



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



## INDEPENDENT REVIEW REPORT

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

### INTRODUCTION

We have reviewed the interim financial information of G.A. Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 4 to 31, which comprises the condensed consolidated statement of financial position of as at 30 June 2020, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on the interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion 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.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of this interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, accordance with HKAS 34.

### **Grant Thornton Hong Kong Limited**

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

7 August 2020

Lin Ching Yee Daniel

Practising Certificate No.: P02771

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

for the six months ended 30 June 2020

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	3	585,312	532,615	968,380	1,053,906
Other income	3	12,167	11,881	20,002	23,859
		597,479	544,496	988,382	1,077,765
Changes in inventories		17,976	20,360	(27,847)	22,292
Auto parts and accessories, and motor vehicles purchased		(522,084)	(474,418)	(799,290)	(920,155)
Employee benefit expenses		(25,196)	(33,559)	(56,936)	(69,193)
Depreciation and amortisation		(14,585)	(15,083)	(29,226)	(30,611)
Lease charges		(1,096)	(1,320)	(2,485)	(3,182)
Exchange differences, net		321	(581)	(1,095)	(483)
Other expenses	4	(15,023)	(17,164)	(24,409)	(30,860)
<b>Profit from operations</b>		<b>37,792</b>	<b>22,731</b>	<b>47,094</b>	<b>45,573</b>
Finance costs	5	(9,256)	(9,368)	(17,530)	(18,755)
<b>Profit before income tax</b>	5	<b>28,536</b>	<b>13,363</b>	<b>29,564</b>	<b>26,818</b>
Income tax expense	6	(7,979)	(5,359)	(10,295)	(12,726)
<b>Profit for the period</b>		<b>20,557</b>	<b>8,004</b>	<b>19,269</b>	<b>14,092</b>
<b>Other comprehensive expenses</b>					
<b>Item that may be reclassified</b>					
<b>subsequently to profit or loss:</b>					
Exchange loss on translation of financial statements of foreign operations		(2,188)	(15,730)	(15,516)	(2,232)
<b>Total comprehensive income/ (expense) for the period</b>		<b>18,369</b>	<b>(7,726)</b>	<b>3,753</b>	<b>11,860</b>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share</b>					
Basic and diluted	8	4.32	1.68	4.05	2.96

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

	Notes	(Unaudited) As at 30 June 2020 HK\$'000	(Audited) As at 31 December 2019 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	189,763	209,924
Intangible asset		14,235	15,624
Prepaid expenses		12,385	12,853
Right-of-use assets		222,824	248,941
Goodwill		6,180	6,298
Financial asset at fair value through other comprehensive income	18	7,884	8,035
		<b>453,271</b>	<b>501,675</b>
<b>Current assets</b>			
Inventories		169,368	197,215
Trade receivables	10	139,232	132,318
Prepayments, deposits and other receivables	11	619,919	532,699
Tax recoverable		2,711	2,426
Pledged deposits		104,735	115,595
Cash and bank balances		55,178	116,170
		<b>1,091,143</b>	<b>1,096,423</b>



		(Unaudited) As at 30 June 2020 HK\$'000	(Audited) As at 31 December 2019 HK\$'000
	Notes		
<b>Current liabilities</b>			
Trade payables	12	61,258	72,175
Lease liabilities		16,547	22,764
Contract liabilities		68,827	71,120
Accruals and other payables		44,631	41,375
Bills payables	12	105,258	110,351
Borrowings		477,152	467,709
Advance from a director		1,718	1,491
Tax payable		12,746	35,587
		788,137	822,572
<b>Net current assets</b>		303,006	273,851
<b>Total assets less current liabilities</b>		756,277	775,526
<b>Non-current liabilities</b>			
Borrowings		1,165	4,499
Lease liabilities		113,864	132,987
Deferred tax liabilities		16,254	16,834
		131,283	154,320
<b>Net assets</b>		624,994	621,206
<b>EQUITY</b>			
Share capital		47,630	47,630
Reserves		577,364	573,576
<b>Total equity</b>		624,994	621,206

