Xi	7/7
Lin Ju Zheng (re-designated as Non-Executive Director on 23 March 2017)	7/7

Independent Non-Executive Directors

Guan Xin	7/7
Yin Bin	7/7
Yuen Kin Pheng (appointed on 23 March 2017)	5/5
Zhou Ming	7/7

Responsibilities, accountabilities and contributions of the board and management

The Board of Directors (the "Board") of the Company is entrusted with the overall responsibility for promoting the success of the Company through its direction and supervision. In practice, the Board takes responsibilities for decision making in all major matters of the Company while 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 being entered into.

Details of the backgrounds and qualifications of the Chairman of the Company and 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 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. Choy Choong Yew, Mr. Ma Hang Kon, Louis, Mr. Lin Ju Zheng and Mr. Yin Bin will retire at the forthcoming annual general meeting of the Company, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Corporate Governance Report

Continuous Professional Development

Pursuant to Code Provision A.6.5, 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 accredited service providers and in-house briefing on topics related to corporate governance regulations and Directors' duties. All Directors are also currently members of the Hong Kong Institute of Directors and are continuously improving their Directors' skill and keeping up to date with all issues affecting their ability to fulfill their roles.

All Directors understand the importance of continuous professional development and are committed to participating in 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 any legal action against the Directors for the year 2017 and onwards.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 undertaken 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 ensures 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.

NON-EXECUTIVE DIRECTOR

Code Provision A.4.1 stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas Code Provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

During the year ended 31 December 2017, Mr. Lin Ju Zheng was re-designated as a non-executive Director. He was appointed for a specific term of three years and is subject to retirement by rotation every three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05A, 5.05 (1) and (2) of the GEM Listing Rules, the Company has appointed four independent non-executive Directors, i.e. Mr. Zhou Ming, Mr. Yuen Kin Pheng, Mr. Yin Bin and Ms. Guan Xin, representing more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. 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.

Corporate Governance Report

Under Code Provision A.4.1, independent non-executive directors should be appointed for a specific term, subject to re-election. All four independent non-executive Directors, Mr. Zhou Ming, Mr. Yuen Kin Pheng, 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, 23 March 2017, 6 May 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 of Hong Kong Limited (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 formed on 29 September 2006. As at 31 December 2017, it comprised one executive Director and three independent non-executive Directors, namely Mr. Luo Wan Ju, Mr. Yuen Kin Pheng, 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 2017, the Nomination Committee had held meeting once for making recommendation to the Board on annual review on the appointment of Directors, and review on assessment of the independence of the independent non-executive Directors during the year.

Remuneration Committee

The Remuneration Committee was formed on 27 September 2005. As at 31 December 2017, the Remuneration Committee comprised four independent non-executive Directors, namely Mr. Zhou Ming, Mr. Yuen Kin Pheng, Mr. Yin Bin and Ms. Guan Xin. Mr. Zhou Ming is the chairman of the Remuneration Committee.

The Remuneration Committee is principally responsible for making 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 reviews the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors and the senior management and other related matters as and when appropriate. The Remuneration Committee shall consult the Chairman and/or the Managing Director of the Company about its 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 2017, the Remuneration Committee had met once to discuss and review the remuneration policy and structure of the Company and remuneration packages of the independent non-executive Directors and the senior management under review for the year.

Audit Committee

The Audit Committee was formed on 5 June 2002 and is currently composed of four independent non-executive Directors, 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: (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 2017, the Audit Committee held four 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 Audit Committee has also carried out and discharged its duties set out in the relevant Code Provisions. In the course of doing so, the Audit Committee has met the Company's management, risk management and internal audit teams and external auditor during 2017. The audited financial results of the Group for the year ended 31 December 2017 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	1/1	N/A	N/A
Independent Non-executive Directors			
Zhou Ming	N/A	1/1	4/4
Yin Bin	1/1	1/1	4/4
Yuen Kin Pheng (appointed on 23 March 2017)	N/A	N/A	3/3
Guan Xin	1/1	1/1	4/4

Corporate Governance Report

AUDITOR'S REMUNERATION

For the year 2017, the remuneration paid or payable to the external auditor, Grant Thornton Hong Kong Limited or their affiliated firms is as follows:

	2017 HK$'000
Statutory audit	1,030
Review of interim results	200
Other non-audit services (mainly tax advisory and other reporting review services)	280
	1,510

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. Mr. Ma possesses day-to-day knowledge on the Company's affairs and is 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 undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2017.

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 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.

During the year 2017, the Company has engaged an external professional party to conduct a follow-up review of the Group's internal control system in accordance with the requirements under the relevant Code Provisions. The Group has also set up an internal audit team to perform ongoing internal audit and conduct risk assessment review. 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 2017 risk management process identified the most significant risks relevant to the Company as follows:

Corporate Governance Report

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, and carry out regular discussion with outside counsel and research 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 of relevant premium brands 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 support 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 ensures the investment of adequate resources and manpower to monitor the systems and closely communicate with the automobile manufacturers.

Inside information

The 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 or their trading volume and decide whether the relevant information constitutes inside information which 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

During the year 2017, the appropriate internal controls including the ones set out below were in place.

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

2. Appropriate operating policies and procedure have been established.

3. Delegation of authority – The Directors and/or management are delegated with appropriate level of authority relating to certain businesses or operational objectives. Appropriate Board Committees of which their decision-making authority has been delegated by the Board, are established to review, approve and monitor relevant aspects of the affairs 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 Company's internal audit department, 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 2017, the Group has complied with "comply or explain" provisions set out in the ESG Reporting Guideline. Information about the Group's ESG policies and performance in 2017 as set out in the Environmental, Social and Governance Report on pages 31 to 35 of this annual report.

INVESTOR RELATIONS

The Board considers that maintaining regular and effective communication with shareholders is the key to establish shareholders' confidence and attract new investors. This includes (i) the publication of quarterly, interim and annual reports; (ii) holding the annual general meeting and other general meetings, thereby providing a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) making latest updates and key information of the Company available on the website of the Company. In addition, the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters.

A summary of the principal provision of the Articles of Association is available on the website of the Company and the website of Stock Exchange. There has been no change to the Company's constitutional documents during the year.

Corporate Governance Report

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 exercise their right to vote.

The Company held its annual general meeting on 9 May 2017 where 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 affairs. The Company also invited representatives of the external auditor of the Company to be present to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditor's 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 may 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:

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

   (b) Be 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) Be 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 review its corporate governance standards on a regular and timely basis and endeavors to take necessary actions to ensure compliance with the required practices and standards including the provisions of the Corporate Governance Code introduced by the Stock Exchange.

Environmental, Social and Governance Report

This Environmental, Social and Governance (the "ESG") report focuses on the Group's environmental, social and governance initiatives. When preparing this report, references have been made to Appendix 20 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited. The Group has complied with the "Comply or Explain" provisions set out in the ESG Reporting Guide for the year ended 31 December 2017.

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 Singapore. 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 2017, the Group continued to be a joint sponsor for the 52nd SingCham 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 procedures are regularly reviewed by the Board of Directors and are supported by monthly management meetings held 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' communication 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 days 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, especially for the industry in which quality and prestige is what differentiates itself 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 2017, the Group employed a total of 896 (2016: 873) staff, made up of 861 in the PRC, 28 in Hong Kong and 7 in Singapore who were aged between 18 and 70. Of them, 579 were providing sales, technical and customer services, with the remaining being involved in management, administration, finance and other supporting roles.

Environmental, Social and Governance Report

The Group employed 553 men and 343 women as at 31 December 2017. Currently the ratio of men to women employed by the Group is around 1.6:1 (2016:1.8:1) which reveals the fact that most qualified mechanics and auto technician professionals in China are still dominated by 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.

