



# 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)

# 2020

First  
Quarterly  
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 high 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 that there are no other matters the omission of which would make any statement herein or this report misleading.*

The board of directors (the “Board”) of G.A. Holdings Limited is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2020 together with the comparative figures for the three months ended 31 March 2019, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the three months ended 31 March 2020*

		(Unaudited)	
		Three months ended	
		31 March	
	Notes	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Revenue</b>	2	383,068	521,291
Other income	2	7,835	11,978
		390,903	533,269
Changes in inventories		(45,823)	1,932
Auto parts and accessories, and motor vehicles purchased		(277,206)	(445,737)
Employee benefit expenses		(31,740)	(35,634)
Depreciation and amortisation		(14,641)	(15,528)
Operating lease charges		(1,389)	(1,862)
Exchange differences, net		(1,416)	98
Other expenses		(9,386)	(13,696)
<b>Profit from operations</b>		9,302	22,842
Finance costs		(8,274)	(9,387)
<b>Profit before income tax</b>		1,028	13,455
Income tax expense	3	(2,316)	(7,367)
<b>(Loss) Profit for the period</b>		(1,288)	6,088

		(Unaudited) Three months ended 31 March	
		2020	2019
Notes		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other comprehensive (expenses) income</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising from translation of foreign operations			
		(13,328)	13,498
<b>Total comprehensive (expenses) income for the period</b>			
		(14,616)	19,586
		<i>HK cents</i>	<i>HK cents</i>
<b>(Loss) Earnings per share</b>			
Basic and diluted			
	4	(0.27)	1.28

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2020 and 2019

	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
As at 1 January 2019	47,630	29,522	8,623	39,499	(10,735)	(26,327)	514,200	602,212
Profit for the period	-	-	-	-	-	-	6,088	6,088
Other comprehensive income								
Translation differences	-	-	-	-	-	13,498	-	13,498
Total comprehensive income for the period	-	-	-	-	-	13,498	6,088	19,586
As at 31 March 2019	47,630	29,522	8,623	39,499	(10,735)	(13,029)	520,288	621,798
As at 1 January 2020	47,630	29,522	8,623	47,008	(10,735)	(34,412)	533,570	621,206
Loss for the period	-	-	-	-	-	-	(1,288)	(1,288)
Other comprehensive expenses								
Translation differences	-	-	-	-	-	(13,328)	-	(13,328)
Total comprehensive expenses for the period	-	-	-	-	-	(13,328)	(1,288)	(14,616)
Transactions with owners								
Appropriation to statutory reserve	-	-	-	1,508	-	-	(1,508)	-
Forfeiture of unclaimed dividend	-	-	-	-	-	-	35	35
Total transaction with owners	-	-	-	1,508	-	-	(1,473)	35
As at 31 March 2020	47,630	29,522	8,623	48,516	(10,735)	(47,740)	530,809	606,625

Notes:

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

### (a) Statement of compliance

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

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

The significant judgments made by management in applying the Group’s accounting policies, the key sources of estimation uncertainty, and, except for described below, the accounting policies adopted for the preparation of these unaudited condensed consolidated financial statements of the Group are consistent with those applied to the consolidated financial statements as at and for the year ended 31 December 2019.

### (b) Adoption of new or revised HKFRSs

The Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2020.

The adoption of the new and revised HKFRSs has no material impact on how the results for the current and prior periods have been prepared and presented.

The Group has not early adopted those new or revised HKFRSs that have been issued by HKICPA but are not yet effective.

## 2. REVENUE AND OTHER INCOME

The Group recognised revenue by category as follows:

	(Unaudited)	
	Three months ended	
	31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>		
Sales of motor vehicles	264,576	352,330
Servicing of motor vehicles and sales of auto parts	109,508	159,484
Technical fee income	1,094	2,465
Car rental income	7,890	7,012
	<b>383,068</b>	<b>521,291</b>

	(Unaudited)	
	Three months ended	
	31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	542	550
Consultant service income	3,382	4,535
Commission income	2,166	4,502
Gain on disposal of property, plant and equipment	702	1,478
Financial guarantee income	55	112
Government grants	89	–
Sundry income	899	801
	<b>7,835</b>	<b>11,978</b>

### 3. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made for the three months ended 31 March 2020 and 2019 as there were no assessable profits for both periods. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rate of tax prevailing in the countries in which the Group operates.