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020

	Attributable to owners of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium* HK\$'000	Capital reserve* HK\$'000	Statutory reserve* HK\$'000	Other reserve* HK\$'000	Translation reserve* HK\$'000	Retained profits* HK\$'000	
For the six months ended 30 June 2020 (unaudited)								
At 1 January 2020 (audited)	47,630	29,522	8,623	47,008	(10,735)	(34,412)	533,570	621,206
Profit for the period	-	-	-	-	-	-	19,269	19,269
Other comprehensive expense:								
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	(15,516)	-	(15,516)
Total comprehensive income for the period	-	-	-	-	-	(15,516)	19,269	3,753
Transactions with owners:								
Appropriation to statutory reserve	-	-	-	4,207	-	-	(4,207)	-
Forfeiture of unclaimed dividend	-	-	-	-	-	-	35	35
Total transactions with owners	-	-	-	4,207	-	-	(4,172)	35
At 30 June 2020	47,630	29,522	8,623	51,215	(10,735)	(49,928)	548,667	624,994





	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
For the six months ended 30 June 2019 (unaudited)								
At 1 January 2019 (audited)	47,630	29,522	8,623	39,499	(10,735)	(26,527)	514,200	602,212
Profit for the period	-	-	-	-	-	-	14,092	14,092
Other comprehensive expense:								
Exchange loss on translation of financial statements of foreign operations								
	-	-	-	-	-	(2,232)	-	(2,232)
Total comprehensive income for the period	-	-	-	-	-	(2,232)	14,092	11,860
Transactions with owners:								
Appropriation to statutory reserve								
	-	-	-	3,654	-	-	(3,654)	-
Total transactions with owners	-	-	-	3,654	-	-	(3,654)	-
At 30 June 2019	47,630	29,522	8,623	43,153	(10,735)	(28,759)	524,638	614,072

\* These equity accounts comprise the reserves of HK\$577,364,000 (31 December 2019: HK\$573,576,000) in the condensed consolidated statement of financial position as at 30 June 2020.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***for the six months ended 30 June 2020*

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Net cash (used in)/from operating activities</b>	<b>(74,209)</b>	<b>35,694</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6,621)	(13,776)
Proceeds from disposal of property, plant and equipment	9,630	9,310
Proceeds from disposal of right-of-use assets	324	–
Decrease in pledged deposits	8,748	45,348
<b>Net cash from investing activities</b>	<b>12,081</b>	<b>40,882</b>
<b>Cash flows from financing activities</b>		
New borrowings raised	493,249	565,434
Repayment of borrowings	(479,244)	(611,575)
Payment of lease liabilities	(12,835)	(6,663)
Other financing activities	257	261
<b>Net cash from/(used in) financing activities</b>	<b>1,427</b>	<b>(52,543)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(60,701)</b>	<b>24,033</b>
Translation adjustments	(291)	(689)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>116,170</b>	<b>77,555</b>
<b>Cash and cash equivalents at the end of the period, represented by cash and bank balances</b>	<b>55,178</b>	<b>100,899</b>



## NOTES TO THE INTERIM FINANCIAL INFORMATION

*for the six months ended 30 June 2020*

### 1. GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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 (collectively, 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 unaudited condensed consolidated interim financial statements (the “Interim Financial Information”) are for the six months ended 30 June 2020 and are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

The Interim Financial Information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The Interim Financial Information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). Except as described in note 2, the basis of preparation and accounting policies adopted in preparing the Interim Financial Information are consistent with those adopted in the preparation of the Group’s audited annual financial statements for the year ended 31 December 2019.

## 2. ADOPTION OF NEW AND AMENDED HKFRSS AND CHANGES IN ACCOUNTING POLICIES

### (a) New and amended HKFRSS adopted as at 1 January 2020

In the current period, the Group has applied for the first time the new and amended HKFRSS issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's Interim Financial Information for the annual period beginning on 1 January 2020.

Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

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.

### (b) Issued but not yet effective HKFRSS

The Group has not applied any new and amended HKFRSS that have been published by the HKICPA but are not yet effective for the current accounting period. The Group has commenced an assessment of the impact of these new standards and amendments, but is not yet in a position to state whether they would have a significant impact on its results and financial position. The directors expected that the new and amended HKFRSS issued but not effective are not expected to have a material impact on the Group's Interim Financial Information.

### (c) Significant accounting policies

The Interim Financial Information has been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2019.

