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)

2019 Annual Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of G.A. Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

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. 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*
Ms. Guan Xin*

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Luo Wan Ju *(chairman)*
Mr. Yuen Kin Pheng*
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

Shanghai Commercial Bank 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

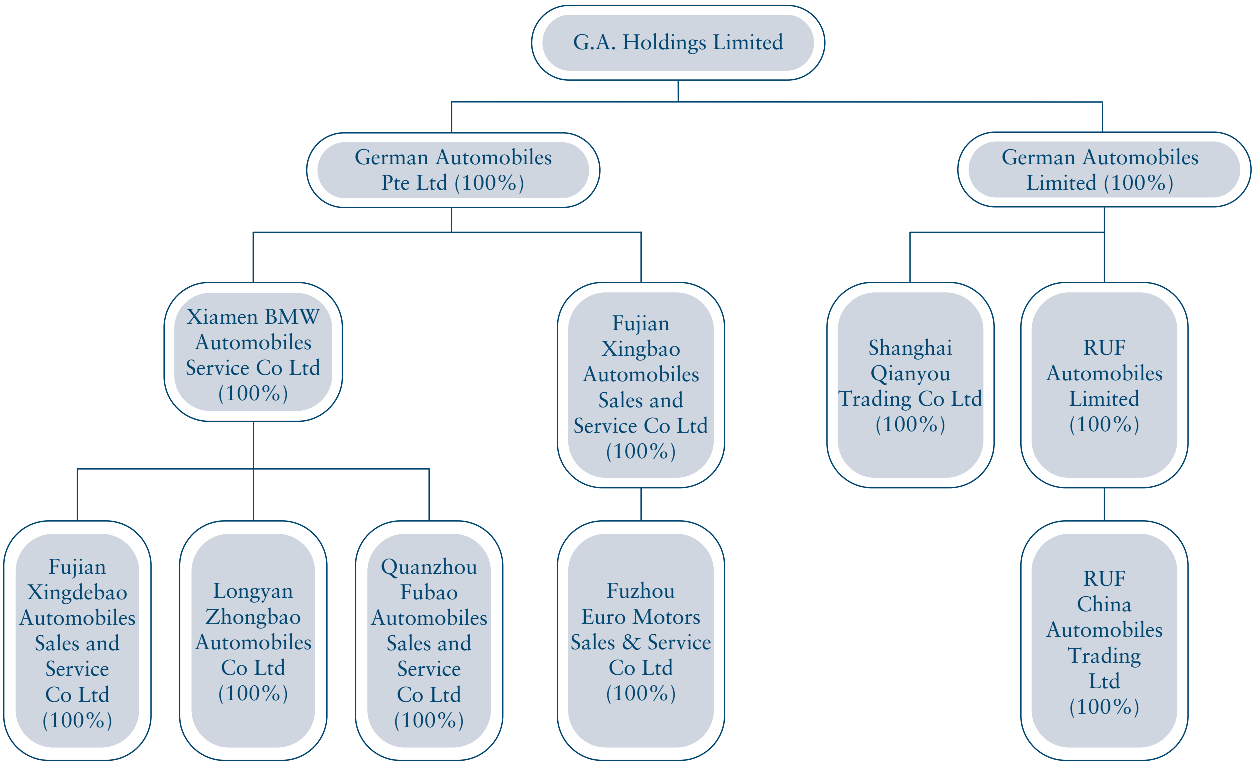
COMPANY WEBSITE

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 of the Company and together with its subsidiaries, the (collectively refer to as the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2019.

In 2019, due to the impact of multiple complicated factors such as the Sino-US trade conflict and the overall slowdown in the growth of in the domestic economy, consumer sentiment appeared to have turned cautious. As such, the government of the Peoples' Republic of China (the "PRC") put forward a series of favourable policies to boost the automobiles market, for example, on 1 April 2019, the value-added tax rate for the automotive industry was lowered from 16% to 13%.

In early 2019, the Group started up a new branch of our repair workshop in downtown area of Xiamen to enhance the Group's servicing of motor vehicles and sales of auto parts business. As a result, the Group's overall revenue increased slightly by 0.5% from HK$2,225,095,000 for the year ended 31 December 2018 to HK$2,235,333,000 for the year ended 31 December 2019. Our gross operating profit remained stable compared to 2018 with our margin increased slightly from 14.6% to 14.9%.

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 2019.

Going forward in 2020, due to the outbreak of novel coronavirus ("COVID-19"), the PRC government has implemented various measures to maintain public safety in the PRC, including but not limited to, temporary suspension of work in various provinces including Fujian Province, where most of the Group's subsidiaries operate at, extension of the lunar new year holiday, quarantine order to restrict entry to and exit from certain cities, restriction on the number of individual and number of times leaving each household per day etc. With the interruption brought by COVID-19, the Group's financial results in 2020 may be affected due to the general market conditions.

The Directors will continue to assess the impact of the COVID-19 on the Group's operation and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection with the epidemic.

To cope with the impact, the Group will continue to exercise vigilant cost control to improve productivity and uphold quality service to customers and with long-term good relationships with leading automobile suppliers of premium and ultra- luxury brands, the Group endeavours to overcome any hurdle ahead and realize its value to the shareholders and business partners.

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.

Yours sincerely,
Luo Wan Ju
Chairman

Hong Kong, 27 April 2020

Biographical Information of Directors

EXECUTIVE DIRECTORS

Mr. Luo Wan Ju, *Chairman*

Mr. Luo, aged 66, is the Chairman of the Group, the chairman and a member of the nomination committee of the Board (the "Nomination Committee") 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 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 66, 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 57, 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 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). He is an independent non-executive director of Carnival Group International Holdings Limited (Stock Code:996 listed on the Main Board of the Stock Exchange) Since May 2019.

Mr. Xue Guo Qiang

Mr. Xue, aged 42, 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.

Mr. Zhang Xi

Mr. Zhang, aged 37, 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.

Biographical Information of Directors

NON-EXECUTIVE DIRECTOR

Mr. Lin Ju Zheng

Mr. Lin, aged 72, 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 43, is currently the general manager of a company providing management, training and consultancy services in the PRC. 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. Yuen Kin Pheng

Mr. Yuen Kin Pheng, aged 70, is currently the advisor to Spirit Aero Systems, a large aero structures manufacturer in the United States of America. 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 47, graduated from China University of Political Science and Law (中國政法大學) and holds a master degree in law from Peking University Law School (北京大學法學院). Mr. Zhou joined Global Law Office (Beijing) in 2001 and was admitted as a partner in 2007. He was appointed as an independent non-executive Director of the Company since November 2015.

Management Discussion and Analysis

BUSINESS REVIEW

During the year ended 31 December 2019, the consolidated revenue increased slightly from HK$2,225,095,000 for the year ended 31 December 2018 to HK$2,235,333,000 for the year ended 31 December 2019. The profit from operations for the year ended 31 December 2019 was HK$94,542,000, representing an 22.2% increase compared to HK$77,388,000 in 2018. The increase in the profit from operations was mainly due to (i) a slight increase in gross operating profit; and (ii) effective cost control reflected in operating expenses.

Sales of Motor Vehicles

Sales of motor vehicles decreased slightly from HK$1,502,280,000 for the year ended 31 December 2018 to HK$1,487,371,000 for the year ended 31 December 2019. Sales of motor vehicles accounted for 66.5% of the total revenue of the Group for the year ended 31 December 2019 (2018: 67.5%).

Servicing of Motor Vehicles and Sales of Auto Parts

Revenue generated from servicing of motor vehicles and sales of auto parts increased by 3.4% from HK$684,500,000 for the year ended 31 December 2018 to HK$707,686,000 for the year ended 31 December 2019. The increase was driven; by (i) the increase in number of servicing of motor vehicles orders in the Fuzhou and Xiamen areas and (ii) startup of a new branch of our repair workshop in Xiamen.

Technical Fee Income

The Group received technical fee income from Xiamen Zhong Bao Automobiles Co., Ltd.# ("Xiamen Zhong Bao") for providing management consulting and technical assistance in relation to the PRC locally assembled BMW motor vehicles sold by Xiamen Zhong Bao.

Technical fee income for the year ended 31 December 2019 was HK$10,086,000, representing an increase of 13.0% compared to the year ended 31 December 2018 as car manufacturers continue to localise their production in the PRC and more PRC locally assembled BMW motor vehicles were sold by Xiamen Zhong Bao in 2019.

Car Rental Business

The income from car rental business in Hong Kong for the year ended 31 December 2019 was HK$30,190,000, representing a slight increase of 2.7% compared to the year ended 31 December 2018.

FINANCIAL REVIEW

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, 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 ended 31 December 2019 increased slightly by 2.9% to HK$333,566,000, as compared to HK$324,127,000 for the year ended 31 December 2018. The gross operating margin remained stable at approximately 14.9% and 14.6% for the years ended 31 December 2019 and 2018, respectively.

Management Discussion and Analysis

Other Income

Other income increased by 4.3% from HK$42,399,000 for the year ended 31 December 2018 to HK$44,232,000 for the year ended 31 December 2019, mainly due to increase in consultancy service income during the year ended 31 December 2019.

Employee Benefit Expenses

The Group recorded employee benefit expenses of HK$130,666,000 for the year ended 31 December 2019, representing a 8.8% decrease as compared to HK$143,300,000 for the year ended 31 December 2018. This was mainly due to decrease in staff bonus for the year ended 31 December 2019 as compared to the year ended 31 December 2018.

Depreciation and Amortisation

Depreciation and amortisation expenses increased from HK$50,838,000 for the year ended 31 December 2018 to HK$61,891,000 for the year ended 31 December 2019. This was mainly due to the adoption of new HKFRS 16 during the year ended 31 December 2019 as described in note 2.1 to the consolidated financial statements. By adopting the new HKFRS 16, the rental expenses previously recognised under "lease charges" are now recognised as right-of-use assets and amortised over their lease-terms under the category of "depreciation and amortisation".

Lease Charges

Lease charges decreased from HK$16,682,000 for the year ended 31 December 2018 to HK$6,792,000 for the year ended 31 December 2019. The decrease was mainly due to the adoption of HKFRS 16 during the year ended 31 December 2019. By adopting the new HKFRS 16, the rental expenses previously recognised under "lease charges" are now recognised as right-of-use assets and amortise over their lease-terms under the category of "depreciation and amortisation".

Foreign Exchange Exposure

For the year ended 31 December 2019, there was an exchange loss of approximately HK$1,262,000 (2018: HK$309,000), which mainly resulted from the translation of receivables and payables which are denominated in foreign currencies other than the functional currencies of the group companies.

Other Expenses

Other expenses during the year ended 31 December 2019 were HK$82,645,000, representing an increase of 5.9% compared to HK$78,009,000 for the year ended 31 December 2018. The increase was mainly due to increase in the expected credit loss of trade receivable for the year ended 31 December 2019.

Finance Costs

Finance costs decreased from HK$39,492,000 for the year ended 31 December 2018 to HK$37,045,000 for the year ended 31 December 2019 primarily due to the decrease in borrowings and bills payables during the year ended 31 December 2019.

Income Tax Expense

Income tax expense during the year ended 31 December 2019 was HK$30,618,000, representing an increase of HK$14,709,000 as compared with HK$15,909,000 for the year ended 31 December 2018, mainly due to increase in profit before income tax for the year.

Financial Resources and Liquidity

As at 31 December 2019, shareholders' fund of the Group amounted to HK$621,206,000 (2018: HK$602,212,000). Current assets of the Group amounted to HK$1,096,423,000 (2018: HK$1,162,834,000), of which HK$231,765,000 (2018: HK$212,768,000) were cash and bank balances and pledged deposits. Current liabilities of the Group amounted to HK$822,572,000 (2018: HK$933,389,000), mainly represented trade payables, bills payable, borrowings, contract liabilities, accruals and other payables and current portion of lease liabilities under new HKFRS 16. The Group had non-current liabilities of approximately HK$154,320,000 (2018: HK$22,716,000) and mainly represents the non-current portion of lease liabilities recognised under new HKFRS 16. The net asset value per share as at 31 December 2019 was HK$1.30 (2018: HK$1.26).

Capital Structure of the Group

During the year ended 31 December 2019, the Group had no debt securities in issue (2018: nil).