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 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 evaluations are conducted by the head 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 2017, 28 (2016:16) interns are hired within our Group as more interns are hired for our expanded operation after acquiring three subsidiaries in Fujian Province at the end of 2016.

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 has 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.

The health and safety of its employees are of 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 299 (2016: 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 ensure that the working conditions, tools, equipment and machinery used or operated by these staff are kept in excellent working status and that all staff are well-trained for operational safety. Regular on-the-job training to new staff is provided by our 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 automobile manufacturers. The safety culture is supported by our use of the latest equipment and machinery as required by automobile manufacturers, who are leading vehicle manufacturers in the world, for all their authorised distributors.

In the year under review, no fatal or serious accidents were recorded, and the Group did not experience any significant disruption to its business operations due to days lost resulting from 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.

Environmental, Social and Governance Report

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.

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 provide 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 with comments and ideas for improvements. Meanwhile, strict confidential system and guidelines have been established and imposed by the Group to secure these customers information collected.

THE ENVIRONMENT

The Group believes that increased environmental awareness is the key to environmental protection and wellness to the general community. It is the Group's policy to ensure compliance with all applicable laws and regulations relating to the protection of environment and to minimise our environmental footprint through efficient use of resources. The Group endeavours to promote environmental conscientiousness not just to employees but to its car tenants as well. Given the nature of the Group's business, the Company believes that its operations have minimal adverse impact on the environment. Our dealer shops are all located in specific areas designated for the use of the automobile industry as authorised by the PRC government. These areas are equipped with high technological facilities that could facilitate the efficient use of natural resources and protection of local environment. The Company is not aware of any material non-compliance with the relevant laws and regulations in relation to emissions of excessive greenhouse gas, discharge of hazardous gas or wastage during the year.

Gasoline

The automobile industry as a whole, by its underlying nature, is implicated in global emissions. However, the Group, as a car-dealer, distributes 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 and efficient services, 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 minimizing environmental impact in the world.

Meanwhile, the Group's car selling and servicing businesses 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.

The Group currently owns approximately 311 motor vehicles and most of them are run by unleaded petrol while only few are unavoidably run by diesel oil. During the year, a total of approximately 202,746 litres of unleaded petrol and approximately 90,347 litres of diesel oil were consumed. Total emissions from these motor vehicles are set out below:

Nitrogen oxides (NOx): 388,222.8 g
Carbon dioxide (CO_2): 714,647.1 kg
Sulphur oxides (SOx): 4,435.0 g
Particulate matter (PM): 30,506.6 g
Methane (CH_4): 57.8 kg
Nitrous oxide (N_2O): 239.6 kg

Electricity

The Group endeavors to conserve energy by utilising energy efficient equipment and light fixtures. All our dealer shops and offices are required to keep in-door temperature at 25 Degree Celsius to ensure efficient use of air conditioning while employees are encouraged to save energy by turning off lights and equipment when not in use.

Electricity consumed by the Group for normal business operations was mainly supplied by CLP Power Hong Kong Limited, The Hongkong Electric Co. Ltd and other governmental electricity suppliers in Fujian Province. Total electricity consumption during the year was approximately 3,413,000 kWh, producing CO_2 equivalent emissions of approximately 1,878,000 kg and an energy consumption intensity of approximately 76 kWh per square meter during the year.

Water

The Group's business operations do not require any significant water usage and water consumption by the Group for the year involved mainly bottled drinking water uses and servicing of motor vehicles at its dealer shops and office premises. The Group used approximately 41,517 m^3 of water with a water consumption intensity of approximately 46.3 m^3 per employee for domestic consumption during the year.

Environmental, Social and Governance Report

Paper

The Group encourages employees to go paperless as much as possible by limiting print outs and communicating through e-mail or other telecommunication systems. While the Group has not developed any dedicated recycling program for paper use, employees are encouraged to re-use papers for internal record and documentation. During the year, the Group used a total of approximately 11,482 kg of paper in the course of normal business operations and the total CO_2 equivalent emissions for the paper used was approximately 55,111.7 kg. Since 2015, the Group has been using FSC-certified papers in bulk-printing its annual report to further support environmental protection.

Independent Auditor's Report

Grant Thornton
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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 41 to 111, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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.

Independent Auditor's Report

Recoverability of the amounts due from Zhong Bao Group

Refer to significant accounting policies in note 4.8, critical accounting estimates and judgements in note 5 and the disclosure of the amounts due from Zhong Bao Group in notes 19 and 20 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$383,950,000 as at 31 December 2017. 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 2017. 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. – Reviewing the subsequent settlement of the balances.

Recognition of vendor rebates

Refer to significant accounting policies in note 4.18, critical accounting estimates and judgements in note 5 and the disclosure of the rebate receivables in note 20 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The Group receives vendor rebates under various and differing arrangements from automobile manufacturers. Rebate arrangements, which can vary in different fiscal years and between automobile manufacturers, include volume based purchase rebates, sales rebates for certain specific car models and other specific rebates. The Group recognises vendor rebates with reference to the entitlement conditions set by the automobile manufacturers. As at 31 December 2017, the rebate receivables recognised in the consolidated statement of financial position amounted to HK$60,316,000. We identified recognition of vendor rebates as a key audit matter because of its significance to the consolidated financial statements and because there are many different kinds of rebate arrangements in place and critical judgements are required on calculating the rebate receivables with reference to the entitlement conditions.	Our procedures included: – Obtaining an understanding of the design and implementation of management's key internal controls in relation to the recognition of vendor rebates; – Assessing the rebate policies in respect of the recognition of vendor rebates by inspecting the terms and conditions set out in each type of rebate arrangement communicated by the respective automobile manufacturers with reference to the prevailing accounting standards; – Checking the calculation of the rebate receivables based on the rebate policies; and – Checking to subsequent receipts of the rebate receivables after the reporting date.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2017 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 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.

The directors assisted by the Audit Committee 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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

21 March 2018

Lin Ching Yee Daniel
Practising Certificate No.: P02771

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	6	2,027,453	563,086
Other income	8	43,824	28,527
		2,071,277	591,613
Changes in inventories	9.1	82,185	(17,329)
Auto parts and accessories, and motor vehicles purchased	9.1	(1,784,934)	(311,593)
Employee benefit expenses	12	(130,450)	(64,307)
Depreciation and amortisation		(43,913)	(23,651)
Operating lease charges		(17,186)	(15,921)
Exchange differences, net		3,910	(5,085)
Other expenses		(82,703)	(78,282)
Profit from operations		98,186	75,445
Finance costs	9.2	(28,213)	(5,593)
Profit before income tax	9	69,973	69,852
Income tax expense	10	(22,444)	(22,990)
Profit for the year		47,529	46,862
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		34,892	(30,849)
Other comprehensive income/(expense) for the year		34,892	(30,849)
Total comprehensive income for the year		82,421	16,013

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Profit/(Loss) for the year attributable to:			
Owners of the Company		**46,149**	47,899
Non-controlling interests		**1,380**	(1,037)
		47,529	46,862
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**80,698**	17,793
Non-controlling interests		**1,723**	(1,780)
		82,421	16,013
		HK cents	HK cents
Earnings per share			
Basic and diluted	11	**9.69**	10.06