### 3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

The Group recognised revenue by category as follows:

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>				
Sales of motor vehicles	416,480	345,127	681,056	697,457
Servicing of motor vehicles and sales of auto parts	158,106	177,638	267,614	337,122
Technical fee income	2,563	2,333	3,657	4,798
Car rental income	8,163	7,517	16,053	14,529
	<b>585,312</b>	<b>532,615</b>	<b>968,380</b>	<b>1,053,906</b>

#### 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:

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Types of goods and services</b>				
Sales of motor vehicles	416,480	345,127	681,056	697,457
Servicing of motor vehicles and sales of auto parts	158,106	177,638	267,614	337,122
Technical service	2,563	2,333	3,657	4,798
Car rental income	8,163	7,517	16,053	14,529
<b>Total</b>	<b>585,312</b>	<b>532,615</b>	<b>968,380</b>	<b>1,053,906</b>
<b>Timing of revenue recognition</b>				
At a point in time	577,149	525,098	952,327	1,039,377
Over-time	8,163	7,517	16,053	14,529
<b>Total</b>	<b>585,312</b>	<b>532,615</b>	<b>968,380</b>	<b>1,053,906</b>
<b>Geographical markets</b>				
The People's Republic of China (the "PRC")	577,149	525,098	952,327	1,039,377
Hong Kong	8,163	7,517	16,053	14,529
<b>Total</b>	<b>585,312</b>	<b>532,615</b>	<b>968,380</b>	<b>1,053,906</b>
<b>Type of customers</b>				
Corporate	124,829	80,256	183,834	149,304
Individuals	460,483	452,359	784,546	904,602
<b>Total</b>	<b>585,312</b>	<b>532,615</b>	<b>968,380</b>	<b>1,053,906</b>

### 3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (CONTINUED)

The Group recognised other income by category as follows:

	(Unaudited)		(Unaudited)	
	Three months ended 30 June 2020	2019	Six months ended 30 June 2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other income</b>				
Bank interest income	272	290	814	840
Commission income	3,204	6,101	5,370	10,603
Consultant service income	4,556	3,435	7,938	7,970
Government grants related to cash subsidies*	622	–	711	–
Financial guarantee income	55	109	110	221
Net gain on disposal of property, plant and equipment	2,137	729	2,839	2,207
Net gain on disposal of right-of-use assets	92	–	92	–
Gain on termination of lease <sup>#</sup>	596	–	596	–
Sundry income	633	1,217	1,532	2,018
	<b>12,167</b>	<b>11,881</b>	<b>20,002</b>	<b>23,859</b>

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

<sup>#</sup> The Group has early terminated a lease of right-of-use assets with carrying amount of approximately HK\$13,185,000 and lease liabilities of approximately HK\$13,781,000 which resulted in a gain on termination of lease of approximately HK\$596,000.

#### Segment information

The Group has identified the following reportable segments for the period:

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

### 3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (CONTINUED)

#### Segment information (Continued)

- Car rental business

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

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

	(Unaudited)		
	Six months ended 30 June 2020		
	Motor vehicles sales and services business HK\$'000	Car rental business HK\$'000	Total HK\$'000
Reportable segment revenue	952,327	16,053	968,380
Reportable segment profit	33,258	2,548	35,806
Other Information			
Depreciation and amortisation of non-current assets	(20,108)	(8,484)	(28,592)
Net gain on disposal of property, plant and equipment	1,882	957	2,839
Net gain on disposal of right-of-use assets	–	92	92
Gain on termination of lease	596	–	596
ECL allowance on trade receivables	(2,900)	–	(2,900)
ECL allowance on other receivables	(1,100)	–	(1,100)
Addition to non-current assets (other than deferred tax assets and financial instruments) during the period	7,346	3,836	11,182

### 3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

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

	(Unaudited)		
	Six months ended 30 June 2019		
	Motor vehicles sales and services business HK\$'000	Car rental business HK\$'000	Total HK\$'000
Reportable segment revenue	1,039,377	14,529	1,053,906
Reportable segment profit	32,185	3,177	35,362
Other Information			
Depreciation and amortisation of non-current assets	(22,324)	(8,287)	(30,611)
Net gain on disposal of property, plant and equipment	–	2,207	2,207
ECL allowance on trade receivables	(200)	–	(200)
Addition to non-current assets (other than deferred tax assets and financial instruments) during the period	10,918	13,699	24,617



### 3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(b) *Segment assets and liabilities*

	(Unaudited)		
	As at 30 June 2020		
	Motor vehicles sales and services business <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	1,319,744	50,957	1,370,701
Reportable segment liabilities	785,375	15,440	800,815

	(Audited)		
	As at 31 December 2019		
	Motor vehicles sales and services business <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	1,298,048	56,872	1,354,920
Reportable segment liabilities	817,406	23,049	840,455

### 3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

(c) *Reconciliation of segment information to the Group's key financial figures as presented in the Interim Financial Information*

	(Unaudited)	
	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Reportable segment revenue	968,380	1,053,906
Reportable segment profit	35,806	35,362
Unallocated corporate income	2,060	2,851
Unallocated corporate expenses		
Depreciation and amortisation of non-current assets	(634)	–
Employee benefit expenses	(3,304)	(1,361)
Others	(2,809)	(8,233)
Unallocated finance costs	(1,555)	(1,801)
Profit before income tax	29,564	26,818