The Group obtained funding mainly from bank and other borrowings. They are mainly denominated in Hong Kong dollars and Renminbi ("RMB"). As at 31 December 2019, the Group has available unutilised banking facilities of approximately HK$348,242,000 (2018: HK$241,157,000).

Capital Expenditure and Capital Commitments

In 2019, the Group incurred capital expenditure of approximately HK$35,775,000 (2018: HK$45,580,000) on acquisition of property, plant and equipment.

As at 31 December 2019, there was commitment contracted but not provided for purchase of property, plant and equipment amounted to approximately HK$1,330,000 (2018: Nil).

Material Acquisitions and Disposals of Subsidiaries or Affiliated Companies

The Group had no acquisitions and disposals of subsidiaries or affiliated companies during the years ended 31 December 2019 and 2018.

Employees

As at 31 December 2019, the total number of employees of the Group was approximately 816 (2018: 849). For the year ended 31 December 2019, the staff costs including directors' remuneration of the Group amounted to HK$130,666,000 (2018: HK$143,300,000), representing 5.8% (2018: 6.4%) of the revenue of the Group. Appropriate staff force is maintained cautiously in accordance with the operational needs and activities of the Group.

It is the Group's 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 2019, fixed deposits of HK$100,585,000 (2018: HK$119,623,000) were pledged to banks and other financial institutions to secure facilities of the Group while amounts of HK$15,010,000 (2018: HK$15,590,000) were pledged to banks as security in favor of one of the suppliers.

As at 31 December 2019, certain motor vehicles and plant and machinery with net carrying amount of approximately HK$3,780,000 (2018: nil) was pledged as collateral for other borrowings of the Group.

As at 31 December 2019, building with net carrying amount of approximately HK$27,537,000 (2018: HK$30,415,000) was pledged as collateral for bank borrowings of the Group.

Management Discussion and Analysis

As at 31 December 2019, certain motor vehicles included in right-of-use assets with net carrying amount of approximately HK$30,261,000 was pledged as collateral for the lease liabilities of the Group.

As at 31 December 2018, certain motor vehicles included in property, plant and equipment held under finance leases of approximately HK$29,373,000 was pledged to secure the respective borrowings.

As at 31 December 2019, leasehold land included in right-of-use assets with net carrying amounts of approximately HK$75,288,000 and HK$2,625,000 were pledged as collateral for the bank borrowings of the Group and Xiamen Zhong Bao respectively.

As at 31 December 2018, leasehold land included in property, plant and equipment with net carrying amounts of approximately HK$79,750,000 and HK$2,743,000 were pledged as collateral for the bank borrowings of the Group and Xiamen Zhong Bao respectively.

Gearing Ratio

The Group expresses its gearing ratio as a percentage of total borrowings (including bills payable, lease liabilities, short-term and long-term borrowings, as shown in the consolidated statement of financial position), less cash and bank balances (net debt), divided by total equity, plus net debt. As at 31 December 2019, the Group had a gearing ratio of 0.50 (2018: 0.53).

Contingent Liabilities

As at 31 December 2019, the Group provided guarantees with aggregate principal amounts of approximately HK$102,672,000 in respect of banking facilities to Xiamen Zhong Bao and its related Company (collectively, "Zhong Bao Group") (2018: HK$158,599,000).

Subsequent Events

The outbreak of COVID-19 continues to spread throughout the PRC and to countries across the world.

The COVID-19 has certain impact on the business operations of the Group in particular the supply chain from the PRC as well as the delivery and buy-off process of motor vehicles to certain degree, and the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic.

The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

Other than those disclosed above, the Group had no material events for disclosure subsequent to 31 December 2019 and up to the date of this report.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2019 (2018: nil).

Management Discussion and Analysis

PROSPECT

During the recent outbreak of COVID-19, the PRC government has implemented various measures to maintain public safety in the PRC, including but not limited to, temporary suspension of work in various provinces including Fujian Province, where most of the Group's subsidiaries operate at, extension of the lunar new year holiday, quarantine order to restrict entry to and exit from certain cities, restriction on the number of individual and number of times leaving each household per day etc. With the interruption brought by COVID-19, the Group's financial results in 2020 may be affected due to the general market conditions.

The Directors will continue to assess the impact of the COVID-19 on the Group's operation and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection with the epidemic. We believe that the outbreak of COVID-19 may only affect the Group temporarily and the operation of the Group will resume to normal gradually over time.

To cope with the impact, the Group will continue to exercise vigilant cost control to improve productivity and uphold quality service to customers and with long-term good relationships with leading automobile suppliers. The Group endeavours to overcome any hurdle ahead and add value to the shareholders and business partners.

Directors' Report

The Board is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

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 42 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 2019 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 2019 are set out in the consolidated financial statements on pages 40 to 127 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 December 2019. 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 ended 31 December 2019 (2018: nil).

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting ("AGM") is scheduled to be convened on Monday, 8 June 2020. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 3 June 2020 to Monday, 8 June 2020 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 Tuesday, 2 June 2020.

DISTRIBUTABLE RESERVES

The Company is an investment holding company and has not carried out any business. Accordingly, the Company did not have any distributable reserve available for distribution to the shareholders as at 31 December 2019. Further details of the Company's distributable reserve as at 31 December 2019 are set out in note 33 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 32 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 2019 are set out in note 13 to the consolidated financial statements.

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

As at 31 December 2019, 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	14,852,000	3.12%
Zhang Xi	Personal interest	500,000	0.10%

Save as disclosed above, as at 31 December 2019, 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 2019, 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 controlled corporations *(note 1)*	97,720,320	20.52%
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%
Galligan Holdings Limited	Beneficial owner *(note 2)*	39,700,000	8.34%
Credit Suisse Trust Limited	Interest of a controlled corporation *(note 2)*	39,700,000	8.34%

Notes:

1. The 97,720,320 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 19,760,000 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 39,700,000 shares are held by Galligan Holdings Limited which is interested as to 100% indirectly held by Credit Suisse Trust Limited. By virtue of Part XV of the SFO, Credit Suisse Trust Limited is deemed to be interested in the shares held by Galligan Holdings Limited.

Save as disclosed above, as at 31 December 2019, 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 2019 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

Independent Non-Executive Directors

Ms. Guan Xin
Mr. Yuen Kin Pheng
Mr. Yin Bin (resigned on 6 June 2019)
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. Luo Wan Ju, Mr. Choy Choong Yew, Mr. Ma Hang Kon Louis and Mr. Yuen Kin Pheng, will be retired by rotation and will offer themselves for re-election thereof.

Mr. Luo Wan Ju, Mr. Xue Guo Qiang, Mr. Lin Ju Zheng, Mr. Choy Choong Yew, Mr. Zhang Xi and Mr. Ma Hang Kon, Louis, each entered into a service contract with the Company for an initial term of three years commencing from 4 July 2019, 4 July 2019, 23 March 2020, 16 May 2018, 23 September 2018 and 16 November 2018 respectively 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.

Ms. Guan Xin, Mr. Yuen Kin Pheng and Mr. Zhou Ming each entered into an appointment letter with the Company for a term of three years commencing from 26 July 2019, 23 March 2020 and 16 November 2018 respectively, subject to early termination by the Company giving not less than three months' notice of termination in writing or payment in lieu.

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' Report

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 and the highest paid employees are set out in note 12 to the consolidated financial statements.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

The related party transactions of the Company are set out in note 36 to the consolidated financial statements in this annual report. The related party transactions of the Company did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the GEM Listing Rules. For the year ended 31 December 2019, the Group had not entered into any transactions constituting connected transactions (including continuing connected transactions) which are subject to the disclosure requirements under Chapter 20 of the GEM Listing Rules.

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 128 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 38 to the consolidated financial statements.

SEGMENTAL INFORMATION

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

BIOGRAPHICAL DETAILS OF DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Confirmation of independence has been received from each of the independent non-executive Directors of the Company and the Company considers all existing independent non-executive Directors to be independent in accordance with the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the percentage of sales and purchases attributable to the Group's major customers and suppliers are set out as below:

Sales

– The largest customer	2.0%
– The total of five largest customers	7.1%

Purchases

– The largest supplier	62.7%
– The total of five largest suppliers	90.3%

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 2019 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 2019 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 57, 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, 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 2019.

Directors' Report

COMPLIANCE OFFICER

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

Mr. Choy, aged 66, 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 40 to the consolidated financial statements of the Group.

No share option has been granted under the Share Option Scheme in prior years and 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 42 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").

As at 31 December 2019, the Company's consolidated total assets were approximately HK$1,598,098,000.

	(Audited) As at 31 December 2019 *HK$'000*	**Assets Ratio** *(%)*	(Audited) As at 31 December 2018 *HK$'000*	Increment as compared to Assets Ratio *(%)*
Guarantees to Zhong Bao Group *(note)*	**102,672**	**6.4**	158,599	N/A

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

	(Audited) As at 31 December 2019 *HK$'000*	**Assets Ratio** *(%)*	(Unaudited) As at 30 September 2019 *HK$'000*	Increment as compared to Assets Ratio *(%)*
Guarantees to Zhong Bao Group *(note)*	**102,672**	**6.4**	154,151	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 12 November 2019 (the "Guarantee Agreement") with Xiamen Zhong Bao to replace the previous one entered into on 14 November 2017, which expired on 31 December 2019. 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 2020 to 31 December 2021 guarantee Xiamen Zhong Bao's banking facilities to be incurred in its ordinary course of business in a maximum aggregate amount of RMB120 million. The Guarantee Agreement and the transactions contemplated thereunder have been approved by shareholders at the Company's extraordinary general meeting held on 19 December 2019.

Further details for the Guarantee Agreement were set out in the circular of the Company dated 2 December 2019.

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 2019.

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, 27 April 2020

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 2019.

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 2019, 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.

The Group has appointed Red Sun Capital Limited as its compliance adviser which will provide advice and guidance to the Group in respect of compliance with the applicable laws and GEM Listing Rules including various requirements relating to directors'duties and internal control. Except for the compliance adviser agreement entered into between the Company and its compliance adviser with effect from 21 May 2018, neither its compliance adviser nor its Directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

BOARD

Board Composition

As at the date of this report, the Board consists of five executive Directors, one non-executive Director and three 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. Yuen Kin Pheng
Mr. Zhou Ming

Board Meetings

The Board meets regularly over the Company's affairs and operations and held six board meetings in 2019. The attendance records of each Director are set out below:

Executive Directors' attendance

Luo Wan Ju	6/6
Choy Choong Yew	6/6
Ma Hang Kon, Louis	6/6
Xue Guo Qiang	6/6
Zhang Xi	6/6

Non executive Directors' attendance

Lin Ju Zheng	6/6

Independent non-executive Directors' attendance

Guan Xin	6/6
Yin Bin (resigned on 6 June 2019)	2/2
Yuen Kin Pheng	6/6
Zhou Ming	6/6

Responsibilities, accountabilities and contributions of the board and management

The Board 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. Luo Wan Ju, Mr. Choy Choong Yew, Mr. Ma Hang Kon Louis and Mr. Yuen Kin Pheng will retire at the forthcoming annual general meeting of the Company, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Continuous Professional Development

Pursuant to Code Provision A.6.5, 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.

Corporate Governance Report

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 2019 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 2019, Mr. Lin Ju Zheng was 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 three independent non-executive Directors, i.e. Mr. Zhou Ming, Mr. Yuen Kin Pheng and Ms. Guan Xin, representing one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. Confirmation of independence has been received from each of the independent non-executive Directors of the Company and the Company considers all existing independent non-executive Directors to be independent according to the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules.

Under Code Provision A.4.1, independent non-executive directors should be appointed for a specific term, subject to re-election. All three independent non-executive Directors, Mr. Yuen Kin Pheng, Ms. Guan Xin and Mr. Zhou Ming entered into appointment letters with the Company for a term of three years commencing from 23 March 2020, 26 July 2019 and 16 November 2018 respectively.

BOARD COMMITTEES

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

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

The Board Committees have all adopted the applicable practices and procedures used in board meetings for all committee meetings.

Nomination Committee

The Nomination Committee of the Company was formed on 29 September 2006. As at 31 December 2019, it comprised one executive Director and two independent non-executive Directors, namely Mr. Luo Wan Ju, Mr. Yuen Kin Pheng 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 2019, 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 2019, the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Zhou Ming, Mr. Yuen Kin Pheng 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.