Consolidated Statement of Financial Position

as at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**295,010**	267,444
Leasehold land	14	**89,246**	85,767
Intangible asset	15	**21,528**	22,360
Prepaid rental expenses	16	**15,550**	14,987
Goodwill	17	**6,750**	6,310
Deferred tax assets	27	**1,864**	–
		429,948	396,868
Current assets			
Inventories	18	**284,707**	202,522
Trade receivables	19	**91,497**	228,798
Prepayments, deposits and other receivables	20	**479,817**	409,319
Tax recoverable		**4,261**	1,569
Pledged deposits	21	**111,418**	94,695
Cash and bank balances	21	**136,024**	87,126
		1,107,724	1,024,029
Current liabilities			
Trade payables	22	**46,779**	59,856
Accruals and other payables	23	**121,080**	254,946
Bills payable	22	**157,355**	163,986
Borrowings	24	**541,127**	335,053
Amounts due to related companies	25	**294**	274
Advance from a director	26	**531**	–
Tax payable		**37,494**	34,520
		904,660	848,635
Net current assets		**203,064**	175,394
Total assets less current liabilities		**633,012**	572,262

Consolidated Statement of Financial Position

as at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Borrowings	24	**4,150**	3,470
Deferred tax liabilities	27	**17,843**	17,154
		21,993	20,624
Net assets		**611,019**	551,638
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	**47,630**	47,630
Reserves	29	**563,389**	493,426
		611,019	541,056
Non-controlling interests		**–**	10,582
Total equity		**611,019**	551,638

Luo Wan Ju
Director

Choy Choong Yew
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

	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)	Other 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 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 loss on translation of financial statements 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
At 31 December 2016 and 1 January 2017	47,630	29,522	8,623	26,670	–	(30,752)	459,363	541,056	10,582	551,638
Profit for the year	–	–	–	–	–	–	46,149	46,149	1,380	47,529
Other comprehensive income:										
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	34,549	–	34,549	343	34,892
Total comprehensive income for the year	–	–	–	–	–	34,549	46,149	80,698	1,723	82,421
Transaction with owners:										
Acquisition of non-controlling interests (note 30)	–	–	–	–	(10,735)	–	–	(10,735)	(12,305)	(23,040)
Appropriation to statutory reserve	–	–	–	6,432	–	–	(6,432)	–	–	–
Total transactions with owners	–	–	–	6,432	(10,735)	–	(6,432)	(10,735)	(12,305)	(23,040)
At 31 December 2017	47,630	29,522	8,623	33,102	(10,735)	3,797	499,080	611,019	–	611,019

* The total balance of these equity accounts at the reporting date of HK$563,389,000 (2016: HK$493,426,000) represents reserves in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

for the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Profit before income tax		69,973	69,852
Adjustments for:			
Finance costs		28,213	5,593
Bank interest income		(1,344)	(557)
Gain on disposal of property, plant and equipment		(2,400)	(2,206)
Depreciation of property, plant and equipment		38,703	22,668
Amortisation of prepaid rental expenses		467	846
Amortisation of intangible asset		2,313	–
Amortisation of leasehold land		2,430	137
Reversal of impairment loss on trade receivables		(347)	(1,113)
Write-off of other receivables		–	584
Gain on bargain purchase arising from acquisitions of subsidiaries	40	–	(4,858)
Operating profit before working capital changes		138,008	90,946
(Increase)/Decrease in inventories		(66,035)	11,899
Decrease/(Increase) in trade receivables		147,929	(42,635)
Increase in prepayments, deposits and other receivables		(45,450)	(30,195)
Decrease in trade payables		(16,683)	(12,312)
Decrease in bills payable		(17,474)	–
(Decrease)/Increase in accruals and other payables		(15,571)	42,595
Cash generated from operations		124,724	60,298
Interest received		1,344	557
Interest paid for borrowings		(27,513)	(4,897)
Interest element of finance lease rental payments paid		(700)	(696)
Income tax paid		(22,917)	(16,989)
Net cash from operating activities		74,938	38,273
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash acquired	40	(129,646)	(23,927)
Purchase of property, plant and equipment		(51,608)	(21,363)
Increase in pledged deposits		(9,782)	(3,077)
Proceeds from disposal of property, plant and equipment		14,430	8,648
Net cash used in investing activities		(176,606)	(39,719)

Consolidated Statement of Cash Flows

for the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from financing activities			
New borrowings raised		**1,267,274**	151,059
Advance from a director		**513**	–
Repayment of borrowings		**(1,086,061)**	(129,196)
Consideration paid for acquisition of additional interests in a subsidiary	30	**(23,040)**	–
Capital element of finance lease rental payments		**(12,398)**	(13,699)
Net cash from financing activities		**146,288**	8,164
Net increase in cash and cash equivalents		**44,620**	6,718
Translation adjustments		**4,278**	(6,005)
Cash and cash equivalents at the beginning of the year		**87,126**	86,413
Cash and cash equivalents at the end of the year, represented by cash and bank balances		**136,024**	87,126

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

1. GENERAL INFORMATION

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

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

The consolidated financial statements for the year ended 31 December 2017 were approved and authorised for issue by the Board of Directors on 21 March 2018.

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

2.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2017

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 the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvement to HKFRSs 2014-2016 Cycle	Disclosure of Interests in Other Entities

Other than as noted below, 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.

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between the opening and closing balances of liabilities arising from financing activities is set out in note 41.2. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 41.2, the application of these amendments has had no impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

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

2.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contract[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

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

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

HKFRS 9 "Financial instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

HKFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

The directors have identified the following areas that are expected to be most impacted by the application of HKFRS 9:

- the impairment of financial assets applying the expected credit loss model. This will apply to the Group's trade receivables and advances to Zhong Bao Group. For the trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing components.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "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 establishes a single comprehensive 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.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. Based on the assessment completed to date, the directors do not consider that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting period.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

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

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

HKFRS 16 "Leases"

HKFRS 16 will replace HKAS 17 "Leases" and three related Interpretations.

As disclosed in note 4.13, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of land and buildings and other assets which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease. As disclosed in note 32, as at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$34,053,000 for office premises, furniture and equipment and motor vehicles, all of which is payable either between 1 and 5 year after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

3. BASIS OF PREPARATION

These annual consolidated financial statements have been prepared in accordance with all applicable HKFRSs which in 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 GEM 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 consolidated 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.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated 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.

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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.1 Basis of consolidation *(Continued)*

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.

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.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss. 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 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 HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into the HK$ 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

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	4.5% to 50% per annum
Plant and machinery	5% 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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Goodwill

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.

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 bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 4.19).

4.7 Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (see note 4.19).

Amortisation for intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Amortisation commences when the intangible assets are available for use. Car dealership is amortised from the date of acquisition over its estimated useful lives of 10 years.

4.8 Financial assets

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

Financial assets are classified as loans and receivables. 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 directly attributable transaction costs.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Financial assets *(Continued)*

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.

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;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– The disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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.

Impairment losses on financial assets other than trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial liabilities

The Group's financial liabilities include bank and other borrowings, trade and bills payables, other payables, amounts due to related companies, advance from a director 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 4.21).

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 (see note 4.13).

Trade and bills payables, other payables, amounts due to related companies and advance from a director

Trade and bills payables 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.

4.12 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial guarantees issued *(Continued)*

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 finance lease liabilities.

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.

(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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Leases *(Continued)*

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

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

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset.

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 of the amount of the obligation 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. 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 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under other income in the consolidated statement of profit or loss and other comprehensive income.

4.18 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.19 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 is 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.

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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

The employees of the Group's subsidiaries which operate in the People's 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 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.

4.21 Borrowing costs

Other borrowing costs are expensed when incurred.

4.22 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.22 Accounting for income taxes *(Continued)*

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

Deferred tax 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 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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.22 Accounting for income taxes *(Continued)*

(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.

4.23 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined based on 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 vehicles 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 operations of motor vehicles service shops, sales of auto parts, provision of car-related technical services and other value-added motor vehicles services; and

- Car rental business

Each of these operating segments is managed separately as each of the product and service line 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 for the 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 that are not directly attributable to business activities of any operating 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.24 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.