	(Unaudited)	(Audited)
	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Reportable segment assets	1,370,701	1,354,920
Non-current corporate assets (note (i))	8,199	8,678
Current corporate assets (note (ii))	165,514	234,500
Consolidated total assets	1,544,414	1,598,098
Reportable segment liabilities	800,815	840,455
Non-current corporate liabilities (note (iii))	16,337	17,040
Current corporate liabilities (note (iv))	102,268	119,397
Consolidated total liabilities	919,420	976,892



### 3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (CONTINUED)

#### Segment information (Continued)

(c) *Reconciliation of segment information to the Group's key financial figures as presented in the Interim Financial Information (Continued)*

*Notes:*

- (i) Non-current corporate assets mainly include certain property, plant and equipment, certain right-of-use 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 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 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, advance from a director and tax payable that are not directly attributable to the business activities of the operating segments or that are managed on group basis.

#### 4. OTHER EXPENSES

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Advertising and promotion expenses	53	1,139	194	1,806
Auditor's remuneration	230	236	230	236
Bank charges	692	693	1,189	1,587
ECL allowance on trade receivables	2,900	200	2,900	200
ECL allowance on other receivables	1,100	-	1,100	-
Entertainment expenses	862	1,384	1,566	2,369
Insurance expenses	296	507	911	955
IT service fees	258	475	569	1,017
Legal and professional fees	300	1,139	1,199	2,804
Motor vehicle expenses	1,778	1,950	3,221	3,833
Office expenses	1,514	2,535	2,544	4,432
Repairs and maintenance expenses	301	276	417	470
Taxes and levies*	3,043	2,678	5,463	5,494
Transportation and travelling expenses	442	770	792	1,504
Utilities	920	1,090	1,572	1,981
Miscellaneous expenses	334	2,092	542	2,172
	<b>15,023</b>	<b>17,164</b>	<b>24,409</b>	<b>30,860</b>

\* Taxes and levies mainly represents the indirect taxes arising from sales and other operating activities of the Group.

## 5. PROFIT BEFORE INCOME TAX

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

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Finance costs</b>				
Interest charges on bank and other borrowings	7,405	7,653	13,781	15,461
Finance charges on lease liabilities	1,851	1,715	3,749	3,294
	<b>9,256</b>	<b>9,368</b>	<b>17,530</b>	<b>18,755</b>

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other items</b>				
Lease charges:				
– Short term leases and leases term shorter than 12 months as at initial application of HKFRS 16	1,096	1,318	2,485	3,178
– Leases of low value items	–	2	–	4
Depreciation of property, plant and equipment	6,041	6,353	14,638	17,365
Depreciation of right-of-use assets	7,997	8,156	13,485	12,087
Net gain on disposal of property, plant and equipment	(2,137)	(729)	(2,839)	(2,207)
Net gain on disposal on right-of-use asset	(92)	–	(92)	–
Gain on termination of lease	(596)	–	(596)	–
Amortisation of intangible assets	547	574	1,103	1,159
ECL allowance on trade receivables	2,900	200	2,900	200
ECL allowance on other receivables	1,100	–	1,100	–

## 6. INCOME TAX EXPENSE

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Current – the PRC				
– Charge for the period	8,168	5,760	10,676	13,127
Current tax – total	8,168	5,760	10,676	13,127
Deferred tax	(189)	(401)	(381)	(401)
<b>Total Income tax expense</b>	<b>7,979</b>	<b>5,359</b>	<b>10,295</b>	<b>12,726</b>

The provision for Hong Kong Profits Tax for the six months ended 30 June 2020 and 2019 is calculated at 16.5% of the estimated assessable profits for the periods. Hong Kong profits tax has not been provided as the Group had no assessable profits for the 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 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% (Six months ended 30 June 2019: 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% (Six months ended 30 June 2019: 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% (Six months ended 30 June 2019: 5%).

Income tax in respect of operations in Singapore has not been provided for the six months ended 30 June 2020 and 2019 as the Company's Singapore subsidiary has no assessable profits for the periods.

## 7. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).



## 8. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 30 June 2020 is based on the unaudited profit attributable to the owners of the Company for the three months ended 30 June 2020 of approximately HK\$20,557,000 (three months ended 30 June 2019: HK\$8,004,000) and on the weighted average number of 476,300,000 (three months ended 30 June 2019: 476,300,000) ordinary shares in issue during the three months ended 30 June 2020.