Corporate Governance Report

During the year 2019, the Remuneration Committee held two meetings 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 three independent non-executive Directors, namely, Mr. Zhou Ming, Mr. Yuen Kin Pheng and Ms. Guan Xin. Mr. Zhou Ming is the chairman of the Audit Committee.

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

During the year 2019, the Audit Committee held six meetings. The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its risk management and internal control system and has made suggestions to improve them. The 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 2019. The audited financial results of the Group for the year ended 31 December 2019 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	2/2	6/6
Yin Bin (resigned on 6 June 2019)	1/1	1/1	3/3
Yuen Kin Pheng	1/1	2/2	6/6
Guan Xin	1/1	2/2	6/6

AUDITOR'S REMUNERATION

For the year 2019, the remuneration paid or payable to the external auditor, Grant Thornton Hong Kong Limited or their affiliated firms is as follows:

	2019 *HK$'000*
Statutory audit	1,070
Review of interim results	230
Other non-audit services (mainly tax advisory and other reporting review services)	138
	1,438

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 2019.

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.

Corporate Governance Report

During the year 2019 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 judgment 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 2019 risk management process identified the most significant risks relevant to the Company as follows:

Political and regulatory risk in the PRC

The majority of the Group's business is conducted in the PRC, where laws and regulations are continuously evolving in response to changing economic and other conditions. The automobile industry is highly regulated and has been undergoing reforms in policies and measures to improve transparency and enable fair competition which greatly affect all stakeholders in the industry. To mitigate the risks associated with recent changes and challenges, the Company's senior management closely monitor the changing laws and regulations, 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 2019, 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 is 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.

Corporate Governance Report

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 2019, 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 2019 as set out in the Environmental, Social and Governance Report on pages 31 to 34 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.

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 8 May 2019 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 requisitionist(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. The Group has complied with the "Comply or Explain" provisions set out in the ESG Reporting Guide for the year ended 31 December 2019.

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.

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 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 2019, the Group employed a total of 816 (2018: 849) staff, made up of 786 in the PRC, 24 in Hong Kong and 6 in Singapore who were aged between 18 and 72. Of them, 538 were providing sales, technical and customer services, with the remaining being involved in management, administration, finance and other supporting roles.

The Group employed 516 men and 300 women as at 31 December 2019. Currently the ratio of men to women employed by the Group is around 1.7:1 (2018:1.7:1) 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 2019, 1 (2018: 17) intern is hired within our Group.

Apart from offering employees competitive salary packages, the Group also provides generous annual performance bonuses and on occasions provides operational staff with group tours. The Company 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 259 (2018: 274) 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.

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

Environmental, Social and Governance Report

As vehicle designs change and their technical specifications become more proprietary and increasingly complex, we utilise the skills of our senior technical staff by commissioning them to 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 high-end 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 224,000 litres of unleaded petrol and approximately 78,000 litres of diesel oil were consumed. Total emissions from these motor vehicles are set out below:

Nitrogen oxides (NOx): approximately 577,000 g
Carbon dioxide (CO_2): approximately 732,000 kg
Sulphur oxides (SOx): approximately 4,500 g
Particulate matter (PM): approximately 48,000 g
Methane (CH_4): approximately 62.3kg
Nitrous oxide (N_2O): approximately 264.3 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 5,064,000 kWh (2018: 5,158,000 kWh), producing CO_2 equivalent emissions of approximately 4,233,000 kg (2018: 2,834,000 kg) and an energy consumption intensity of approximately 112 kWh (2018: 114 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 38,800 m^3 (2018: 32,900 m^3) of water with a water consumption intensity of approximately 47.5 m^3 (2018: 38.8 m^3) per employee for domestic consumption during the year.

Paper

The Group encourages employees to go paperless as much as possible by limiting printouts 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 10,200 kg (2018: 9,200 kg) of paper in the course of normal business operations and the total CO_2 equivalent emissions for the paper used was approximately 49,800 kg (2018: 45,400 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 40 to 127, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Recoverability of the amounts due from Zhong Bao Group

Refer to significant accounting policies in note 4.9, critical accounting estimates and judgments in note 5 and the disclosure of the amounts due from Zhong Bao Group in notes 21 and 22 to the consolidated financial statements.

Key audit matter

The Group has net balance due from Zhong Bao Group of HK$504,943,000 as at 31 December 2019. The management assesses the recoverability of the amounts due on a regular basis. Management has concluded that there is no loss allowance in respect of the amounts due from Zhong Bao Group for the year ended 31 December 2019.

We 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 of critical judgments required in assessing the ultimate realisation of the receivables, including the creditworthiness and the past collection history of Zhong Bao Group.

How the matter was addressed in our audit

Our procedures in relation to the management's recoverability assessment included:

- reviewing the historical settlement record of Zhong Bao Group, and

- obtaining the pledge agreement signed between the Group and Zhong Bao Group and assessing the sufficiency of the collateral in place.

Recognition of vendor rebates

Refer to significant accounting policies in note 4.19, critical accounting estimates and judgments in note 5 and the disclosure of the rebate receivables in note 22 to the consolidated financial statements.

Key audit matter

The Group receives vendor rebates under various and different 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 2019, the rebate receivables recognised in the consolidated statement of financial position amounted to HK$66,669,000.

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 judgments are required in estimating the rebate receivables with reference to the entitlement conditions.

How the matter was addressed in our audit

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; and

– checking the calculation of the rebate receivables based on the rebate policies.

Independent Auditor's Report

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2019 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.

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.

Independent Auditor's Report

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

27 April 2020

Lin Ching Yee Daniel
Practising Certificate No.: P02771

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	6	**2,235,333**	2,225,095
Other income	8	**44,232**	42,399
		2,279,565	2,267,494
Changes in inventories	9.1	**1,327**	88,819
Auto parts and accessories, and motor vehicles purchased	9.1	**(1,903,094)**	(1,989,787)
Employee benefit expenses	12	**(130,666)**	(143,300)
Depreciation and amortisation		**(61,891)**	(50,838)
Lease charges		**(6,792)**	(16,682)
Exchange differences, net		**(1,262)**	(309)
Other expenses		**(82,645)**	(78,009)
Profit from operations		**94,542**	77,388
Finance costs	9.2	**(37,045)**	(39,492)
Profit before income tax	9	**57,497**	37,896
Income tax expense	10	**(30,618)**	(15,909)
Profit for the year		**26,879**	21,987
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(7,885)**	(30,324)
Other comprehensive expense for the year		**(7,885)**	(30,324)
Total comprehensive income/(expense) for the year		**18,994**	(8,337)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

for the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Profit for the year attributable to:			
Owners of the Company		**26,879**	21,987
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**18,994**	(8,337)
		HK cents	HK cents
Earnings per share			
Basic and diluted	11	**5.64**	4.62

Note: The Group has initially applied HKFRS 16 effective from 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated.

The notes on pages 47 to 127 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**209,924**	263,886
Leasehold land	14	**–**	82,493
Intangible asset	15	**15,624**	18,256
Prepaid expenses	16	**12,853**	14,381
Right-of-use assets	17	**248,941**	–
Goodwill	18	**6,298**	6,440
Deferred tax assets	31	**–**	1,812
Financial asset at fair value through other comprehensive income	19	**8,035**	8,215
		501,675	395,483
Current assets			
Inventories	20	**197,215**	195,888
Trade receivables	21	**132,318**	128,457
Prepayments, deposits and other receivables	22	**532,699**	621,626
Tax recoverable		**2,426**	4,095
Pledged deposits	23	**115,595**	135,213
Cash and bank balances	23	**116,170**	77,555
		1,096,423	1,162,834
Current liabilities			
Trade payables	24	**72,175**	54,295
Lease liabilities	25	**22,764**	–
Contract liabilities	26	**71,120**	67,971
Accruals and other payables	27	**41,375**	38,079
Bills payable	24	**110,351**	222,415
Borrowings	28	**467,709**	516,689
Amount due to a related company	29	**–**	280
Advance from a director	30	**1,491**	1,007
Tax payable		**35,587**	32,653
		822,572	933,389
Net current assets		**273,851**	229,445
Total assets less current liabilities		**775,526**	624,928

Consolidated Statement of Financial Position (Continued)

as at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Borrowings	28	**4,499**	6,129
Lease liabilities	25	**132,987**	–
Deferred tax liabilities	31	**16,834**	16,587
		154,320	22,716
Net assets		**621,206**	602,212
EQUITY			
Equity attributable to owners of the Company			
Share capital	32	**47,630**	47,630
Reserves	33	**573,576**	554,582
Total equity		**621,206**	602,212

Luo Wan Ju
Director

Choy Choong Yew
Director

Note: The Group has initially applied HKFRS 16 effective from 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated.

The notes on pages 47 to 127 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Share capital	Share premium*	Capital reserve*	Statutory reserve*	Other reserve*	Translation reserve*	Retained profits*	Total equity
	Attributable to owners of the Company							
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(note 33)	(note 33)	(note 33)	(note 33)	(note 33)		
At 1 January 2018	47,630	29,522	8,623	33,102	(10,735)	3,797	498,610	610,549
Profit for the year	–	–	–	–	–	–	21,987	21,987
Other comprehensive expense:								
Exchange loss on translation of financial statements of foreign operations	–	–	–	–	–	(30,324)	–	(30,324)
Total comprehensive (expense)/income for the year	–	–	–	–	–	(30,324)	21,987	(8,337)
Transaction with owners:								
Appropriation to statutory reserve	–	–	–	6,397	–	–	(6,397)	–
Total transactions with owners	–	–	–	6,397	–	–	(6,397)	–
At 31 December 2018	47,630	29,522	8,623	39,499	(10,735)	(26,527)	514,200	602,212
At 1 January 2019	47,630	29,522	8,623	39,499	(10,735)	(26,527)	514,200	602,212
Profit for the year	–	–	–	–	–	–	26,879	26,879
Other comprehensive expense:								
Exchange loss on translation of financial statements of foreign operations	–	–	–	–	–	(7,885)	–	(7,885)
Total comprehensive (expense)/income for the year	–	–	–	–	–	(7,885)	26,879	18,994
Transaction with owners:								
Appropriation to statutory reserve	–	–	–	7,509	–	–	(7,509)	–
Total transactions with owners	–	–	–	7,509	–	–	(7,509)	–
At 31 December 2019	47,630	29,522	8,623	47,008	(10,735)	(34,412)	533,570	621,206

* These equity accounts comprise the reserves of HK$573,576,000 (2018: HK$554,582,000) in the consolidated statement of financial position as at 31 December 2019.

Note: The Group has initially applied HKFRS 16 effective from 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated.

The notes on pages 47 to 127 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Cash flows from operating activities		
Profit before income tax	57,497	37,896
Adjustments for:		
Finance costs	37,045	39,492
Bank interest income	(1,267)	(1,308)
Gain on disposal of property, plant and equipment	(2,825)	(3,130)
Written-off of property, plant and equipment	8,858	-
Depreciation of property, plant and equipment	33,617	45,241
Depreciation of right-of-use assets	26,000	-
Amortisation of prepaid expenses	–	471
Amortisation of intangible asset	2,274	2,367
Amortisation of leasehold land	–	2,759
Expected credit loss allowance on trade receivables	3,300	39
Operating profit before working capital changes	164,499	123,827
(Increase)/Decrease in inventories	(5,547)	78,901
Increase in trade receivables	(10,040)	(42,497)
Decrease/(Increase) in prepayments, deposits and other receivables	81,575	(169,762)
Increase in trade payables	19,070	10,038
(Decrease)/Increase in bills payable	(109,208)	74,976
Increase/(Decrease) in contract liabilities	4,639	(12,456)
Increase in accruals and other payables	7,792	4,238
Cash generated from operations	152,780	67,265
Interest received	1,267	1,308
Interest paid for borrowings	(29,878)	(38,604)
Finance charges for leases liabilities (2018: Interest element of finance lease rental payments paid)	(7,167)	(888)
Income tax paid	(23,274)	(19,849)
Net cash from operating activities	93,728	9,232
Cash flows from investing activities		
Acquisition of financial asset at fair value through other comprehensive income	–	(8,912)
Purchase of property, plant and equipment	(35,775)	(22,432)
Decrease/(Increase) in pledged deposits	16,969	(29,991)
Proceeds from disposal of property, plant and equipment	16,306	23,279
Proceeds of disposal of right-of-use assets	705	-
Net cash used in investing activities	(1,795)	(38,056)

Consolidated Statement of Cash Flows (Continued)

for the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Cash flows from financing activities		
New borrowings raised	**1,667,725**	1,469,068
Repayment of borrowings	**(1,684,758)**	(1,482,582)
Advance from a director	**516**	519
Payment of lease liabilities (2018: Capital element of finance lease rental payments)	**(31,192)**	(11,550)
Decrease in amount due to a related company	**(273)**	–
Net cash used in financing activities	**(47,982)**	(24,545)
Net increase/(decrease) in cash and cash equivalents	**43,951**	(53,369)
Translation adjustments	**(5,336)**	(5,100)
Cash and cash equivalents at the beginning of the year	**77,555**	136,024
Cash and cash equivalents at the end of the year, represented by cash and bank balances	**116,170**	77,555

Note: The Group has initially applied HKFRS 16 effective from 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated.