The income tax provision in respect of operations in the People's Republic of China (the "PRC") is calculated at the applicable rates on the estimated assessable profits for the period based on the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25% (2019: 25%).

Income tax in respect of operations in Singapore has not been provided for the three months ended 31 March 2020 and 2019 as the Company's Singapore subsidiary has no assessable profits for both periods.

The Group has no material unprovided deferred taxation for the period (2019: nil).

	(Unaudited) Three months ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Current tax – Overseas Charge for the period	(2,508)	(7,367)
Current tax – total	(2,508)	(7,367)
Deferred tax	192	–
<b>Total income tax expense</b>	<b>(2,316)</b>	<b>(7,367)</b>

### 4. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the unaudited (loss) profit attributable to owners of the Company for the three months ended 31 March 2020 of loss of HK\$1,288,000 (2019: profit of HK\$6,088,000) and on the weighted average number of 476,300,000 (2019: 476,300,000) ordinary shares in issue during the period.

Diluted (loss) earnings per share for the three months ended 31 March 2020 and 2019 are the same as the basic (loss) earnings per share as there were no dilutive potential ordinary shares during the relevant period.





## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The outbreak of novel coronavirus (COVID-19) epidemic since January 2020 affected the economy around the world. The PRC government has implemented various measures including the extension of the lunar new year holiday, various stay-home orders across all cities, and restrictions imposed on business resumption. These have significantly affected the turnover, gross operating profit and net profit of the Group for the three months ended 31 March 2020.

### FINANCIAL REVIEW

#### Revenue

The unaudited consolidated revenue for the three months ended 31 March 2020 decreased by 26.5% from HK\$521,291,000 in the corresponding period in 2019 to HK\$383,068,000 in the current period. The decrease was mainly attributable to (i) the negative impact of the COVID-19 during the three months ended 31 March 2020; (ii) the depreciation of renminbi (“RMB”) by approximately 5% during the three months ended 31 March 2020 compared to the corresponding period in 2019 as the Group’s revenue is mainly derived from the PRC in RMB.

#### 1. Sales of motor vehicles

For the three months ended 31 March 2020, sales of motor vehicles decreased by 24.9% to HK\$264,576,000 from HK\$352,330,000 in the corresponding period in 2019 mainly due to (i) the negative impact of the COVID-19 during the three months ended 31 March 2020; (ii) depreciation of RMB by approximately 5% during the three months ended 31 March 2020 compared to the corresponding period in 2019 as the Group’s revenue from sales of motor vehicles is mainly derived from the PRC in RMB.

#### 2. Servicing of motor vehicles and sales of auto parts

Revenue generated from servicing of motor vehicles and sales of auto parts decreased by 31.3% to HK\$109,508,000 compared to the corresponding period in 2019. The decrease was mainly due to decrease in number of times of servicing due to the various policies imposed by the PRC government to cope with the outbreak of COVID-19.

### 3. 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 three months ended 31 March 2020 was approximately HK\$1,094,000, decreased by 55.6% as compared to the corresponding period in 2019 since there was a substantial decrease in the number of cars sold by Xiamen Zhong Bao during the three months ended 31 March 2020 due to the effect of COVID-19.

### 4. Car rental business

The income from car rental business in Hong Kong for the three months ended 31 March 2020 was HK\$7,890,000, representing an increase of 12.5% compared to the corresponding period in 2019. The increase in income was mainly because people generally prefer driving rather than taking public transportation during the outbreak of COVID-19.

## Gross Operating Profit and Gross Operating Margin

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

The gross operating profit for the three months ended 31 March 2020 decreased by 22.5% to HK\$60,039,000, as compared to HK\$77,486,000 in the corresponding period in 2019 which in line with the decrease in revenue during the period.

The gross operating margin for the three months ended 31 March 2020 was 15.7%, as compared to 14.9% for the three months ended 31 March 2019. The increase in gross operating margin during the period was mainly due to relatively better margin from the sales of several popular models of motor vehicles during the period.



## Other Income

Other income decreased from HK\$11,978,000 in the corresponding period in 2019 to HK\$7,835,000 for the three months ended 31 March 2020 mainly due to the decrease in consultant service income and commission income during the period resulted from the effect of COVID-19.