(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.

Estimation uncertainties

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

Impairment of receivables

Assessment for impairment of receivables of the Group is based on the evaluation of 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. As at 31 December 2017, the carrying amount of trade receivables was HK$91,497,000 (2016: HK$ 228,798,000). Details of movements of allowance for impairment in trade receivables are disclosed in note 19.

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

Property, plant and equipment and intangible asset 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 asset 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 less costs of disposal and value-in-use calculations. Such estimation was based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. No impairment is required for the years ended 31 December 2017 and 2016.

Provision for inventories

The management of the Group reviews the condition and an ageing analysis of inventories 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. As at 31 December 2017, the carrying amount of inventories was HK$284,707,000 (2016: HK$202,522,000).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

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

Estimation uncertainties *(Continued)*

Estimated rebate receivables

The Group receives incentive rebates from suppliers from time to time depending on the policies of the manufacturers. The amount of incentive rebates given by a manufacturer for a given period is generally determined with reference to the Group's purchase volume, sales volume, customer satisfaction and other performance indicators set by the manufacturer with respect to that period. The Group accrues incentive rebates based on management's best estimates and judgments as of the relevant reporting date while the actual amount of the incentive rebates is determined by the manufacturers after the end of the reporting period. These estimates and judgments involve, among other factors, the estimated results of assessment by the manufacturers for the Group's performance in various aspects during the reporting period. When the actual rebates received by the Group differ from the estimated amount, adjustment will be made and recognised in the period in which such event takes place. As at 31 December 2017, the carrying amount of rebate receivables was HK$60,316,000 (2016: HK$62,999,000).

Income taxes

The Group is subject to income taxes in Hong Kong, the PRC and Singapore. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. As at 31 December 2017, the carrying amount of the Group's deferred tax assets was HK$1,864,000 (2016: nil).

Impairment of goodwill

Determine whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate, the future cash flows expected to arise from the cash engineering unit and a suitable discount rate in order to calculate the present value. As at 31 December 2017, the carrying amount of goodwill was HK$6,750,000 (2016: HK$6,310,000).

6. REVENUE

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

	2017 HK$'000	2016 HK$'000
Sales of motor vehicles	**1,465,175**	172,497
Servicing of motor vehicles and sales of auto parts	**528,335**	336,663
Technical fee income	**7,577**	28,575
Car rental income	**26,366**	25,351
	2,027,453	563,086

7. SEGMENT INFORMATION

The executive directors of the Company, being the chief operating decision makers, have identified two operating segments as further described in note 4.23.

During the year ended 31 December 2017, the Group's commission income and consultant service income were included in the Group's reportable segment results, after the change of Group's internal reporting information. Accordingly, the segment information for the year ended 31 December 2016 was restated to conform with the current year's presentation to provide comparable information.

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

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

	2017		
	Motor vehicles sales and services business HK$'000	Car rental business HK$'000	Total HK$'000
Reportable segment revenue	2,001,087	26,366	2,027,453
Reportable segment profit	72,761	3,595	76,356
Other Information			
Depreciation and amortisation of non-current assets	(31,388)	(12,525)	(43,913)
Net gain on disposal of property, plant and equipment	970	1,430	2,400
Reversal of impairment loss on trade receivables	347	–	347
Additions to non-current assets (other than deferred tax assets) during the year	45,374	17,525	62,899

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

7. SEGMENT INFORMATION *(Continued)*

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

	2016 (Restated)		
	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	83,204	3,078	86,282
Other Information			
Depreciation and amortisation of non-current assets	(10,720)	(12,931)	(23,651)
Net gain on disposal of property, plant and equipment	309	1,897	2,206
Reversal of impairment loss on trade receivables	1,113	–	1,113
Additions to non-current assets during the year (note)	286,122	12,269	298,391

Note: Additions include those arising from the acquisitions of subsidiaries (note 40).

(b) Segment assets and liabilities

	2017		
	Motor vehicles sales and services business HK$'000	**Car rental business HK$'000**	**Total HK$'000**
Reportable segment assets	**1,218,761**	**42,929**	**1,261,690**
Reportable segment liabilities	**788,076**	**14,670**	**802,746**

	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

7. SEGMENT INFORMATION *(Continued)*

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

	2017 HK$'000	2016 HK$'000 (Restated)
Reportable segment revenue	**2,027,453**	563,086
Reportable segment profit	**76,356**	86,282
Unallocated corporate income	**10,397**	13,776
Unallocated corporate expenses		
Employee benefit expenses	**(1,361)**	(1,000)
Others	**(14,201)**	(29,160)
Unallocated finance costs	**(1,218)**	(46)
Profit before income tax	**69,973**	69,852
Reportable segment assets	**1,261,690**	1,222,217
Non-current corporate assets (note (i))	**2,362**	107
Current corporate assets (note (ii))	**273,620**	198,573
Consolidated total assets	**1,537,672**	1,420,897
Reportable segment liabilities	**802,746**	791,215
Non-current corporate liabilities (note (iii))	**18,006**	17,561
Current corporate liabilities (note (iv))	**105,901**	60,483
Consolidated total liabilities	**926,653**	869,259

Notes:

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

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

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for the year ended 31 December 2017

7. SEGMENT INFORMATION *(Continued)*

(d) Geographical segments

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

	Revenue from external customers		Non-current assets (Other than deferred tax assets)	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Singapore	**–**	–	**4,927**	5,275
The PRC	**2,001,087**	537,735	**385,643**	358,132
Hong Kong	**26,366**	25,351	**37,514**	33,461
	2,027,453	563,086	**428,084**	396,868

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 the location of operations.

For the years ended 31 December 2017 and 2016, no revenue from a single customer accounted for 10% or more of the Group's revenue.

8. OTHER INCOME

	2017	2016
	HK$'000	HK$'000
Bank interest income	**1,344**	557
Financial guarantee income	**2,575**	2,412
Commission income	**18,447**	14,513
Consultant service income	**14,980**	238
Gain on disposal of property, plant and equipment	**2,400**	2,206
Gain on bargain purchase arising from acquisitions of subsidiaries (note 40)	**–**	4,858
Government grants*	**516**	–
Reversal of impairment loss on trade receivables (note 19)	**347**	1,113
Sundry income	**3,215**	2,630
	43,824	28,527

* Government grants mainly related to cash subsidies granted by the government in respect of operating activities which are either unconditional grants or grants with conditions having been satisfied.

9. PROFIT BEFORE INCOME TAX

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

9.1 Cost of inventories

	2017 HK$'000	2016 HK$'000
Changes in inventories		
Motor vehicles	**(84,394)**	10,753
Auto parts and accessories	**2,209**	6,576
	(82,185)	17,329
Auto parts and accessories, and motor vehicles purchased		
Motor vehicles	**1,515,248**	151,063
Auto parts and accessories	**269,686**	160,530
	1,784,934	311,593
	1,702,749	328,922

9.2 Finance costs

	2017 HK$'000	2016 HK$'000
Interest charges on bank and other borrowings	**27,513**	4,897
Interest element of finance lease payments	**700**	696
	28,213	5,593

Notes to the Consolidated Financial Statements

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9. PROFIT BEFORE INCOME TAX *(Continued)*

9.3 Other items

	2017 HK$'000	2016 HK$'000
Auditor's remuneration	**1,030**	911
Depreciation of property, plant and equipment*	**38,703**	22,668
Amortisation of intangible asset (note 15)	**2,313**	–
Gain on disposal of property, plant and equipment	**(2,400)**	(2,206)
Write-off of other receivables	**–**	584
Financial guarantee expenses	**1,850**	2,920
Amortisation of prepaid rental expenses (note 16)	**467**	846
Amortisation of leasehold land (note 14)	**2,430**	137
Reversal of impairment loss on trade receivables	**(347)**	(1,113)

* Amount included depreciation charge of HK$4,633,000 (2016: HK$4,567,000) 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% (2016: 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% (2016: 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 Singapore and the 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% (2016: 17%) on the estimated assessable profits for the year.