The notes on pages 47 to 127 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

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 2019 were approved and authorised for issue by the Board of Directors on 27 April 2020.

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 2019

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 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments

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.

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaces HKAS 17 "Leases" along with three Interpretations HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases-Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

2. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

2.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019 *(Continued)*

HKFRS 16 "Leases" (Continued)

As a lessee

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under HKAS 17 immediately before the date of initial application.

The weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was approximately 5%.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

2. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

2.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019 *(Continued)*

HKFRS 16 "Leases" (Continued)

As a lessee (Continued)

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	HK$'000
Total operating lease commitments disclosed at 31 December 2018	159,087
Recognition exemptions:	
Lease of low value assets	(18)
Leases with remaining lease term of less than 12 months	(6,778)
Operating leases liabilities before discounting	152,291
Discounting using incremental borrowing rate as at 1 January 2019	(45,462)
Operating leases liabilities as at 1 January 2019	106,829
Finance leases obligation	24,276
Total lease liabilities recognised under HKFRS 16 at 1 January 2019	131,105

	HK$'000
Classified as:	
Current lease liabilities	25,644
Non-current lease liabilities	105,461
	131,105

As a lessor

Upon initial application of HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16. Comparative information is not restated.

2. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

2.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019 *(Continued)*

HKFRS 16 "Leases" (Continued)

Total impact arising from transition to HKFRS 16

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position at 1 January 2019:

	HK$'000
Decrease in property, plant and equipment	(29,373)
Decrease in leasehold lands	(82,493)
Decrease in prepaid expenses	(1,523)
Increase in right-of-use assets	220,688
Decrease in prepayments, deposits and other receivables	(470)
Increase in lease liabilities	(131,105)
Decrease in borrowings	24,276

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 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective date not yet determined
4 Effective for business combinations and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

2. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

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

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;
- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and
- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

Amendments to HKAS 1 and HKAS 8 are effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION

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

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

The consolidated financial statements have been prepared under the historical cost basis except for financial asset at fair value through other comprehensive income ("FVOCI") which is stated at fair value.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised in note 4. 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 judgment 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.

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.

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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

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 consolidated 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 (i.e. only translated using the exchange rates at the transaction date).

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 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into HK$ at the closing rates.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Leasehold land

Upfront payments for long-term land lease (which meet the definition of right-of-use assets upon initial application of HKFRS 16) are stated at costs less accumulated amortisation (before the application of HKFRS 16)/depreciation (upon the application of HKFRS 16) and any accumulated impairment losses. Amortisation/depreciation 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. Leasehold land which meet the definition of right-of-use assets upon initial application of HKFRS 16 has classified as right-of-use assets, accounting policy for depreciation of right-of-use assets is set out in note 4.14.

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 recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	1.5% to 5%
Leasehold improvements	4.5% to 50% or over the lease term, whichever is shorter
Plant and machinery	5% to 33.3%
Motor vehicles	20% to 33.3%
Furniture and equipment	10% to 33.3%

Motor vehicles which meet the definition of right-of-use assets upon initial application of HKFRS 16 has classified as right-of use assets during the year.

Before the application of HKFRS 16, assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, over the term of the relevant lease, whichever is shorter. Upon the application of HKFRS 16, accounting policy for depreciation of right-of-use assets is set out in note 4.14.

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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

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 ("CGU") and is tested annually for impairment (see note 4.20).

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 4.20).

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 instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Financial instruments *(Continued)*

Financial assets (Continued)

Classification and initial measurement of financial assets (Continued)

Financial assets are classified into the following categories:

– amortised cost;

– FVTPL; or

– FVOCI.

The classification is determined by both:

– the entity's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for expected credit losses ("ECL") of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's trade receivables, deposits and other receivables, pledged deposits and cash and bank balances fall into this category of financial instruments.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Financial instruments *(Continued)*

Financial assets (Continued)

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income and accumulated in "Fair value reserve – non-recycling" in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

The equity instruments at FVOCI are not subject to impairment assessment. The cumulative gain or loss in "Fair value reserve – non-recycling" will not be reclassified to profit or loss upon disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Dividends are included in the "other income" line item in profit or loss.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and bills payables, lease liabilities/finance lease liabilities, accruals and other payables, borrowings, amount due to a related company and advance from a director.

Financial liabilities (other than lease liabilities/finance lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities (other than lease liabilities/finance lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated and effective as hedging instruments and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or other income.

Accounting policies of lease liabilities/finance lease liabilities are set out in note 4.14.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Financial instruments *(Continued)*

Financial liabilities (Continued)

Borrowings (excluding lease liabilities)

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.

Trade and bills payables, accruals and other payables, amount due to a related company and advance from a director

These are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

4.9 Impairment of financial assets

HKFRS 9's new impairment requirements use more forward-looking information to recognise ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and contract assets recognised and measured under HKFRS 15 and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Impairment of financial assets *(Continued)*

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure ECL, trade receivables have been grouped based on share credit risk, characteristics and the days past due. For trade receivables, the Group allows 2.4% (2018: 0.1%) for amounts that are neither past due nor impaired, 13.1% (2018: 1.0%) for amounts that are 1 to 90 days past due, 69.4% (2018: 2.0%) for amounts that are between 91 and 180 days past due and 100% (2018: 4.0%) for amounts that are more than 180 days past due.

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor; and

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Impairment of financial assets *(Continued)*

Other financial assets measured at amortised cost (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 38.

Financial guarantee contracts

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

4.10 Inventories

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

4.11 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 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 4.17) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 4.9 and are reclassified to receivables when the right to the consideration has become unconditional (see note 4.8).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 4.17). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 4.8).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

4.13 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. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assessing the obligations. 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.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under HKFRS 9 as set out in note 4.8 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Leases

(a) Definition of a lease and the Group as a lessee

Policy applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

– the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

– the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

– the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Leases *(Continued)*

(a) Definition of a lease and the Group as a lessee (Continued)

Policy applicable from 1 January 2019 (Continued)

Measurement and recognition of leases as a lessee (Continued)

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the consolidated statement of financial position, upon the application of HKFRS 16, cost of leasehold land held by a lessee have been included in "right-of-use assets". The prepaid lease payments for leasehold land are presented as "Prepaid expenses" under non-current assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Leases *(Continued)*

(a) Definition of a lease and the Group as a lessee (Continued)

Policy applicable before 1 January 2019

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 consolidated 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 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Leases *(Continued)*

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

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.

4.15 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.

4.16 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)*

4.17 Revenue recognition

Revenue arises mainly from the sales of motor vehicles, servicing of motor vehicles and sales of auto parts and provision of car-related technical services and car rental services.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer.

2. Identifying the performance obligations.

3. Determining the transaction price.

4. Allocating the transaction price to the performance obligations.

5. Recognising revenue when/as performance obligation(s) are satisfied.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Further details of the Group's revenue and other income recognition policies are as follows:

Sales of motor vehicles

Revenue from the sale of motor vehicles for a fixed fee is recognised when the Group transfers control of the assets to the customer. Invoices for goods are due upon receipt by the customer.

For stand-alone sales of motor vehicles that are neither customised by the Group nor subject to significant integration services, control transfers at the point in time the customer takes undisputed delivery of the goods.

The Group does not provide any sales-related warranties. There is no right of return by customers under the Group's standard contract terms.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 Revenue recognition *(Continued)*

Servicing of motor vehicles and sales of auto parts

The Group offers servicing of motor vehicles, including maintenance, repairing and other support services. Revenue from servicing of motor vehicles is recognised when the relevant services have been provided and the Group received the payment or the right to receive payment has been established.

Technical fee income

The Group received technical fee income from Xiamen Zhong Bao Automobiles Co., Ltd. ("Xiamen Zhong Bao") for providing management consulting and technical assistance in relation to the PRC locally assembled BMW motor vehicles sold by Xiamen Zhong Bao. Revenue is recognised when the relevant services have been provided.

Car rental income

Car rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease contract.

Commission income and consultant service income

Commission income and consultant service income are recognised as the relevant services have been rendered.

Interest income

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

4.18 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.

4.19 Vendor rebates

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Impairment of non-financial assets (other than contract 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;

– Right-of-use assets;

– Prepaid expenses; and

– The Group'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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

4.21 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.

4.22 Borrowing costs

Borrowing costs are expensed when incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.23 Accounting for income taxes

Income tax comprises current and deferred tax.

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

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

Deferred tax 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.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.23 Accounting for income taxes *(Continued)*

The determination of the average tax rates requires an estimation of (1) when the existing temporary differences will reverse and (2) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

– income or loss excluding reversals of temporary differences; and

– reversals of existing temporary differences.

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

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

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

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

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

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

(i) the same taxable entity; or

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

4.24 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.24 Segment reporting *(Continued)*

The Group has identified the following reportable segments:

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

4.25 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.25 Related parties *(Continued)*

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

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

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

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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:

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

Estimation uncertainties *(Continued)*

Estimation of impairment of trade receivables and other financial assets within the scope of ECL upon application of HKFRS 9

Since the initial adoption of HKFRS 9, the Group makes allowances on items subjects to ECL (including trade receivables and other financial assets measured at amortised cost) based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 4.9. As at 31 December 2019, the aggregate carrying amounts of trade receivables and other financial assets measured at amortised cost amounted to HK$132,318,000 (net of ECL allowance of HK$3,809,000) and HK$733,511,000 (2018: HK$128,457,000 (net of ECL allowance of HK$509,000) and HK$802,029,000) respectively.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other financial assets within the scope of ECL under HKFRS 9 and credit losses in the periods in which such estimate has been changed.

Determination of the discount rate

In determining the discount rate, the Group is required to exercise considerable judgement in relation to determining the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and effective date of the modification.

Depreciation, amortisation and impairment assessment of property, plant and equipment, intangible asset and right-of-use assets

Property, plant and equipment, intangible asset and right-of-use assets 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, intangible asset and right-of-use assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the assets have been determined based on the higher of fair value 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 2019 and 2018. As at 31 December 2019, the carrying amounts of property, plant and equipment, intangible asset and right-of-use assets were HK$209,924,000, HK$15,624,000 and HK$248,941,000 respectively (2018: HK$263,886,000, HK$18,256,000 and nil respectively).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

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

Estimation uncertainties *(Continued)*

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 2019, the carrying amount of inventories was HK$197,215,000 (2018: HK$195,888,000).

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 2019, the carrying amount of rebate receivables was HK$66,669,000 (2018: HK$66,608,000).

Income taxes

The Group is subject to income taxes in Hong Kong, the PRC and Singapore. Significant judgment 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 2019, the carrying amount of the Group's deferred tax assets was nil (2018: HK$1,812,000).

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

Estimation uncertainties *(Continued)*

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 generating unit ("CGU") and a suitable discount rate in order to calculate the present value. As at 31 December 2019, the carrying amount of goodwill was HK$6,298,000 (2018: HK$6,440,000).