## Employee Benefit Expenses

The Group recorded employee benefit expenses of HK\$31,740,000 for the three months ended 31 March 2020, representing a 10.9% decrease as compared to HK\$35,634,000 in the corresponding period in 2019. This was mainly due to (i) decrease in average numbers of employees during three months ended 31 March 2020; and (ii) depreciation of RMB during the period.

## Depreciation and amortisation

Depreciation and amortisation expenses decreased by approximately 5.7% from HK\$15,528,000 for the three months ended 31 March 2019 to HK\$14,641,000 for the three months ended 31 March 2020. The decrease was mainly due to depreciation of RMB during the three months ended 31 March 2020 compared to corresponding period in 2019.

## Foreign Exchange Exposure

During the three months ended 31 March 2020, the group recorded exchange loss of HK\$1,416,000 (2019: exchange gain of HK\$98,000), which was mainly resulted from the translation of receivables or payables denominated in foreign currencies other than the functional currencies of the group companies.

## Other Expenses

For the three months ended 31 March 2020, other expenses were HK\$9,386,000, representing a decrease of 31.5% compared to HK\$13,696,000 in the corresponding period in 2019. The decrease was mainly attributable to (i) general cost savings during temporary closure period of our 4S shops, repair centres and offices due to the outbreak of COVID-19; (ii) effective cost control in other operating expenses.

## Finance Costs

Finance costs decreased from HK\$9,387,000 for the three months ended 31 March 2019 to HK\$8,274,000 for the three months ended 31 March 2020 primarily due to the decrease in average borrowings and bills payables during the period compared to the corresponding period in 2019.

## (Loss) Profit attributable to owners of the Company


The loss attributable to owners of the Company for the three months ended 31 March 2020 was HK\$1,288,000 while a profit of HK\$6,088,000 was recorded in the corresponding period in 2019. The change from profit to loss was mainly due to outbreak of COVID-19 during the period as mentioned above.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: nil).

## PROSPECTS

During the 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 further 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.

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

As at 31 March 2020, the interests or short positions of Directors and the chief executive of the Company 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 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 5.48 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in shares

Name	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
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 March 2020, none of the Directors or chief executive of the Company or their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which are required to be 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 Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 31 March 2020, the persons or corporations (other than Directors or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Loh Nee Peng	Beneficial owner and interest of a controlled corporation (Note 1)	98,548,320	20.69%
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 98,548,320 shares are held as to 32,676,320 shares by Big Reap Investment Limited, as to 45,284,000 shares by Loh & Loh Construction Group Ltd as well as 20,588,000 shares held directly by Mr. Loh Nee Peng. Big Reap Investment Limited is interested 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 March 2020, the Directors were not aware of any other person or corporation who had interests or short positions in the shares of underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES**

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

## **COMPETING INTERESTS**

During the three months ended 31 March 2020, none of the Directors or the controlling shareholders of the Company nor any of their respective close associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

## **SHARE OPTION SCHEME**

During the three months ended 31 March 2020, no option has been granted under the share option scheme adopted by the Company on 10 October 2014 (2019: nil).

## ADVANCES TO ENTITIES

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

Pursuant to the GEM Listing Rule 17.16, a disclosure obligation arises where the increment of relevant advance amount to an entity from the Group exceeds 3% under the assets ratio as defined under Rule 19.07(1) of the GEM Listing Rules (the “Assets Ratio”). As at 31 March 2020, the Company’s consolidated total assets were approximately HK\$1,523,122,000.

	(Unaudited)		(Audited)	
	As at		As at	Increment as
	31 March	Assets	31 December	compared to
	2020	Ratio	2019	Assets Ratio
	HK\$'000	(%)	HK\$'000	(%)
Guarantees to Zhong Bao Group <i>(note)</i>	100,648	6.6	102,672	0.2

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





## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the three months ended 31 March 2020, 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.

## **CORPORATE GOVERNANCE**

The Board also considers that the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 15 of the GEM Listing Rules throughout the period. Application of corporate governance policies are consistent with those adopted by the Group in the preparation of the annual consolidated financial statements for the year ended 31 December 2019.

## AUDIT COMMITTEE

The audit committee of the Company (“Audit Committee”) was formed on 5 June 2002 and is currently composed of 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.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2020 have been reviewed by the Audit Committee and were approved by the Board on 8 May 2020.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the three months ended 31 March 2020.



## DIRECTORS OF THE COMPANY

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

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

Hong Kong, 8 May 2020

\* *For identification purpose only*