10. INCOME TAX EXPENSE *(Continued)*

	2017 **HK$'000**	2016 HK$'000
Current tax – Hong Kong		
Charge for the year	**–**	1,135
(Over)/Under-provision in prior years	**(20)**	50
Current tax – Overseas		
Charge for the year	**24,460**	20,490
Current tax – total	**24,440**	21,675
Deferred tax (note 27)	**(1,996)**	1,315
Total income tax expense	**22,444**	22,990

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

	2017 **HK$'000**	2016 HK$'000
Profit before income tax	**69,973**	69,852
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**18,867**	17,393
Tax effect of non-deductible expenses	**3,818**	5,383
Tax effect of non-taxable revenue	**(997)**	(4,159)
Tax effect of withholding income tax on undistributed profit of subsidiaries in the PRC	**(32)**	1,315
Tax effect of tax losses not recognised	**3,627**	1,856
Utilisation of tax losses previously not recognised	**(3,622)**	–
Withholding tax for dividend paid	**810**	1,167
(Over)/Under-provision in prior years	**(20)**	50
Others	**(7)**	(15)
Income tax expense	**22,444**	22,990

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

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$46,149,000 (2016: HK$47,899,000) and on the weighted average number of 476,300,000 (2016: 476,300,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2017 and 2016 are the same as the basic earnings per share as there was no dilutive potential ordinary share for the years ended 31 December 2017 and 2016.

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2017 **HK$'000**	2016 HK$'000
Salaries and wages	**114,493**	54,943
Other benefits	**8,984**	5,672
Pension costs – defined contribution plans	**6,973**	3,692
	130,450	64,307

12.1 Directors' emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383 (1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000 (note viii)	Contribution to defined contribution plan HK$'000	Total HK$'000
2017						
Executive Directors						
Mr. Luo Wan Ju	(i)	–	544	–	37	581
Mr. Choy Choong Yew#		–	2,027	–	–	2,027
Mr. Ma Hang Kon, Louis		–	1,800	800	18	2,618
Mr. Zhang Xi		–	283	–	–	283
Mr. Xue Guo Qiang	(i)	–	219	–	–	219
Non-Executive Director						
Mr. Lin Ju Zheng	(vii)	205	–	–	–	205
Independent Non-Executive Directors						
Mr. Yin Bin		205	–	–	–	205
Mr. Zhou Ming		204	–	–	–	204
Ms. Guan Xin		137	–	–	–	137
Mr. Yuen Kin Pheng	(iii)	235	–	–	–	235
		986	4,873	800	55	6,714

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
2016						
Executive Directors						
Mr. Luo Wan Ju	(i)	–	–	–	–	–
Mr. Loh Boon Cha	(v)	–	–	–	–	–
Mr. Lin Ju Zheng		–	210	–	–	210
Mr. Choy Choong Yew#		–	1,487	–	36	1,523
Mr. Tan Cheng Kim	(iv)	–	93	–	17	110
Mr. Ma Hang Kon, Louis		–	1,800	–	18	1,818
Mr. Zhang Xi		–	266	–	–	266
Mr. Xue Guo Qiang	(i)	–	110	–	–	110
Independent Non-Executive Directors						
Mr. Yin Bin		210	–	–	–	210
Ms. Song Qi Hong	(vi)	81	–	–	–	81
Mr. Zhou Ming		210	–	–	–	210
Ms. Guan Xin	(ii)	59	–	–	–	59
		560	3,966	–	71	4,597

As a managing director taking Chief Executive Officer's role

Notes:

(i) Appointed on 4 July 2016

(ii) Appointed on 26 July 2016

(iii) Appointed on 23 March 2017

(iv) Resigned on 16 March 2016

(v) Resigned on 4 July 2016

(vi) Resigned on 26 July 2016

(vii) Re-designated as non-executive director on 23 March 2017

(viii) Discretionary bonus for the year ended 31 December 2017 (2016: nil) was determined by the remuneration committee having regard to the performance and duties of directors

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.

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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 (2016: two) directors whose emoluments are included in the analysis presented above. The emoluments payable to the remaining three (2016: three) individual during the year are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	3,382	2,480
Contributions to defined contribution plan	36	166
	3,418	2,646

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
Nil to HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	2	1

12.3 Key management personnel compensation

	2017 HK$'000	2016 HK$'000
Short term employee benefits	10,041	7,006
Post-employment benefits	91	238
	10,132	7,244

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 2016						
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 40)	144,205	355	8,392	13,566	3,499	170,017
Additions	–	11,078	882	17,883	1,738	31,581
Disposals	–	(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
Year ended 31 December 2017						
Opening net carrying amount	**144,623**	**44,731**	**12,963**	**55,796**	**9,331**	**267,444**
Exchange differences	**9,772**	**2,976**	**811**	**1,315**	**526**	**15,400**
Additions	**706**	**551**	**1,545**	**56,575**	**3,522**	**62,899**
Disposals	**–**	**–**	**(48)**	**(11,967)**	**(15)**	**(12,030)**
Depreciation	**(8,356)**	**(4,261)**	**(2,745)**	**(19,783)**	**(3,558)**	**(38,703)**
Closing net carrying amount	**146,745**	**43,997**	**12,526**	**81,936**	**9,806**	**295,010**
At 31 December 2017						
Cost	**156,068**	**66,356**	**37,372**	**139,891**	**28,698**	**428,385**
Accumulated depreciation and impairment	**(9,323)**	**(22,359)**	**(24,846)**	**(57,955)**	**(18,892)**	**(133,375)**
Net carrying amount	**146,745**	**43,997**	**12,526**	**81,936**	**9,806**	**295,010**

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

The net carrying amount of the motor vehicles of the Group includes an amount of approximately HK$19,038,000 (2016: HK$21,729,000) in respect of assets held under finance leases.

As at 31 December 2017, the Group is in the process of obtaining the building ownership certificate in respect of a building located in the PRC with carrying value of approximately HK$21,009,000 (2016: HK$109,197,000). The Group has obtained the building ownership certificate in January 2018.

14. LEASEHOLD LAND

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

	2017 HK$'000	2016 HK$'000
Opening net carrying amount at 1 January	**85,767**	4,206
Acquisitions of subsidiaries (note 40)	**–**	68,156
Transfer from prepaid rental expenses (note 16)	**–**	13,985
Amortisation (note 9.3)	**(2,430)**	(137)
Exchange differences	**5,909**	(443)
Closing net carrying amount at 31 December	**89,246**	85,767

As at 31 December 2017, leasehold land with net carrying amounts of approximately HK$86,307,000 (2016: HK$60,154,000) and HK$2,939,000 (2016: nil) were pledged as collateral for the bank borrowings of the Group (note 24.1) and Xiamen Zhong Bao Automobiles Co., Limited ("Xiamen Zhong Bao") respectively.

As at 31 December 2016, the Group was in the process of obtaining the land use rights certificate in respect of a land located in the PRC with carrying value of approximately HK$22,807,000. The Group has obtained the land use rights certificate in 2017.