6. REVENUE

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

	2019 HK$'000	2018 HK$'000
Sales of motor vehicles	1,487,371	1,502,280
Servicing of motor vehicles and sales of auto parts	707,686	684,500
Technical fee income	10,086	8,929
Car rental income	30,190	–
Revenue from contracts with customers	2,235,333	2,195,709
Rental income:		
Car rental income	–	29,386
Total revenue	2,235,333	2,225,095

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

6. REVENUE *(Continued)*

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical market:

	Motor vehicles sales and services business	
	2019	2018
	HK$'000	HK$'000
Types of goods and services		
Sales of motor vehicles	1,487,371	1,502,280
Servicing of motor vehicles and sales of auto parts	707,686	684,500
Technical service	10,086	8,929
Car rental income	30,190	–
Total	2,235,333	2,195,709
Timing of revenue recognition		
At a point in time	2,205,143	2,195,709
Over-time	30,190	–
	2,235,333	2,195,709
Geographical markets		
PRC	2,205,143	2,195,709
Hong Kong	30,190	–
	2,235,333	2,195,709
Type of customers		
Corporate	325,210	231,559
Individuals	1,910,123	1,964,150
Total	2,235,333	2,195,709

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 4.24.

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

	2019		
	Motor vehicle sales and services business HK$'000	**Car rental business HK$'000**	**Total HK$'000**
Reportable segment revenue	2,205,143	30,190	2,235,333
Reportable segment profit	74,935	4,481	79,416
Other information			
Depreciation and amortisation of non-current assets	(43,279)	(15,869)	(59,148)
(Loss)/Gain on disposal of property, plant and equipment	(83)	2,908	2,825
Written-off of property, plant and equipment	(8,858)	–	(8,858)
ECL allowance on trade receivables	(3,300)	–	(3,300)
Additions to non-current assets (other than deferred tax assets and financial instruments) during the year	69,878	24,748	94,626

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

7. SEGMENT INFORMATION *(Continued)*

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

	2018		
	Motor vehicle sales and services business HK$'000	Car rental business HK$'000	Total HK$'000
Reportable segment revenue	2,195,709	29,386	2,225,095
Reportable segment profit	53,363	5,576	58,939
Other information			
Depreciation and amortisation of non-current assets	(34,387)	(14,783)	(49,170)
Gain on disposal of property, plant and equipment	528	2,602	3,130
ECL allowance on trade receivables	(39)	–	(39)
Additions to non-current assets (other than deferred tax assets and financial instruments) during the year	22,010	23,570	45,580

(b) Segment assets and liabilities

	2019		
	Motor vehicle sales and services business HK$'000	**Car rental business HK$'000**	**Total HK$'000**
Reportable segment assets	**1,298,048**	**56,872**	**1,354,920**
Reportable segment liabilities	**817,406**	**23,049**	**840,455**

	2018		
	Motor vehicle sales and services business HK$'000	Car rental business HK$'000	Total HK$'000
Reportable segment assets	1,278,619	48,582	1,327,201
Reportable segment liabilities	818,140	24,592	843,902

7. SEGMENT INFORMATION *(Continued)*

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

	2019 HK$'000	2018 HK$'000
Reportable segment revenue	**2,235,333**	2,225,095
Reportable segment profit	**79,416**	58,939
Unallocated corporate income	**3,312**	7,902
Unallocated corporate expenses		
Depreciation and amortisation of non-current assets	**(2,743)**	(1,668)
Employee benefit expenses	**(6,235)**	(6,197)
Others	**(12,467)**	(18,141)
Unallocated finance costs	**(3,786)**	(2,939)
Profit before income tax	**57,497**	37,896
Reportable segment assets	**1,354,920**	1,327,201
Non-current corporate assets (note (i))	**8,678**	10,521
Current corporate assets (note (ii))	**234,500**	220,595
Consolidated total assets	**1,598,098**	1,558,317
Reportable segment liabilities	**840,455**	843,092
Non-current corporate liabilities (note (iii))	**17,040**	17,701
Current corporate liabilities (note (iv))	**119,397**	95,312
Consolidated total liabilities	**976,892**	956,105

Notes:

(i) Non-current corporate assets mainly include certain property, plant and equipment, certain right-of-use assets, deferred tax assets and financial asset at FVOCI that are not directly attributable to the business activities of the operating segments.

(ii) Current corporate assets mainly include certain right-of-use assets, certain 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 certain lease liabilities/finance lease liabilities that are not directly attributable to the business activities of the operating segments.

(iv) Current corporate liabilities include certain accruals and other payables, certain borrowings, certain lease liabilities, amount due to a related company, advance from a director and tax payables that are not directly attributable to the business activities of the operating segments or that are managed on group basis.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

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 and financial instruments)	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Singapore	**–**	–	**19,541**	5,895
PRC	**2,205,143**	2,195,709	**422,522**	336,029
Hong Kong	**30,190**	29,386	**51,577**	43,532
	2,235,333	2,225,095	**493,640**	385,456

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 2019 and 2018, no revenue from a single customer accounted for 10% or more of the Group's revenue.

8. OTHER INCOME

	2019	2018
	HK$'000	HK$'000
Bank interest income	**1,267**	1,308
Financial guarantee income	**1,164**	451
Commission income	**14,806**	14,067
Consultant service income	**19,844**	18,442
Gain on disposal of property, plant and equipment	**2,825**	3,130
Government grants*	**261**	689
Sundry income	**4,065**	4,312
	44,232	42,399

* 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 (crediting)/charging:

9.1 Cost of inventories

	2019 HK$'000	2018 HK$'000
Changes in inventories		
Motor vehicles	12,854	(72,969)
Auto parts and accessories	(14,181)	(15,850)
	(1,327)	(88,819)
Auto parts and accessories, and motor vehicles purchased		
Motor vehicles	1,507,058	1,579,792
Auto parts and accessories	396,036	409,995
	1,903,094	1,989,787
	1,901,767	1,900,968

9.2 Finance costs

	2019 HK$'000	2018 HK$'000
Interest charges on bank and other borrowings	29,878	38,604
Finance charges on lease liabilities (2018: Interest element of finance lease payments)	7,167	888
	37,045	39,492

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

9. PROFIT BEFORE INCOME TAX (CONTINUED)

9.3 Other items

	2019 HK$'000	2018 HK$'000
Auditor's remuneration	1,070	1,083
Lease charges:		
Short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	6,778	–
Leases of low value items	14	–
Total lease charges	6,792	–
Depreciation of property, plant and equipment*		
Owned assets	33,617	45,241
Right-of-use assets (including prepaid lease payments upon initial adoption of HKFRS 16)	26,000	–
Total depreciation	59,617	45,241
Amortisation of intangible asset (note 15)	2,274	2,367
Written-off of property, plant and equipment	8,858	–
Amortisation of leasehold land (note 14)	–	2,759
Amortisation of prepaid expenses (note 16)	–	471
Financial guarantee expenses	731	–
ECL allowance on trade receivables	3,300	39

* Amount included depreciation charge of HK26,000,000 (2018: HK$5,404,000) for the Group's right-of-use assets/assets held under finance leases.

10. INCOME TAX EXPENSE

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year. Hong Kong profits tax has not been provided as the Group had no assessable profit for the year. For the year ended 31 December 2018, one subsidiary of the Group is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK$2 million are taxed at 16.5%.

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% (2018: 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% (2018: 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% (2018: 5%).

Income tax in respect of operations in Singapore has not been provided for the years ended 31 December 2019 and 2018 as the Company's Singapore subsidiary has no assessable profits for the years.

	2019 **HK$'000**	2018 HK$'000
Current tax – Hong Kong		
Charge for the year	**–**	48
Over-provision in prior years	**(20)**	–
	(20)	48
Current tax – Overseas		
Charge for the year	**28,375**	22,316
Over-provision in prior years	**–**	(5,738)
Current tax – total	**28,355**	16,626
Deferred tax (note 31)	**2,263**	(717)
Total income tax expense	**30,618**	15,909

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

10. INCOME TAX EXPENSE (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
Profit before income tax	**57,497**	37,896
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**16,095**	10,626
Tax effect of non-deductible expenses	**6,778**	4,286
Tax effect of non-taxable revenue	**(153)**	(658)
Tax effect of tax losses not recognised	**7,881**	8,867
Effect of two-tiered profits tax rates regime	**–**	(48)
Utilisation of tax losses previously not recognised	**–**	(1,648)
Over-provision in prior years	**(20)**	(5,738)
Others	**37**	222
Income tax expense	**30,618**	15,909

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$26,879,000 (2018: HK$21,987,000) and on the weighted average number of 476,300,000 (2018: 476,300,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2019 and 2018 are the same as the basic earnings per share as there was no dilutive potential ordinary share for the years ended 31 December 2019 and 2018.

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 HK$'000	2018 HK$'000
Salaries and wages	**115,667**	124,458
Other benefits	**4,814**	6,961
Pension costs – defined contribution plans	**10,185**	11,881
	130,666	143,300

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:

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000 (note)	Contribution to defined contribution plan HK$'000	Total HK$'000
2019					
Executive Directors					
Mr. Luo Wan Ju	–	552	–	37	589
Mr. Choy Choong Yew[#]	–	1,553	–	–	1,553
Mr. Ma Hang Kon, Louis	–	1,920	450	18	2,388
Mr. Zhang Xi	–	329	–	–	329
Mr. Xue Guo Qiang	–	222	–	–	222
Non-Executive Director					
Mr. Lin Ju Zheng	209	–	–	–	209
Independent Non-Executive Directors					
Mr. Yin Bin (note)	91	–	–	–	91
Mr. Zhou Ming	204	–	–	–	204
Ms. Guan Xin	139	–	–	–	139
Mr. Yuen Kin Pheng	311	–	–	–	311
	954	4,576	450	55	6,035

Note:
Resigned on 6 June 2019.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

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

12.1 Directors' emoluments *(Continued)*

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000 (note)	Contribution to defined contribution plan HK$'000	Total HK$'000
2018					
Executive Directors					
Mr. Luo Wan Ju	–	557	–	38	595
Mr. Choy Choong Yew#	–	1,734	–	–	1,734
Mr. Ma Hang Kon, Louis	–	1,800	300	18	2,118
Mr. Zhang Xi	–	289	–	–	289
Mr. Xue Guo Qiang	–	227	–	–	227
Non-Executive Director					
Mr. Lin Ju Zheng	213	–	–	–	213
Independent Non-Executive Directors					
Mr. Yin Bin	213	–	–	–	213
Mr. Zhou Ming	204	–	–	–	204
Ms. Guan Xin	142	–	–	–	142
Mr. Yuen Kin Pheng	313	–	–	–	313
	1,085	4,607	300	56	6,048

As a managing director taking Chief Executive Officer's role

Note:

Discretionary bonus for the year 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.

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 (2018: two) directors whose emoluments are included in the analysis presented above. The emoluments payable to the remaining three (2018: three) individual during the year are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	2,880	3,976
Contributions to defined contribution plan	106	107
	2,986	4,083

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands		
Nil to HK$1,000,000	2	1
HK$1,000,001 to HK$1,500,000	1	1
HK$2,000,001 to HK$2,500,000	–	1

12.3 Key management personnel compensation

	2019 HK$'000	2018 HK$'000
Short term employee benefits	8,859	9,969
Post-employment benefits	162	162
	9,021	10,131

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

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 2018						
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
Year ended 31 December 2018						
Opening net carrying amount	146,745	43,997	12,526	81,936	9,806	295,010
Exchange differences	(6,480)	(2,180)	(539)	(1,744)	(371)	(11,314)
Additions	453	1,592	2,225	39,223	2,087	45,580
Disposals	–	(4)	(88)	(20,049)	(8)	(20,149)
Depreciation	(8,752)	(4,516)	(2,669)	(25,821)	(3,483)	(45,241)
Closing net carrying amount	131,966	38,889	11,455	73,545	8,031	263,886
At 31 December 2018						
Cost	154,059	64,532	38,622	129,688	30,726	417,627
Accumulated depreciation and impairment	(22,093)	(25,643)	(27,167)	(56,143)	(22,695)	(153,741)
Net carrying amount	131,966	38,889	11,455	73,545	8,031	263,886
Transfer to right-of-use assets upon the adoption of HKFRS 16 (note 2)	–	–	–	(29,373)	–	(29,373)
Net book amount as at 1 January 2019, restated	131,966	38,889	11,455	44,172	8,031	234,513
Year ended 31 December 2019						
Opening net carrying amount	**131,966**	**38,889**	**11,455**	**44,172**	**8,031**	**234,513**
Exchange differences	**(2,778)**	**(791)**	**(223)**	**(493)**	**(123)**	**(4,408)**
Additions	**–**	**10,198**	**1,142**	**24,044**	**391**	**35,775**
Disposals	**–**	**–**	**–**	**(13,481)**	**–**	**(13,481)**
Depreciation	**(8,245)**	**(4,721)**	**(2,612)**	**(15,141)**	**(2,898)**	**(33,617)**
Written off	**–**	**(8,740)**	**–**	**–**	**(118)**	**(8,858)**
Closing net carrying amount	**120,943**	**34,835**	**9,762**	**39,101**	**5,283**	**209,924**
At 31 December 2019						
Cost	**148,355**	**57,146**	**37,847**	**77,578**	**28,008**	**348,934**
Accumulated depreciation and impairment	**(27,412)**	**(22,311)**	**(28,085)**	**(38,477)**	**(22,725)**	**(139,010)**
Net carrying amount	**120,943**	**34,835**	**9,762**	**39,101**	**5,283**	**209,924**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2019, certain motor vehicles and plant and machinery with net carrying amount of approximately HK$3,780,000 (2018: nil) was pledged as collateral for the other borrowings of the Group (note 28.1).