The calculation of basic earnings per share for the six months ended 30 June 2020 is based on the unaudited profit attributable to the owners of the Company for the six months ended 30 June 2020 of approximately HK\$19,269,000 (six months ended 30 June 2019: HK\$14,092,000) and on the weighted average number of 476,300,000 (six months ended 30 June 2019: 476,300,000) ordinary shares in issue during the six months ended 30 June 2020.

Diluted earnings per share for the three months and the six months ended 30 June 2020 and 2019 are the same as the basic earnings per share as there was no dilutive potential ordinary share in issue during the respective periods.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with total cost of approximately HK\$6,621,000 (six months ended 30 June 2019: HK\$13,776,000) and disposed of certain items of property, plant and equipment with total carrying amount of approximately HK\$6,791,000 (six months ended 30 June 2019: HK\$7,103,000).

## 10. TRADE RECEIVABLES

The Group requires individual customer to pay cash for any service rendered and goods sold while it generally allows a credit period from 3 to 9 months to its major customers with long business relationship. At the end of the reporting period, the aging analysis of trade receivables, based on invoice date, is as follows:

	(Unaudited) As at 30 June 2020 HK\$'000	(Audited) As at 31 December 2019 HK\$'000
0-90 days	117,620	105,569
91 – 180 days	26,038	22,937
181 – 365 days	1,231	7,182
Over 1 year	1,052	439
Less: ECL allowance	145,941 (6,709)	136,127 (3,809)
	<b>139,232</b>	<b>132,318</b>

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

	(Unaudited) As at 30 June 2020 HK\$'000	(Audited) As at 31 December 2019 HK\$'000
Balance at the beginning of the period/year	3,809	509
ECL allowance recognised during the period/ year	2,900	3,300
Balance at the end of the period/year	<b>6,709</b>	<b>3,809</b>



## 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	(Unaudited) As at 30 June 2020 HK\$'000	(Audited) As at 31 December 2019 HK\$'000
Advances to Zhong Bao Group <i>(note)</i>	504,092	405,582
Rebates receivables	51,564	66,669
Other receivables, prepayment and deposit paid		
– Prepayment for acquisition of inventories	35,519	30,953
– Others	29,844	29,495
	621,019	532,699
Less: ECL allowance	(1,100)	–
	619,919	532,699

The movement in the ECL allowance on other receivables is as follows:–

	(Unaudited) As at 30 June 2020 HK\$'000	(Audited) As at 31 December 2019 HK\$'000
Balance at the beginning of the period/year	–	–
ECL allowance recognised during the period/ year	1,100	–
Balance at the end of the period/year	1,100	–

## 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

*Note:*

The Group has maintained long term business relationship with Xiamen Zhong Bao Automobiles Co., Limited (“Xiamen Zhong Bao”) and its related companies (collectively, “Zhong Bao Group”).

Pursuant to 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 models of Zhong Bao Group.

Other than the above, the Group sells motor vehicles, auto parts and provides motor vehicles services to the customers of Zhong Bao Group. Total receivables arising from the above transactions including advances made to Zhong Bao Group and trade receivables from Zhong Bao Group outstanding as at 30 June 2020 amounted to HK\$619,172,000 (31 December 2019: HK\$504,943,000), which is 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 (“Agreement”) with Zhong Bao Group and on 31 July 2020, entered into an addendum to the Agreement (“Addendum to the Agreement”) with Zhong Bao Group and the beneficial shareholder of Zhong Bao Group (“Zhong Bao’s Shareholder”), pursuant to which Zhong Bao Group agreed to pledge certain of their motor vehicles inventories to the Group together with a personal guarantee provided by Zhong Bao’s Shareholder until full settlement of all the outstanding amount due by Zhong Bao Group. The directors of the Company consider that the market value of the pledged assets and personal guarantee provided by Zhong Bao’s Shareholder under the Agreement and Addendum to the Agreement provide safeguard for the advances to the Zhong Bao Group. The collateral remains effective as long as there are outstanding balances due by Zhong Bao Group.

The Group assesses ECL under HKFRS 9 on trade receivables due from Zhong Bao Group based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 3 years (31 December 2019: 3 years) as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward 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. During the six months ended 30 June 2020, ECL allowance on trade receivables of HK\$2,900,000 was provided (six months ended 30 June 2019: nil).

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 due from Zhong Bao Group are low. During the six months ended 30 June 2020, ECL allowance of HK\$1,100,000 was provided (six months ended 30 June 2019: nil).