15. INTANGIBLE ASSET

	Car dealership HK$'000
Year ended 31 December 2016	
Opening net carrying amount	–
Acquisition of a subsidiary (note 40)	22,360
Amortisation	–
Closing net carrying amount	22,360
At 31 December 2016	
Cost	22,360
Accumulated amortisation	–
Net carrying amount	22,360
Year ended 31 December 2017	
Opening net carrying amount	**22,360**
Amortisation (note 9.3)	**(2,313)**
Exchange differences	**1,481**
Closing net carrying amount	**21,528**
At 31 December 2017	
Cost	**23,920**
Accumulated amortisation	**(2,392)**
Net carrying amount	**21,528**

The Group's identifiable intangible asset represents car dealership in the PRC, arising from the relationship with the automobile manufacturer, with an estimated useful lives 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 40). The fair value of the car dealership as at the acquisition date was determined by using the multi-period excess earnings method.

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16. PREPAID RENTAL EXPENSES

	2017 HK$'000	2016 HK$'000
Opening net carrying amount at 1 January	**15,428**	32,239
Transfer to leasehold lands (note 14)	**–**	(13,985)
Amortisation (note 9.3)	**(467)**	(846)
Exchange differences	**1,069**	(1,980)
Closing net carrying amount at 31 December	**16,030**	15,428
Less: Current portion included in prepayments, deposits and other receivables (note 20)	**(480)**	(441)
Non-current portion	**15,550**	14,987

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

	2017 HK$'000	2016 HK$'000
Opening net carrying amount	**6,310**	–
Acquisition of a subsidiary (note 40)	**–**	6,310
Exchange adjustment	**440**	–
Closing net carrying amount	**6,750**	6,310

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

The recoverable amount of the CGU to which goodwill is allocated, being the car dealership business conducted by a subsidiary, Quanzhou Fubao Automobiles Sales and Service Co., Ltd. ("QZ Fubao"), which was acquired in 2016. The recoverable amount of the CGU to which the goodwill have been determined based on cash flow projections from formally approved budgets covering a three-year (2016: five-year) period. Cash flow beyond the three-year (2016: five-year) period are extrapolated using a growth rate of 2.5% (2016: 3%), which does not exceed the long-term growth rate for the automobile industry in the PRC. Discount rate is 15.60% (2016: 18.76%) which is pre-tax and reflect specific risks relating to the relevant CGU. Gross profit margin is 9.30% (2016: 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

	2017 HK$'000	2016 HK$'000
Motor vehicles	**243,238**	158,844
Auto parts and accessories	**41,469**	43,678
	284,707	202,522

19. TRADE RECEIVABLES

At the end of the reporting period, the ageing analysis of trade receivables, based on invoice date, was as follows:

	2017 HK$'000	2016 HK$'000
0 – 90 days	**70,658**	120,048
91 – 180 days	**9,109**	10,639
181 – 365 days	**5,798**	54,724
Over 1 year	**5,932**	43,722
	91,497	229,133
Less: allowance for impairment of receivables	**–**	(335)
	91,497	228,798

In addition to the advances to Zhong Bao Group as disclosed in note 20, the Group's trade receivables included trade debts of HK$35,618,000 (2016: HK$121,124,000) due from Zhong Bao Group as at 31 December 2017.

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:

	2017 HK$'000	2016 HK$'000
At 1 January	**335**	1,496
Reversal of impairment loss during the year	**(347)**	(1,113)
Exchange differences	**12**	(48)
At 31 December	**–**	335

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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:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	72,339	125,322
1 – 90 days past due	10,341	59,312
91 – 180 days past due	2,907	778
Over 180 days past due	5,910	43,386
	19,158	103,476
	91,497	228,798

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

	2017 HK$'000	2016 HK$'000
Advances to Zhong Bao Group (note)	**354,909**	312,846
Current portion of prepaid rental expenses (note 16)	**480**	441
Rebate receivables	**60,316**	62,999
Other receivables, prepayments and deposits paid	**64,112**	33,033
	479,817	409,319

Note:

The Group has maintained long term business relationship with Xiamen Zhong Bao and its related companies (collectively, "Zhong Bao Group"). Pursuant to the technical and management service 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 2017 amounted to HK$390,527,000 (2016: HK$433,970,000), which was reduced to HK$383,950,000 (2016: HK$290,684,000) 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 2018, 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 2017, the market value of the pledged assets amounted to approximately HK$390,555,000 (2016: 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 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 from Zhong Bao Group are fully recoverable and thus no impairment provision is considered necessary.

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21. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**136,024**	87,126
Pledged deposits:		
Guarantee money in respect of security of suppliers	**16,439**	16,457
For bills facilities granted to the Group	**44,862**	49,226
For borrowings facilities granted to the Group (note 24.1)	**50,117**	29,012
	111,418	94,695
	247,442	181,821

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$224,764,000 (2016: HK$164,257,000). 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 PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**46,779**	59,856
Bills payable	**157,355**	163,986
	204,134	223,842

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

	2017 HK$'000	2016 HK$'000
0 – 30 days	**82,971**	62,030
31 – 180 days	**109,195**	153,146
181 – 365 days	**7,816**	5,633
1 – 2 years	**2,788**	2,062
Over 2 years	**1,364**	971
	204,134	223,842

The carrying values of trade and bills payables as at 31 December 2017 and 2016 were considered to be a reasonable approximation of their fair values.

23. ACCRUALS AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Accruals	**13,310**	18,220
Deposit received	**90,745**	49,871
Other payables	**15,267**	55,933
Payable for acquisition of a subsidiary	**–**	128,570
Financial guarantee liabilities	**1,650**	2,244
Pension and other employee obligations	**108**	108
	121,080	254,946

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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
2017						
Non-current						
Finance lease liabilities	4,150	–	4,150	2,675	1,475	4,150
Current						
Bank borrowings	255,370	132,696	388,066	327,470	60,596	388,066
Other borrowings	144,264	–	144,264	144,264	–	144,264
Finance lease liabilities	8,797	–	8,797	6,390	2,407	8,797
	408,431	132,696	541,127	478,124	63,003	541,127
Total	412,581	132,696	545,277	480,799	64,478	545,277
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

24. BORROWINGS *(Continued)*

24.1 Bank and other borrowings

	2017 HK$'000	2016 HK$'000
Analysed into:		
Bank and other borrowings		
Within one year or on demand	**532,330**	324,696

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

(i) the Group's bank deposits amounting to HK$50,117,000 (2016: HK$29,012,000) (note 21);

(ii) certain of the Group's leasehold land with carrying value of approximately HK$86,307,000 (2016: HK$60,154,000) (note 14);

(iii) certain assets of Zhong Bao Group in 2016 (2017: nil);

(iv) properties owned by a related company of a substantial shareholder of the Company;

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

(vi) personal guarantee provided by a substantial shareholder of the Company (note 33 (d)).

All the Group's bank borrowings as at 31 December 2017 containing a repayment on demand clause have been classified as current liabilities and analysed into bank and other borrowings within one year or on demand.

The amounts payable based on the maturity terms of the bank and other borrowings are analysed as follows:

	2017 HK$'000	2016 HK$'000
Bank and other borrowings:		
Within one year	**519,823**	324,696
In the second year	**4,690**	–
In the third year	**7,817**	–
	532,330	324,696

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24. BORROWINGS *(Continued)*

24.2 Finance lease liabilities

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

	2017 HK$'000	2016 HK$'000
Due within one year	9,022	10,621
Due over one year but less than two years	4,194	3,128
Due over two years but less than five years	–	395
	13,216	14,144
Future finance charges on finance leases	(270)	(422)
Exchange difference	1	105
Present value of finance lease liabilities	12,947	13,827

The present value of finance lease liabilities is as follows:

	2017 HK$'000	2016 HK$'000
Due within one year	8,797	10,357
Due over one year but less than two years	4,150	3,077
Due over two years but less than five years	–	393
	12,947	13,827
Less: Portion due within one year included under current liabilities	(8,797)	(10,357)
Non-current portion included under non-current liabilities	4,150	3,470

Certain motor vehicles of the Group in relation to the car rental business and own use 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 2017, the Group's finance lease liabilities of approximately HK$9,065,000 (2016: HK$10,853,000) were guaranteed by the Company.