As at 31 December 2019, building with net carrying amount of approximately HK$27,537,000 (2018: HK$30,415,000) was pledged as collateral for the bank borrowings of the Group (note 28.1).

As at 31 December 2018, the net carrying amount of the motor vehicles of the Group includes an amount of approximately HK$29,373,000 in respect of assets held under finance leases. Upon initial application of HKFRS 16, the relevant amount in respect of assets held under finance lease are transferred to right-of-use assets as set out in note 17.

14. LEASEHOLD LAND

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

	2019 **HK$'000**	2018 HK$'000
Opening net carrying amount at 1 January	**82,493**	89,246
Transfer to right-of-use assets upon the adoption of HKFRS 16 (note 2 and 17)	**(82,493)**	–
Amortisation (note 9.3)	**–**	(2,759)
Exchange differences	**–**	(3,994)
Closing net carrying amount at 31 December	**–**	82,493

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

15. INTANGIBLE ASSET

	Car dealership HK$'000
At 1 January 2018	
Cost	22,820
Accumulated amortisation	(1,292)
Net carrying amount	21,528
Year ended 31 December 2018	
Opening net carrying amount	21,528
Amortisation (note 9.3)	(2,367)
Exchange differences	(905)
Closing net carrying amount	18,256
At 31 December 2018	
Cost	22,820
Accumulated amortisation	(4,564)
Net carrying amount	18,256
Year ended 31 December 2019	
Opening net carrying amount	**18,256**
Amortisation (note 9.3)	**(2,274)**
Exchange differences	**(358)**
Closing net carrying amount	**15,624**
At 31 December 2019	
Cost	**22,320**
Accumulated amortisation	**(6,696)**
Net carrying amount	**15,624**

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.

16. PREPAID EXPENSES

	2019 HK$'000	2018 HK$'000
Opening net carrying amount at 1 January	**14,851**	16,030
Transfer to right-of-use assets upon the adoption of HKFRS 16 – non-current portion (note 2)	**(1,523)**	–
Transfer to right-of-use assets upon the adoption of HKFRS 16 – current portion (note 2)	**(470)**	–
Net carrying amount as at 1 January 2019, restated	**12,858**	16,030
Amortisation (note 9.3)	**–**	(471)
Exchange differences	**(5)**	(708)
Closing net carrying amount at 31 December	**12,853**	14,851
Less: Current portion included in prepayments, deposits and other receivables (note 22)	**–**	(470)
Non-current portion	**12,853**	14,381

As at 31 December 2019 and 2018, the Group entered into agreement for the lease term of 10 years up to 2023. Upon initial application of HKFRS 16, the relevant amount in respect of assets as a lessee are transferred to right-of-use assets as set out in note 17. In addition, the Group had committed to a lease for using certain motor vehicle showroom, service centres and related facilities located at Beijing in which the contract not yet commenced.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

17. RIGHT-OF-USE ASSETS

	Properties HK$'000	Leasehold land HK$'000	Prepaid rental expenses HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2018, 31 December 2018 and 1 January 2019					
Cost	–	–	–	–	–
Accumulated depreciation and impairment	–	–	–	–	–
Net book amount as at 1 January 2019	–	–	–	–	–
Adjustment from the adoption of HKFRS 16 (note 2,13,14 and 16)	106,829	82,493	1,993	29,373	220,688
Net book amount as at 1 January 2019, restated	106,829	82,493	1,993	29,373	220,688
Year ended 31 December 2019					
Opening net book amount as at 1 January 2019, restated	106,829	82,493	1,993	29,373	220,688
Exchange differences	(2,753)	(1,741)	(296)	897	(3,893)
Additions	36,988	–	–	21,863	58,851
Depreciation	(12,559)	(2,839)	(468)	(10,134)	(26,000)
Disposal	–	–	–	(705)	(705)
Closing net carrying amount	128,505	77,913	1,229	41,294	248,941
At 31 December 2019					
Cost	140,861	80,699	1,688	57,687	280,935
Accumulated depreciation and impairment	(12,356)	(2,786)	(459)	(16,393)	(31,994)
Net carrying amount	128,505	77,913	1,229	41,294	248,941

As at 31 December 2019, certain motor vehicles with net carrying amount of approximately HK$30,261,000 (2018: nil) was pledged as collateral for the lease liabilities of the Group (note 25). Details of the lease contracts are set out in note 25.

As at 31 December 2019, leasehold land with net carrying amounts of approximately HK$75,288,000 (2018: HK$79,750,000 (note 14)) and HK$2,625,000 (2018: HK$2,743,000 (note 14)) were pledged as collateral for the bank borrowings of the Group (note 28.1) and Xiamen Zhong Bao respectively.

18. GOODWILL

	2019 HK$'000	2018 HK$'000
Opening net carrying amount	**6,440**	6,750
Exchange adjustment	**(142)**	(310)
Closing net carrying amount	**6,298**	6,440

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the respective 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 (2018: three-year) period. Cash flow beyond the three-year (2018: three-year) period are extrapolated using a growth rate of 2.0% (2018: 2.0%), which does not exceed the long-term growth rate for the automobile industry in the PRC. Discount rate is 12.10% (2018: 11.90%) which is pre-tax and reflect specific risks relating to the relevant CGU. Gross profit margin is 7.90% (2018: 7.10%) 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.

19. FINANCIAL ASSET AT FVOCI

	2019 HK$'000	2018 HK$'000
Financial assets at FVOCI (non-recycling)		
Unlisted equity investment	**8,035**	8,215

The Group designated its investment in the unlisted equity investment as financial assets measured at FVOCI (non-recycling), as this investment is held for the strategic purpose.

The fair value of the Group's investment in unlisted equity security has been measured as described in note 38.

20. INVENTORIES

	2019 HK$'000	2018 HK$'000
Motor vehicles	157,415	170,269
Auto parts and accessories	39,800	25,619
	197,215	195,888

21. TRADE RECEIVABLES

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

	2019 HK$'000	2018 HK$'000
0 – 90 days	105,569	82,192
91 – 180 days	22,937	33,926
181 – 365 days	7,182	9,339
Over 1 year	439	3,509
	136,127	128,966
Less: ECL allowance	(3,809)	(509)
	132,318	128,457

In addition to the advances to Zhong Bao Group as disclosed in note 22, the Group's trade receivables included trade debts of HK$99,361,000 due from Zhong Bao Group as at 31 December 2019 (2018: HK$59,665,000).

The Group requires individual customers to pay cash for any service rendered and goods sold while it generally allows a credit period of 3 to 9 months to its major customers with long business relationship.

The movement in the ECL allowance of trade receivables is as follows:

	2019 HK$'000	2018 HK$'000
Balance at the beginning of the year	509	470
ECL allowance recognised during the year	3,300	39
Balance at the end of the year	3,809	509

Details of the credit risk and provision of ECL allowance are set out in note 38.

Except for the collateral as stated in note 22, none of the Group's trade receivables are secured by collateral or other credit enhancements.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Advances to Zhong Bao Group (note)	**405,582**	500,492
Current portion of prepaid expenses (note 16)	**–**	470
Rebate receivables	**66,669**	66,608
Other receivables, prepayments and deposits paid		
– Prepayments for acquisition of inventories	**30,953**	33,139
– Others	**29,495**	20,917
	532,699	621,626

No ECL allowance has been provided for deposit and other receivables during the year (2018: nil).

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 as stated above, the Group sells motor vehicles, auto parts and provides motor vehicles services to the customers of Zhong Bao Group. Total receivables arising from the above transactions including advances made to Zhong Bao Group and trade receivables from Zhong Bao Group outstanding as at 31 December 2019 amounted to HK$504,943,000 (2018: HK$560,157,000) 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 20 March 2020, 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 2019, the market value of the pledged assets amounted to approximately HK$568,125,000 (2018: HK$596,435,000) 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 in the past and the collateral in place as mentioned above, the directors are of the opinion that the credit risk of advances and the trade receivables due from Zhong Bao Group are low and thus ECL allowance is considered immaterial.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

23. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	2019 HK$'000	2018 HK$'000
Cash and bank balances	**116,170**	77,555
Pledged deposits:		
Guarantee money in respect of security of suppliers	**15,010**	15,590
For bills facilities granted to the Group	**44,483**	63,564
For borrowings facilities granted to the Group (note 28.1)	**56,102**	56,059
	115,595	135,213
	231,765	212,768

Cash at banks earns interest at floating rates based on daily bank deposit rates. Pledged deposits are made for various periods of six months to one year (2018: one month to one year).

At the reporting date, the cash and bank balances and pledged deposits of the Group denominated in Renminbi ("RMB") amounted to approximately HK$229,071,000 (2018: HK$201,228,000). 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.

24. TRADE AND BILLS PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**72,175**	54,295
Bills payable	**110,351**	222,415
	182,526	276,710

24. TRADE AND BILLS PAYABLES (CONTINUED)

The credit period of the Group is usually 3 to 6 months. The ageing analysis of trade and bills payables, based on invoice date, is as follows:

	2019 HK$'000	2018 HK$'000
0 – 30 days	**80,712**	35,859
31 – 180 days	**73,221**	215,100
181 – 365 days	**18,954**	24,075
1 – 2 years	**8,012**	619
Over 2 years	**1,627**	1,057
	182,526	276,710

The carrying amounts of trade and bills payables as at 31 December 2019 and 2018 were considered to be a reasonable approximation of their fair values.

25. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2019 HK$'000
Total minimum lease payments:	
Due within 1 year	**30,568**
Due within 2 to 5 years	**65,368**
Due more than 5 years	**118,279**
	214,215
Less: future lease liabilities finance charges	**(58,464)**
Present value of lease liabilities	**155,751**
Present value of minimum lease payments:	
Due within 1 year	**22,764**
Due within 2 to 5 years	**40,964**
Due more than 5 years	**92,023**
	155,751
Less: payment due within 1 year (presented under current liabilities)	**(22,764)**
Payment due after 1 year	**132,987**

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

25. LEASE LIABILITIES (CONTINUED)

The Company has initially applied HKFRS 16 using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current year, to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Details for transitions to HKFRS 16 are set out in note 2.

As at 31 December 2019, lease liabilities amounting to HK$15,654,000 are effectively secured by the related underlying assets (note 17) as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

During the year ended 31 December 2019, the total cash outflow for the leases are HK$45,151,000.

Details of the lease activities

As at 31 December 2019, the Group has entered into leases for the items listed as follows:

Types of right-of-use assets	Number of leases	Range of remaining lease term	Particulars
Properties	9	1-15 years	Subject to monthly fixed rental payment
Leasehold land	7	4-44 years	All lease payments were prepaid upon obtained the leasehold land certificate
Motor vehicles	73	1-4 years	Subject to monthly fixed payment

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

26. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Contract liabilities arising from deposits received from sales of motor vehicles	**62,786**	54,165
Contract liabilities arising from deposits received from servicing of motor vehicles and sales of auto parts	**8,334**	13,806
	71,120	67,971

The contract liabilities represented part of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the Group transfers good or service to the customers. For all contracts with an original expected duration of one year or less or are billed based on time incurred, as a practical expedient as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

	2019 HK$'000	2018 HK$'000
Contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**67,971**	83,837

Contract liabilities outstanding at the beginning of the year amounting to HK$83,837,000 (2018: nil) have been recognised as revenue during the year.