## 12. TRADE AND BILLS PAYABLES

	(Unaudited) As at 30 June 2020 <i>HK\$'000</i>	(Audited) As at 31 December 2019 <i>HK\$'000</i>
Trade payables	61,258	72,175
Bills payables	105,258	110,351
	<b>166,516</b>	<b>182,526</b>

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

	(Unaudited) As at 30 June 2020 <i>HK\$'000</i>	(Audited) As at 31 December 2019 <i>HK\$'000</i>
0 – 30 days	144,382	80,712
31 – 180 days	8,060	73,221
181 – 365 days	11,633	18,954
1 – 2 years	1,045	8,012
Over 2 years	1,396	1,627
	<b>166,516</b>	<b>182,526</b>

## 13. COMMITMENTS

### 13.1 Lease commitments as lessee

At the reporting date, the lease commitments for short-term leases and low-value assets are as follows:

	(Unaudited) As at 30 June 2020 HK\$'000	(Audited) As at 31 December 2019 HK\$'000
Within one year	2,331	530
After one year but within five years	9	29
	<b>2,340</b>	<b>559</b>

### 13.2 Capital commitments

	(Unaudited) As at 30 June 2020 HK\$'000	(Audited) As at 31 December 2019 HK\$'000
Contracted but not provided for Property, plant and equipment	5,968	1,330

## 14. CONTINGENT LIABILITIES

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

	(Unaudited) As at 30 June 2020 HK\$'000	(Audited) As at 31 December 2019 HK\$'000
Guarantees for banking facilities provided to Zhong Bao Group	100,740	102,672



## 15. TRANSACTIONS WITH ZHONG BAO GROUP

Save for those disclosed as set out in notes 11 and 14, the Group had generated income from sales of motor vehicles and auto parts and car servicing of HK\$80,008,000 (six months ended 30 June 2019: HK\$51,656,000) and earned technical fee income of HK\$3,657,000 (six months ended 30 June 2019: HK\$4,798,000) from Zhong Bao Group during the six months ended 30 June 2020.

The Group purchased motor vehicles and auto parts and car servicing of HK\$47,515,000 (six months ended 30 June 2019: HK\$21,431,000) from Zhong Bao Group and was charged rental of HK\$2,206,000 (six months ended 30 June 2019: HK\$2,191,000) by Zhong Bao Group during the six months ended 30 June 2020.

## 16. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the Interim Financial Information, during the period, the Group had the following transactions with related parties:

### 16.1 Key management personnel remuneration

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

	(Unaudited)	
	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Key management personnel compensation		
Short term employee benefits	4,543	5,458
Post-employment benefits	76	46
	4,619	5,504

### 16.2 Guarantee provided by a related party

As at 30 June 2020, certain borrowings of approximately HK\$318,532,000 (31 December 2019: HK\$350,889,000) were guaranteed by Loh Nee Peng, a substantial shareholder of the Company.

## 17. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2020, the Group entered into 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\$4,561,000 (six months ended 30 June 2019: HK\$10,841,000).

## 18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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 condensed 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 <i>HK\$'000</i>
<hr/>	
<b>As at 30 June 2020 (Unaudited)</b>	
<b>Assets</b>	
Financial asset at fair value through other comprehensive income	7,884
<hr/>	
<b>As at 31 December 2019 (Audited)</b>	
<b>Assets</b>	
Financial asset at fair value through other comprehensive income	8,035
<hr/>	

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.

## 18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Details of the particulars of the financial asset at fair value through other comprehensive income 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.)	the PRC	Renminbi ("RMB") 80,000,000	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 fair value through other comprehensive income is determined using adjusted net asset 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 31 December 2019 (audited)	8,035
Translation adjustment	(151)
<b>At 30 June 2020 (unaudited)</b>	<b>7,884</b>

## 18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### Fair value measurement using significant unobservable inputs (Level 3) (Continued)

#### 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 inputs 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 security is derived and evaluated as follows:

- Market value of leasehold land:

The market value of leasehold land was determined by the directors of the Company using the direct comparison approach with reference to comparable sales transactions as available in the relevant market. The current use of the leasehold land equates to the highest and best use. The directors of the Company consider that the carrying amount of the unlisted equity investment of the Group is not materially different from their fair values of adjusted net assets as at 30 June 2020.

There have been no transfers into or out of Level 3 during the six months ended 30 June 2020 (six months ended 30 June 2019: nil).





## 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 restriction imposed on business resumption during February and March 2020 has adversely affected the performance of the Group in the first quarter of 2020.