24. BORROWINGS *(Continued)*

24.3 Other information about the borrowings

		Effective interest rate (%) per annum			
	Original	2017		2016	
	currency	Fixed	Floating	Fixed	Floating
Bank borrowings	RMB	**4.35%-7.20%**	**5.00%-6.70%**	5.22%-8.40%	5.00%-6.53%
Bank borrowings	USD	**–**	**3.75%-4.50%**	–	3.50%-3.75%
Other borrowings	RMB	**3.99%-8.13%**	**–**	3.99%-7.50%	–
Finance lease liabilities	HK$	**2.90%-4.24%**	**–**	2.90%-4.24%	–
Finance lease liabilities	RMB	**21.75%**	**–**	24.5%-25.50%	–
Finance lease liabilities	SGD	**3.72%**	**–**	3.72%	–

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. ADVANCE FROM A DIRECTOR

As at 31 December 2017, the advance from a director is unsecured, interest-free and repayable on demand (2016: nil).

27. DEFERRED TAX

The following are the major deferred tax balances recognised and movements thereon during the current and prior years:

Deferred tax assets

The movement on the deferred tax assets is as follows:

	Tax losses HK$'000
At 1 January 2016, 31 December 2016 and 1 January 2017	–
Credit to profit or loss	1,802
Exchange difference	62
At 31 December 2017	1,864

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27. DEFERRED TAX *(Continued)*

Deferred tax liabilities

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 2016	–	4,083	–	4,083
Acquisitions of subsidiaries (note 40)	11,842	–	–	11,842
Charge to profit or loss	–	–	1,315	1,315
Exchange difference	(31)	–	(55)	(86)
At 31 December 2016 and 1 January 2017	11,811	4,083	1,260	17,154
(Credit)/Charge to profit or loss	(800)	638	(32)	(194)
Exchange difference	797	–	86	883
At 31 December 2017	**11,808**	**4,721**	**1,314**	**17,843**

Deferred tax liabilities of HK$14,430,000 (2016: HK$9,659,000) 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 be reversed in the foreseeable future. Such unremitted earnings for interests in subsidiaries totalled HK$288,599,000 (2016: HK$193,170,000).

At 31 December 2017, the Group had unused tax losses of approximately HK$71,356,000 (2016: HK$64,670,000) available to offset against future profits of which approximately HK$20,204,000 (2016: HK$34,305,000) will expire at various dates up to 2022 (2016: 2021). No deferred tax assets had been recognised in respect of such tax losses due to unpredictability of future profit streams.

28. SHARE CAPITAL

	2017 Number of shares '000	**2017** HK$'000	2016 Number of shares '000	2016 HK$'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 2016	29,522	2,854	(7,848)	24,528
Loss for the year	–	–	(11,393)	(11,393)
At 31 December 2016 and 1 January 2017	29,522	2,854	(19,241)	13,135
Loss for the year	–	–	(9,584)	(9,584)
At 31 December 2017	**29,522**	**2,854**	**(28,825)**	**3,551**

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29. RESERVES *(Continued)*

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.

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.

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.

Other reserve

The other reserve represents the difference between the consideration paid for the acquisition of the additional interests from non-controlling interests of a subsidiary of the Group and the amount of non-controlling interests acquired.

30. ACQUISITION OF NON-CONTROLLING INTERESTS

During the year ended 31 December 2017, the Group acquired additional equity interests of 49% in a non-wholly owned subsidiary, Fuzhou Euro Motors Sales & Services Co., Ltd. ("Fuzhou Euro") for a consideration of Renminbi 20,000,000 (equivalent to approximately HK$23,040,000) (the "Consideration"). As a result of the acquisition, the difference of HK$10,735,000 between the Consideration and the amount of non-controlling interests acquired of HK$12,305,000 was directly recognised in the other reserve.

30. ACQUISITION OF NON-CONTROLLING INTERESTS *(Continued)*

As at 31 December 2016, the following table lists out the information related to Fuzhou Euro, a non-wholly owned subsidiary of the Group which had material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination:

	2016 HK$'000
Non-controlling interest percentage	49%
For the year ended 31 December	
Revenue	162,497
Loss for the year	(2,117)
Total comprehensive expense	(3,634)
Loss allocated to non-controlling shareholders	(1,037)
For the year ended 31 December	
Cash flows used in operating activities	(520)
Cash flows used in investing activities	(12,675)
Cash flows from financing activities	20,061
Net cash inflows	6,866
As at 31 December	
Current assets	104,818
Non-current assets	24,503
Current liabilities	(107,726)
Net assets	21,595

31. TRANSACTIONS WITH ZHONG BAO GROUP

Save for those disclosed as set out in notes 14, 19, 20, 24.1, 34 and 40, the Group generated income from sales of motor vehicles, car servicing and sale of auto parts of HK$71,562,000 (2016: HK$44,947,000) and earned technical fee income of HK$7,577,000 (2016: HK$28,575,000) from Zhong Bao Group during the year ended 31 December 2017.

The Group purchased motor vehicles and auto parts and car servicing of HK$85,057,000 from Zhong Bao Group and was charged rental of HK$6,245,000 (2016: HK$6,302,000) by Zhong Bao Group during the year ended 31 December 2017. No repair and maintenance fee was charged by Zhong Bao Group for the year (2016: HK$2,451,000).

In the opinion of the directors of the Company, all of the above transactions were entered into in the ordinary course of the Group's business.

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for the year ended 31 December 2017

32. COMMITMENTS

32.1 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 reporting date, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**14,436**	11,458
After one year but within five years	**14,834**	7,853
	29,270	19,311

As lessee

The Group leases certain of its office premises, furniture and equipment and motor vehicles under operating leases. The leases run for an initial period of 1 to 10 years. None of the leases include contingent rentals.

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

	2017 HK$'000	2016 HK$'000
Within one year	**8,845**	8,405
After one year but within five years	**17,902**	14,802
After five years	**7,306**	10,538
	34,053	33,745

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for the year ended 31 December 2017

32. COMMITMENTS *(Continued)*

32.2 Capital commitments

As at 31 December 2017, there is commitment contracted but not provided for purchase of property, plant and equipment of approximately HK$4,196,000 (2016: HK$261,000).

33. RELATED PARTY TRANSACTIONS

(a) The terms and conditions of amount due to a director 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 2017, bank and other borrowings of approximately HK$302,329,000 (2016: HK$139,710,000) were guaranteed by Loh Nee Peng, a substantial shareholder of the Company.

34. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had given guarantees as follows:

	2017 **HK$'000**	2016 HK$'000
Guarantees for banking facilities provided to Zhong Bao Group	**166,244**	156,520

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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for the year ended 31 December 2017

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

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2017 and 2016 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.

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables:		
Trade receivables	**91,497**	228,798
Other current assets	**439,999**	349,375
Pledged deposits	**111,418**	94,695
Cash and bank balances	**136,024**	87,126
	778,938	759,994

	2017 HK$'000	2016 HK$'000
Financial liabilities		
Financial liabilities at amortised cost:		
Current liabilities		
Trade payables	**46,779**	59,856
Accruals and other payables	**30,335**	254,946
Bills payable	**157,355**	163,986
Short-term borrowings	**541,127**	335,053
Amounts due to related companies	**294**	274
Advance from a director	**531**	–
	776,421	814,115
Non-current liabilities		
Long-term borrowings	**4,150**	3,470
	780,571	817,585

35. 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 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 34.