27. ACCRUALS AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Accruals	**12,943**	13,434
Deposit received	**4,555**	8,244
Other payables	**23,123**	15,197
Financial guarantee liabilities	**689**	1,139
Pension and other employee obligations	**65**	65
	41,375	38,079

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

28. 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
2019						
Non-current						
Other borrowings	4,499	–	4,499	3,119	1,380	4,499
Current						
Bank borrowings	297,048	99,844	396,892	333,424	63,468	396,892
Other borrowings	65,237	5,580	70,817	63,022	7,795	70,817
	362,285	105,424	467,709	396,446	71,263	467,709
Total	366,784	105,424	472,208	399,565	72,643	472,208

	Secured HK$'000	Unsecured HK$'000	Total secured and unsecured HK$'000	Guaranteed HK$'000	Unguaranteed HK$'000	Total guaranteed and unguaranteed HK$'000
2018						
Non-current						
Finance lease liabilities	6,129	–	6,129	5,015	1,114	6,129
Current						
Bank borrowings	244,187	127,222	371,409	307,296	64,113	371,409
Other borrowings	127,133	–	127,133	127,133	–	127,133
Finance lease liabilities	18,147	–	18,147	13,123	5,024	18,147
	389,467	127,222	516,689	447,552	69,137	516,689
Total	395,596	127,222	522,818	452,567	70,251	522,818

28. BORROWINGS *(Continued)*

28.1 Bank and other borrowings

	2019 HK$'000	2018 HK$'000
Analysed into:		
Bank and other borrowings		
Within one year or on demand	**467,709**	498,542
In the second year	**4,499**	–
	472,208	498,542

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

(i) the Group's bank deposits amounting to HK$56,102,000 (2018: HK$56,059,000) (note 23);

(ii) certain of the Group's leasehold land/right-of-use assets with carrying value of approximately HK$75,288,000 (2018: HK$79,750,000) (notes 14 and 17);

(iii) certain of the Group's buildings with carrying value of approximately HK$27,537,000 (2018: HK$30,415,000) (note 13);

(iv) certain assets of Zhong Bao Group;

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

(vi) certain motor vehicles and plant and machinery with net carrying amount of approximately HK$3,780,000 was pledged as collateral for the other borrowings of the Group (note 13) (2018: nil);

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

(viii) personal guarantee provided by Loh Nee Peng, a substantial shareholder of the Company (note 36(d)).

At 31 December 2019, no bank borrowings containing a repayment on demand clause with repayment dates over 1 year. At 31 December 2018, all the Group's bank borrowings 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 (note 38)).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

28. BORROWINGS *(Continued)*

28.1 Bank and other borrowings *(Continued)*

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

	2019 HK$'000	2018 HK$'000
Bank and other borrowings:		
Within one year	**467,709**	490,709
In the second year	**4,499**	7,833
	472,208	498,542

28.2 Finance lease liabilities

The analysis of the obligations under finance leases is as follows:	2018 HK$'000
Due within 1 year	18,664
Due within 2 to 5 years	6,296
	24,960
Less: future finance charges on finance lease	(684)
Present value of finance lease liabilities	24,276
The present value of finance lease liabilities is as follows:	
Due within 1 year	18,147
Due within 2 to 5 years	6,129
	24,276
Less: Portion due within one year included under current liabilities	(18,147)
Non-current portion included under non-current liabilities	6,129

28. BORROWINGS *(Continued)*

28.2 Finance lease liabilities *(Continued)*

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 2018, the Group's finance lease liabilities of approximately HK$18,139,000 were guaranteed by the Company.

Upon initial application of HKFRS 16, the finance lease liabilities are reclassified to lease liabilities as set out in note 25.

28.3 Other information about the borrowings

		Effective interest rate (%) per annum			
	Original	2019		2018	
	currency	Fixed	Floating	Fixed	Floating
Bank borrowings	RMB	3.66%-7.20%	4.90%-6.45%	4.03%-7.20%	5.00%-6.20%
Bank borrowings	USD	–	4.38%-4.98%	–	4.28%-5.50%
Other borrowings	RMB	7.10%-8.50%	–	8.5%	–
Finance lease liabilities	HK$	(note)	(note)	2.90%-4.37%	–
Finance lease liabilities	RMB	(note)	(note)	2.61%-10.87%	–
Finance lease liabilities	SGD	(note)	(note)	4.70%	–

Note: Upon initial application of HKFRS 16, the finance lease liabilities are reclassified to lease liabilities as set out in note 25.

29. AMOUNT DUE TO A RELATED COMPANY

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

30. ADVANCE FROM A DIRECTOR

As at 31 December 2019 and 2018, the advance from a director is unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

31. 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 2018	1,864
Exchange difference	(52)
At 31 December 2018 and 1 January 2019	**1,812**
Charge to profit or loss (note 10)	**(1,773)**
Exchange difference	**(39)**
At 31 December 2019	**–**

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 2018	11,808	4,721	1,314	17,843
(Credit)/Charge to profit or loss	(819)	102	–	(717)
Exchange difference	(514)	–	(25)	(539)
At 31 December 2018 and 1 January 2019	**10,475**	**4,823**	**1,289**	**16,587**
(Credit)/Charge to profit or loss (note 10)	**(786)**	**1,276**	**–**	**490**
Exchange difference	**(215)**	**34**	**(62)**	**(243)**
At 31 December 2019	**9,474**	**6,133**	**1,227**	**16,834**

31. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

Deferred tax liabilities of HK$17,410,000 (2018: HK$15,585,000) 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$348,209,000 (2018: HK$311,695,000).

At 31 December 2019, the Group had unused tax losses of approximately HK$136,458,000 (2018: HK$101,389,000) available to offset against future profits of which approximately HK$83,131,000 (2018: HK$59,383,000) will expire at various dates up to 2024 (2018: 2023). No deferred tax assets had been recognised in respect of such tax losses due to unpredictability of future profit streams.

32. SHARE CAPITAL

	2019		2018	
	Number of shares '000	HK$'000	Number of shares '000	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	2,000,000	200,000	2,000,000	200,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each at beginning and end of year	476,300	47,630	476,300	47,630

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

33. RESERVES

(a) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) The amounts of the Company's reserves and the movements therein for the current and prior years are presented as follows:

	Company			
	Share premium	Capital reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	29,522	2,854	(28,825)	3,551
Loss for the year	–	–	(14,326)	(14,326)
At 31 December 2018 and 1 January 2019	**29,522**	**2,854**	**(43,151)**	**(10,775)**
Loss for the year	**–**	**–**	**(14,059)**	**(14,059)**
At 31 December 2019	**29,522**	**2,854**	**(57,210)**	**(24,834)**

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.

33. RESERVES *(Continued)*

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.

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.

34. TRANSACTIONS WITH ZHONG BAO GROUP

Save for those disclosed as set out in notes 17, 21, 22, 28, 37 and 38, the Group generated income from sales of motor vehicles, car servicing and sale of auto parts of HK$137,389,000 (2018: HK$179,505,000) and earned technical fee income of HK$10,086,000 (2018: HK$8,929,000) from Zhong Bao Group during the year ended 31 December 2019.

The Group purchased motor vehicles and auto parts and car servicing of HK$58,044,000 (2018: HK$137,548,000) from Zhong Bao Group and was charged rental of HK$4,548,000 (2018: HK$6,390,000) by Zhong Bao Group during the year ended 31 December 2019.

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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

35. COMMITMENTS

35.1 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:

	2019 HK$'000	2018 HK$'000
Within one year	–	17,339
After 1 year but within 2 years	–	20,333
	–	37,672

As lessee

At the reporting date, the lease commitments for short-term leases (2018: total future minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

	2019 HK$'000	2018 HK$'000
Within one year	530	19,760
After one year but within five years	29	44,606
After five years	–	94,721
	559	159,087

As at 31 December 2018, the Group leases certain of its office premises, car parks, furniture and equipment and motor vehicles under operating leases. The leases run for an initial period of 1 to 15 years. None of the leases include contingent rentals.

Details of these leases as at 31 December 2019 are set out in note 25.

35. COMMITMENTS *(Continued)*

35.2 Capital commitments

	2019	2018
	HK$'000	HK$'000
Contracted but not provided for		
Property, plant and equipment	**1,330**	–

As at 31 December 2018, there is no commitment contracted but not provided for purchase of property, plant and equipment.

36. RELATED PARTY TRANSACTIONS

(a) The terms and conditions of advance from a director are disclosed in note 30.

(b) The terms and conditions of amount due to a related company are disclosed in note 29.

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

(d) As stated in note 28.1, as at 31 December 2019, bank and other borrowings of approximately HK$350,889,000 (2018: HK$350,496,000) were guaranteed by Loh Nee Peng, a substantial shareholder of the Company.

37. CONTINGENT LIABILITIES

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

	2019	2018
	HK$'000	HK$'000
Guarantees for banking facilities provided to Zhong Bao Group	**102,672**	158,599

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2019 and 2018 may be categorised as follows:

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost:		
Trade receivables	**132,318**	128,457
Other receivables	**501,746**	589,261
Pledged deposits	**115,595**	135,213
Cash and bank balances	**116,170**	77,555
Financial asset at FVOCI (non-recycling):		
Unlisted equity investment	**8,035**	8,215
	873,864	938,701
Financial liabilities		
Financial liabilities at amortised cost:		
Current liabilities		
Trade payables	**72,175**	54,295
Lease liabilities	**155,751**	–
Accruals and other payables	**32,320**	28,696
Bills payable	**110,351**	222,415
Borrowings	**472,208**	522,818
Amount due to a related company	**–**	280
Advance from a director	**1,491**	1,007
	844,296	829,511

38. 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 37.

As disclosed in note 22, 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.

(i) Trade receivables

As set out in note 4.9, the Group assesses ECL under HKFRS 9 on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 3 years (2018: 5 years) as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within credit terms and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 97% (2018: 97%) of the total receivables as at 31 December 2019.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

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

Credit risk *(Continued)*

(i) Trade receivables (Continued)

On the above basis, the ECL for trade receivables as at 31 December 2019 and 31 December 2018 was determined as follows:

	Current HK$'000	1-90 days past due HK$'000	91-180 days past due HK$'000	Over 180 days past due HK$'000	Total HK$'000
31 December 2019					
ECL rate	2.4%	13.1%	69.4%	100%	
Gross carrying amount – trade receivables	133,108	2,686	288	45	136,127
Lifetime ECL	3,212	352	200	45	3,809

	Current HK$'000	1-90 days past due HK$'000	91-180 days past due HK$'000	Over 180 days past due HK$'000	Total HK$'000
31 December 2018					
ECL rate	0.1%	1.0%	2.0%	4.0%	
Gross carrying amount – trade receivables	100,725	22,654	2,078	3,509	128,966
Lifetime ECL	101	226	42	140	509

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables, pledged deposits and cash and bank balances. In order to minimise the credit risk of deposits and other receivables, the management would make periodic collective and individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience as well as collateral and current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of deposits and other receivables are considered to be low and thus ECL allowance is considered immaterial.

Besides, the management is of opinion that there is no significant increase in credit risk on these deposits and other receivables since initial recognition as the risk of default is low after considering the factors as set out in note 4.9 and, thus, ECL recognised is based on 12-month ECL and the impact of ECL is insignificant.

The credit risks on pledged deposits and cash and bank balances are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

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

Liquidity risk

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

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

	Carrying amount	Total contractual undiscounted cash flows	Within one year or on demand	More than one year but less than five years	More than five years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2019					
Trade payables	72,175	72,175	72,175	–	–
Lease liabilities	155,751	214,215	30,568	65,368	118,279
Accruals and other payables	32,320	32,320	32,320	–	–
Bills payable	110,351	110,351	110,351	–	–
Borrowings (note)	472,208	472,318	472,318	–	–
Advance from a director	1,491	1,491	1,491	–	–
Total	844,296	902,870	719,223	65,368	118,279
Financial guaranteed issued:					
Maximum amount guaranteed	689	102,672	102,672	–	–
At 31 December 2018					
Trade payables	54,295	54,295	54,295	–	–
Accruals and other payables	28,696	28,696	28,696	–	–
Bills payable	222,415	222,415	222,415	–	–
Borrowings (note)	522,818	527,281	520,985	5,413	883
Amount due to related company	280	280	280	–	–
Advance from a director	1,007	1,007	1,007	–	–
Total	829,511	833,974	827,678	5,413	883
Financial guaranteed issued:					
Maximum amount guaranteed	1,139	158,599	158,599	–	–

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

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

Liquidity risk *(Continued)*

Note

As at 31 December 2019, there was no bank loan containing a repayment on demand clause.