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 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.

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for the year ended 31 December 2017

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

Liquidity risk *(Continued)*

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.

	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 2017					
Trade payables	46,779	46,779	46,779	–	–
Accruals and other payables	30,335	30,335	30,335	–	–
Bills payable	157,355	157,355	157,355	–	–
Short-term borrowings (note)	541,127	557,780	544,710	4,901	8,169
Amounts due to related companies	294	294	294	–	–
Advance from a director	531	531	531	–	–
Long-term borrowings	4,150	4,194	–	4,194	–
Total	780,571	797,268	780,004	9,095	8,169
Financial guaranteed issued:					
Maximum amount guaranteed	1,650	166,244	166,244	–	–
At 31 December 2016					
Trade payables	59,856	59,856	59,856	–	–
Accruals and other payables	254,946	254,946	254,946	–	–
Bills payable	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	–	–

Note

Bank loans with a repayment on demand clause are included in the "Within 1 year or on demand" time band in the above maturity analysis. As at 31 December 2017, the aggregate undiscounted principal amounts of these bank loans amounted to HK$12,507,000 (2016: nil). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid three years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$13,070,000 (2016: nil).

35. 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 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.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2017 and 2016 are as follows:

	Denominated in USD HK$'000	Denominated in EUR HK$'000	Denominated in RMB HK$'000
2017			
Monetary assets			
Deposits and other receivables	11,169	6,622	–
Cash and bank balances	18,171	141	–
Total monetary assets	29,340	6,763	–
Monetary liabilities			
Accruals and other payables	(978)	–	–
Total monetary liabilities	(978)	–	–
Net monetary assets	28,362	6,763	–
Foreign currency strengthen/(weaken) by:	10%/(10%)	10%/(10%)	N/A
Increase/(Decrease) in profit after tax and retained profits	2,836/(2,836)	676/(676)	–

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35. 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
2016			
Monetary assets			
Trade receivables	–	–	12,051
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)

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 finance leases liabilities. 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 2017, 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$2,380,000 (2016: HK$1,705,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

35. 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.

36. 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 2017 and 2016 were as follows:

	2017 **HK$'000**	2016 HK$'000
Total borrowings	**702,632**	502,509
Less: Cash and bank balances	**(136,024)**	(87,126)
Net debt	**566,608**	415,383
Total equity	**611,019**	551,638
Total capital	**1,177,627**	967,021
Gearing ratio	**48%**	43%

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37. 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.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES		
Non-current asset		
Interests in subsidiaries	**80,878**	80,878
Current assets		
Other receivables	**883**	218
Amounts due from subsidiaries	**21,850**	3,162
Cash and bank balances	**18,271**	6,132
	41,004	9,512
Current liabilities		
Accruals and other payables	**476**	4,988
Amount due to a subsidiary	**7,689**	9,127
Bank borrowings	**62,536**	15,510
	70,701	29,625
Net current liabilities	**(29,697)**	(20,113)
Net assets	**51,181**	60,765
EQUITY		
Share capital	**47,630**	47,630
Reserves (note 29(b))	**3,551**	13,135
Total equity	**51,181**	60,765

Luo Wan Ju
Director

Choy Choong Yew
Director

Notes to the Consolidated Financial Statements

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39. 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		Principal activities
			Directly	Indirectly	
German Automobiles Pte Ltd ###	Singapore	7,876,996 shares of S$1 each	100%	–	Trading of motor vehicles and investment holding
German Automobiles Limited ###	Hong Kong	20,000 ordinary shares of HK$20,000	100%	–	Provision of car rental services and investment holding
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
Fujian Xingbao Automobiles Sales and Service Co., Ltd.#(formerly known as "Fuzhou Xingbao Automobiles Service Co., Ltd.")	The PRC	Registered and paid-in capital of US$5,100,000	–	100%	Sales of high-end motor vehicles and provision of repair and maintenance services of high-end automobiles
RUF Automobiles Limited###	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## (note 30)	The PRC	Registered and paid-in capital of RMB50,000,000	–	100% (2016: 51%)	Sales of high-end motor vehicles and provision of repair and maintenance services of high-end automobiles
QZ Fubao##	The PRC	Registered and paid-in capital of RMB50,000,000	–	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 RMB40,000,000 (2016: RMB10,000,000)	–	100%	Automobile dealership, exhibitions of motor vehicles, provision of auto parts and after-sales services

39. 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.

40. 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 company 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)

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40. 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 on 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:			
Year ended 31 December 2017			
Consideration paid in cash (note)	–	–	(129,646)
Exchange differences	–	–	1,076
	–	–	(128,570)
Year ended 31 December 2016			
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

40. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

Note: The considerations for acquisitions of LY Zhongbao and FJ Xingdebao were fully settled in cash in 2016 while the consideration payable to Xiamen Zhong Bao for the acquisition of QZ Fubao was fully settled in cash during the year ended 31 December 2017.

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, QZ Fubao, LY Zhongbao and FJ Xingdebao 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.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

41.1 Major non-cash transactions

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year ended 31 December 2017, 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$11,291,000 (2016: HK$10,218,000).

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41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

41.2 Reconciliation of liabilities arising from financing activities

The table below set out the reconciliation of liabilities arising from financing activities for the year ended 31 December 2017.

	Advance from a director HK$'000	Bank and other borrowings HK$'000	Finance lease liabilities HK$'000	Total HK$'000
At 1 January 2017	–	324,696	13,827	338,523
Cash flows				
– Inflow from financing activities	513	1,267,274	–	1,267,787
– Outflow from financing activities	–	(1,086,061)	(12,398)	(1,098,459)
Non-cash transactions				
– Acquisition of property, plant and equipment	–	–	11,291	11,291
Exchange differences	18	26,421	227	26,666
At 31 December 2017	531	532,330	12,947	545,808

Financial Summary

RESULTS

	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Revenue	**2,027,453**	563,086	522,601	447,653	431,987
Other income	**43,824**	28,527	76,286	29,147	32,610
Cost of inventories	**(1,702,749)**	(328,922)	(289,220)	(232,315)	(230,509)
Employee benefits expenses	**(130,450)**	(64,307)	(59,306)	(59,716)	(56,020)
Depreciation and amortisation	**(43,913)**	(23,651)	(25,040)	(20,301)	(16,834)
Operating lease charges	**(17,186)**	(15,921)	(19,710)	(19,745)	(10,537)
Exchange differences, net	**3,910**	(5,085)	(7,913)	(3,489)	1,440
Impairment loss on goodwill	**–**	–	(3,750)	–	–
Other expenses	**(82,703)**	(78,282)	(74,821)	(65,371)	(58,378)
Profit from operations	**98,186**	75,445	119,127	75,863	93,759
Finance costs	**(28,213)**	(5,593)	(8,162)	(9,266)	(11,287)
Profit before income tax	**69,973**	69,852	110,965	66,597	82,472
Income tax expense	**(22,444)**	(22,990)	(25,953)	(16,160)	(8,163)
Profit for the year	**47,529**	46,862	85,012	50,437	74,309
	HK cents	HK cents	HK cents	HK cents	HK cents
Earnings per share					
Basic and diluted	**9.69**	10.06	20.16	11.80	15.80

ASSETS AND LIABILITIES

	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Total assets	**1,537,672**	1,420,897	775,466	760,562	680,259
Total liabilities	**(926,653)**	(869,259)	(239,841)	(267,972)	(231,706)
	611,019	551,638	535,625	492,590	448,553
Non-controlling interests	**–**	(10,582)	(12,362)	(26,362)	(32,503)
Equity attributable to owners of the Company	**611,019**	541,056	523,263	466,228	416,050