As at 31 December 2018, 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. The aggregate undiscounted principal amounts of these bank loans amounted to HK$7,833,000. 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 two 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$8,264,000.

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.

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

Foreign exchange risk *(Continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2019 and 2018 are as follows:

	Denominated in US$ HK$'000	Denominated in EUR HK$'000
2019		
Monetary assets		
Deposits and other receivables	–	3,032
Cash and bank balances	837	71
Total monetary assets	837	3,103
Monetary liabilities		
Borrowings	(123,299)	–
Total monetary liabilities	(123,299)	–
Net monetary (liabilities)/assets	(122,462)	3,103
Foreign currency strengthen/(weaken) by:	1%/(1%)	3%/(3%)
Increase/(Decrease) in profit after tax and retained profits	(1,023)/1,023	78/(78)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

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

Foreign exchange risk *(Continued)*

	Denominated in US$ HK$'000	Denominated in EUR HK$'000
2018		
Monetary assets		
Deposits and other receivables	11,192	6,102
Cash and bank balances	5,890	116
Total monetary assets	17,082	6,218
Monetary liabilities		
Accruals and other payables	(686)	–
Borrowings	(23,760)	–
Total monetary liabilities	(24,446)	–
Net monetary (liabilities)/assets	(7,364)	6,218
Foreign currency strengthen/(weaken) by:	10%/(10%)	10%/(10%)
Increase/(Decrease) in profit after tax and retained profits	(736)/736	622/(622)

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.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's certain bank borrowings. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 28 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. The exposure to interest rate risk for the Group's short term bank deposits is considered immaterial.

As at 31 December 2019, 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$2,420,000 (2018: HK$1,701,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

38. 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.

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurements, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

	Level 3 HK$'000
As at 31 December 2019	
Assets	
Financial asset at FVOCI (non-recycling)	8,035
As at 31 December 2018	
Assets	
Financial asset at FVOCI (non-recycling)	8,215

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

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

Fair values measurement *(Continued)*

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for Group's unlisted equity investment.

Details of the particulars of the financial asset at FVOCI (non-recycling) are as follows:

Name of financial asset	Place of establishment and operation	Particulars of registered capital	Percentage of equity interest directly held by the Group	Principal activities
廈門歐利行汽車銷售服務有限公司 (Xiamen EURO Automobiles Sales and Service Co., Ltd.)	PRC	RMB80,000,000	9%	Sales of high-end motor vehicles and provision of repair and maintenance services of high-end automobiles

The fair value of financial asset at FVOCI (non-recycling) is determined using adjusted net assets method.

Fair value measurement using significant unobservable inputs (Level 3)

The reconciliation of the carrying amount of the Group's financial instrument classified within Level 3 of the fair value hierarchy is as follows:

	Unlisted equity security (Level 3) HK$'000
At 1 January 2018	–
Acquisition	8,912
Translation adjustment	(697)
At 31 December 2018 and 1 January 2019	8,215
Translation adjustment	(180)
At 31 December 2019	**8,035**

Valuation processes

In determining fair value, specific valuation techniques (adjusted net assets method) are used with reference to inputs such as leasehold land's market value and expected cash inflows from receivables and other specific input relevant to the particular financial asset included in the unlisted equity investment. The main input used by the Group in measuring the fair value of the unlisted equity investment is derived and evaluated as follows:

– Market value of a leasehold land and construction in progress: this is valued at 31 December 2019 by independent and professional qualified valuer based on direct comparison approach.

There have been no transfers into or out of Level 3 during the year ended 31 December 2019 and 2018.

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

Information about Level 3 fair value measurements

Valuation technique of leasehold land and construction in progress included in the unlisted equity investment	Unobservable input	Relationship of unobservable inputs to fair value
Direct comparison method	Market price ranging from HK$6,000/sq.m. to HK$7,000/sq.m. (2018: from HK$6,600/sq.m. to HK$7,000/sq.m) and adjusted taking into account of locations and other individual factors such as size of land and construction in progress and conditions of prices	The higher the market price, the higher the fair value

39. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

Capital management

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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

39. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

Capital management *(Continued)*

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, lease liabilities, 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 2019 and 2018 were as follows:

	2019 HK$'000	2018 HK$'000
Total borrowings	**738,310**	745,233
Less: Cash and bank balances	**(116,170)**	(77,555)
Net debt	**622,140**	667,678
Total equity	**621,206**	602,212
Total capital	**1,243,346**	1,269,890
Gearing ratio	**50%**	53%

40. 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.

All directors (including executive directors, non-executive directors and independent non-executive directors), full-time employees and any other person who, in the sole discretion of the Board, including any advisors, consultants, business partners, joint venture business partners, promoters, service providers of any member of the Group have contributed or will contribute to the Group are eligible to participate in the Share Option Scheme. Each grant of options to any director of the Company, the chief executive officer or substantial shareholder of the Company must first be approved by the independent nonexecutive directors of the Company.

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.

40. SHARE OPTION SCHEME (CONTINUED)

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 share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme during the current year or in prior years.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES		
Non-current asset		
Interests in subsidiaries	80,978	80,978
Current assets		
Other receivables	83	505
Amounts due from subsidiaries	40,193	28,471
Cash and bank balances	673	5,801
	40,949	34,777
Current liabilities		
Accruals and other payables	2,220	916
Amount due to subsidiaries	19,031	18,453
Bank borrowings	77,880	59,531
	99,131	78,900
Net current liabilities	(58,182)	(44,123)
Net assets	22,796	36,855
EQUITY		
Share capital	47,630	47,630
Reserves (note 33(b))	(24,834)	(10,775)
Total equity	22,796	36,855

Luo Wan Ju
Director

Choy Choong Yew
Director

42. PARTICULARS OF SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Particulars of issued and paid-in capital	Percentage of issued capital held by the Company		Principal activities
			Directly	Indirectly	
German Automobiles Pte Ltd.[3]	Singapore	7,876,996 shares of Singapore dollars 1 each	100%	–	Investment holding
German Automobiles Limited ("GAL")[3]	Hong Kong	20,000 ordinary shares of HK$20,000	100%	–	Trading of motor vehicles, provision of car rental services and investment holding
Xiamen BMW Automobiles Service Co., Ltd.[1]	PRC	Registered 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.[1]	PRC	Registered capital of US$5,100,000	–	100%	Provision of repair and maintenance services of high-end automobiles
RUF Automobiles Ltd.[3]	Hong Kong	20,000 shares of HK$20,000	–	100%	Investment holding
RUF China Automobiles Trading Ltd.[1]	PRC	Registered capital of US$7,600,000	–	100%	Inactive
Fuzhou Euro[2]	PRC	Registered capital of RMB70,000,000	–	100%	Automobile dealership, exhibitions of high-end motor vehicles, provision of auto parts and after-sales services
QZ Fubao[2]	PRC	Registered capital of RMB50,000,000	–	100%	Automobile dealership, exhibitions of high-end motor vehicles, provision of auto parts and after-sales services
Longyan Zhongbao Automobiles Co., Ltd.[2]	PRC	Registered capital of RMB30,000,000	–	100%	Automobile dealership, exhibitions of high-end motor vehicles, provision of auto parts and after-sales services
Fujian Xingdebao Automobiles Sales and Service Co., Ltd.[2]	PRC	Registered capital of RMB40,000,000	–	100%	Automobile dealership, exhibitions of high-end motor vehicles, provision of auto parts and after-sales services
Shanghai Qianyou Trading Co., Ltd. ("Qianyou")[2&4]	PRC	Registered capital of US$1,000,000	–	100%	Trading of auto accessories

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

42. PARTICULARS OF SUBSIDIARIES *(Continued)*

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

[2] registered as a limited liability company under the PRC law

[3] incorporated as a limited liability company under local jurisdiction

[4] As at 31 December 2019 and 2018, GAL subscribed for US$1,000,000 registered capital of Qianyou, representing 100% of its total registered capital.

In accordance with PRC corporation laws, the subscriber has to pay in respective amounts of subscribed capital in prescribed schedule or when those amounts fall due. The subscriber is liable to any liabilities of the underlying entity up to the respective amounts subscribed. As at 31 December 2019 and 2018, the registered capital of Qianyou has not been paid up in full.

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.

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

43.1 Major non-cash transactions

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year ended 31 December 2019, the Group entered into finance lease arrangements in respect of the acquisition of right-of-use assets with a total capital value at the inception of the leases of HK$58,851,000. As at 31 December 2018, 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$23,148,000.

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

43.2 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 2019.

	Amount due to a related company HK$'000	Advance from a director HK$'000	Bank and other Borrowings (excluding finance lease liabilities) HK$'000	Lease liabilities/ Finance lease liabilities HK$'000	Total HK$'000
At 1 January 2018	294	531	532,330	12,947	546,102
Cash flows					
– Inflow from financing activities	–	519	1,469,068	–	1,469,587
– Outflow from financing activities	–	–	(1,482,582)	(11,550)	(1,494,132)
Non-cash transactions					
– Acquisition of property, plant and equipment	–	–	–	23,148	23,148
Exchange differences	(14)	(43)	(20,274)	(269)	(20,600)
At 31 December 2018 and 1 January 2019	**280**	**1,007**	**498,542**	**24,276**	**524,105**
Adjustment from the adoption of HKFRS 16 (note 2)	**–**	**–**	**–**	**106,829**	**106,829**
At 1 January 2019 (adjusted)	**280**	**1,007**	**498,542**	**131,105**	**630,934**
Cash flows					
– Inflow from financing activities	**–**	**516**	**1,667,725**	**–**	**1,668,241**
– Outflow from financing activities	**(273)**	**–**	**(1,684,758)**	**(31,192)**	**(1,716,223)**
Non-cash transactions					
– Acquisition of property, plant and equipment	**–**	**–**	**–**	**58,851**	**58,851**
Exchange differences	**(7)**	**(32)**	**(9,301)**	**(3,013)**	**(12,353)**
At 31 December 2019	**–**	**1,491**	**472,208**	**155,751**	**629,450**

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

44. EVENTS AFTER THE REPORTING DATE

The outbreak of novel coronavirus (COVID-19) continues to spread throughout China and to countries across the world.

The COVID-19 has certain impact on the business operations of the Group in particular the supply chain from China as well as the delivery and buy-off process of motor vehicles to certain degree, and the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic.

The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

Other than those disclosed above, the Group had no material events for disclosure subsequent to 31 December 2019 and up to the date of approval of these consolidated financial statements.

Financial Summary

RESULTS

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**2,235,333**	2,225,095	2,027,453	563,086	522,601
Other income	**44,232**	42,399	43,824	28,527	76,286
Cost of inventories	**(1,901,767)**	(1,900,968)	(1,702,749)	(328,922)	(289,220)
Employee benefits expenses	**(130,666)**	(143,300)	(130,450)	(64,307)	(59,306)
Depreciation and amortisation	**(61,891)**	(50,838)	(43,913)	(23,651)	(25,040)
Lease charges	**(6,792)**	(16,682)	(17,186)	(15,921)	(19,710)
Exchange differences, net	**(1,262)**	(309)	3,910	(5,085)	(7,913)
Impairment loss on goodwill	**–**	–	–	–	(3,750)
Other expenses	**(82,645)**	(78,009)	(82,703)	(78,282)	(74,821)
Profit from operations	**94,542**	77,388	98,186	75,445	119,127
Finance costs	**(37,045)**	(39,492)	(28,213)	(5,593)	(8,162)
Profit before income tax	**57,497**	37,896	69,973	69,852	110,965
Income tax expense	**(30,618)**	(15,909)	(22,444)	(22,990)	(25,953)
Profit for the year	**26,879**	21,987	47,529	46,862	85,012
	HK cents	HK cents	HK cents	HK cents	HK cents
Earnings per share					
Basic and diluted	**5.64**	4.62	9.69	10.06	20.16

ASSETS AND LIABILITIES

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Total assets	**1,598,098**	1,558,317	1,537,672	1,420,897	775,466
Total liabilities	**(976,892)**	(956,105)	(926,653)	(869,259)	(239,841)
	621,206	602,212	611,019	551,638	535,625
Non-controlling interests	**–**	–	–	(10,582)	(12,362)
Equity attributable to owners of the Company	**621,206**	602,212	611,019	541,056	523,263