Starting from the second quarter of 2020, the COVID-19 epidemic in the PRC was eased, and the rebound in general consumption has led to an increase in revenue from the sales of motor vehicles in the second quarter of 2020 compared to the corresponding period in 2019. In addition, due to the better margin from the sales of several popular models of motor vehicles during the period, and effective cost control on staff cost and other operating expenses, performance in the second quarter of 2020 improved compared to the corresponding period in 2019.

## FINANCIAL REVIEW

### Revenue

The unaudited consolidated revenue for the six months ended 30 June 2020 decreased by 8.1%, from HK\$1,053,906,000 in the corresponding period in 2019 to HK\$968,380,000 in the current period.

#### 1. Sales of motor vehicles

For the six months ended 30 June 2020, revenue from the sales of motor vehicles decreased slightly by 2.4% to HK\$681,056,000 from HK\$697,457,000 in the corresponding period in 2019. Taking into consideration of the depreciation of RMB of approximately 4.8% during the period, there was actually a slightly increase in revenue during the six months ended 30 June 2020 of approximately 2.6% which was mainly driven by the sales of more new models with higher price and better margin compared to the six months ended 30 June 2019.

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

Revenue generated from servicing of motor vehicles and sales of auto parts decreased by 20.6% to HK\$267,614,000 compared to the corresponding period in 2019. The decrease was mainly due to the decrease in number of times of servicing due to 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 six ended 30 June 2020 was HK\$3,657,000, decreased by 23.8% as compared to the corresponding period in 2019 since there was a decrease in the number of cars sold by Xiamen Zhong Bao due to the effect of COVID-19.

### 4. Car rental business

The income from car rental business in Hong Kong for the six months ended 30 June 2020 was HK\$16,053,000, representing an increase of 10.5% 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 our revenue for the period minus changes in inventories and auto parts and accessories, and motor vehicles purchased during the period. Gross operating margin is calculated based on the gross operating profit for the period divided by revenue for the period multiplied by 100%.

The gross operating profit for the six months ended 30 June 2020 decreased by 9.5% to HK\$141,243,000, as compared to HK\$156,043,000 in the corresponding period in 2019. The decrease in gross operating profit was in line with the decrease in revenue.

The gross operating margin for the six months ended 30 June 2020 was 14.6%, a slight decrease as compared to 14.8% for the six months ended 30 June 2019.



## Other Income

Other income decreased from HK\$23,859,000 in the corresponding period in 2019 to HK\$20,002,000 in the current period mainly due the decrease in commission income during the period resulted from the effect of COVID-19.

## Employee Benefit Expenses

The Group recorded employee benefit expenses of HK\$56,936,000 for the six months ended 30 June 2020, representing a 17.7% decrease as compared to HK\$69,193,000 in the corresponding period in 2019. It was mainly due to (i) decrease in average numbers of employees for better cost control during the six months ended 30 June 2020; (ii) decrease in staff commission expenses as revenue and gross operating margin decreased; and (iii) depreciation of RMB during the period.

## Depreciation and amortisation

Depreciation and amortisation expenses decreased by 4.5% from HK\$30,611,000 for the six months ended 30 June 2019 to HK\$29,226,000 for the six months ended 30 June 2020. The decrease was mainly due to depreciation of RMB during the six months ended 30 June 2020 compared to corresponding period in 2019.

## Foreign Exchange Exposure

During the six months ended 30 June 2020, as a result of depreciation of RMB, the exchange loss was at HK\$1,095,000 compared to HK\$483,000 in the corresponding period in 2019. This is mainly resulted from the translation of receivables or payables denominated in foreign currencies, mainly RMB, other than the functional currencies of the group companies.

## Other Expenses

For the six months ended 30 June 2020, other expenses were HK\$24,409,000, representing a decrease of 20.9% compared to HK\$30,860,000 in the corresponding period in 2019. The decrease was mainly attributable to (i) general cost savings during the temporary closure period of our 4S shops, repair centres and offices due to the outbreak of COVID-19; (ii) decrease in advertising expenses as car manufacturer provided more support on marketing activities; (iii) effective cost control in other operating expenses; (iv) depreciation of RMB during the period compared to corresponding period in 2019; offset by (v) an increase in provision of ECL allowances on trade and other receivables during the period.

## Finance Costs

Finance cost decreased by 6.5% from HK\$18,755,000 for the six months ended 30 June 2019 to HK\$17,530,000 for the six months ended 30 June 2020 primarily due to the decrease in average borrowings and bills payables during period compared to the corresponding period in 2019.

## Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2020 was HK\$19,269,000 compared to HK\$14,092,000 in the corresponding period in 2019. The increase was mainly due to (i) a decrease in employee benefit expenses and (ii) a decrease in other operating expense; net off by (iii) a decrease in revenue and gross operating margin.

## Financial Resources and Liquidity

As at 30 June 2020, shareholders' fund of the Group amounted to HK\$624,994,000 (31 December 2019: HK\$621,206,000); current assets amounted to HK\$1,091,143,000 (31 December 2019: HK\$1,096,423,000) of which, HK\$159,913,000 (31 December 2019: HK\$231,765,000) was cash and bank deposits. Current liabilities, amounted to HK\$788,137,000 (31 December 2019: HK\$822,572,000), were mainly trade payables, contract liabilities, lease liabilities, borrowings, bills payables, accruals and other payables and tax payable. The Group had non-current liabilities amounted to HK\$131,283,000 (31 December 2019: HK\$154,320,000) which were mainly lease liabilities. The net asset value per share as at 30 June 2020 was HK\$1.31 (31 December 2019: HK\$1.30).

## Gearing Ratio

The Group expresses its gearing ratio as a percentage of total borrowings (including bills payables, lease liabilities, short-term and long-term borrowings) less cash and bank balances (net debt), divided by total equity plus net debt. As at 30 June 2020, the gearing ratio of the Group was 0.51 (31 December 2019: 0.50).



### **Charges On Group's Assets**

As at 30 June 2020, fixed deposits of HK\$89,766,000 (31 December 2019: HK\$100,585,000) were pledged to banks and other financial institutions to secure facilities of the Group while HK\$14,969,000 (31 December 2019: HK\$15,010,000) was pledged to banks as security in favor of one of our suppliers.

As at 30 June 2020, certain motor vehicles and plant and machinery with net carrying amount of approximately HK\$3,228,000 (31 December 2019: HK\$3,780,000) was pledged as collateral for other borrowings of the Group.

As at 30 June 2020, building with net carrying amount of approximately HK\$25,877,000 (2019: HK\$27,537,000) was pledged as collateral for bank borrowings of the Group.

As at 30 June 2020, certain motor vehicles included in right-of-use assets with net carrying amount of approximately HK\$19,369,000 (31 December 2019: HK\$30,261,000) was pledged as collateral for the lease liabilities of the Group.

As at 30 June 2020, leasehold land included in right-of-use assets with net carrying amounts of approximately HK\$72,567,000 and HK\$2,546,000 (31 December 2019: HK\$75,288,000 and HK\$2,743,000) were pledged as collateral for the bank borrowings of the Group and Xiamen Zhong Bao, respectively.

### **Contingent Liabilities**

As at 30 June 2020, the Group provided bank guarantees with an aggregate principal amount of approximately HK\$100,740,000 (31 December 2019: HK\$102,672,000) in respect of banking facilities to Xiamen Zhong Bao.

### **Employee Information**

As at 30 June 2020, the total number of employees of the Group was 741 (31 December 2019: 816). The decrease in the workforce was mainly due to cost control imposed by 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.

### **Retirement Benefits**

During the six months ended 30 June 2020, the Group's aggregate amount of employer's contribution under the Central Provident Fund in Singapore and the Mandatory Provident Fund in Hong Kong and the Central Pension Scheme in the PRC amounted to approximately HK\$2,925,000 (six months ended 30 June 2019: HK\$5,323,000).

### **Capital Structure of the Group in Debt Securities**

During the six months ended 30 June 2020 and the corresponding period in 2019, the Group has no debt securities in issue.

### **Capital Expenditure and Capital Commitment**

During the six months ended 30 June 2020, the Group incurred capital expenditure of approximately HK\$6,621,000 (six months ended 30 June 2019: HK\$13,776,000) on acquisition of property, plant and equipment.

As at 30 June 2020, there was commitment contracted but not provided for purchase of property, plant and equipment amounted to approximately HK\$5,968,000 (31 December 2019: HK\$1,330,000).

### **Interim Dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

### **Event after the Reporting Period**

Subsequent to 30 June 2020 and up to the date of this report, there was no material event relevant to the business or financial performance of the Group after 30 June 2020 that comes into the attention of the Directors.

## **PROSPECTS**

Although the impact of the COVID-19 epidemic in the first quarter of 2020 has adversely affected the financial performance of the Group, with the easing of the epidemic since the second quarter of the year in the PRC, the general public's activities gradually returned to normal. We expect that the financial performance in the second half of the year 2020 will be maintained to the level before the epidemic. The Group is well confident to further improve its profitability and bring value to its stakeholders in the long run.



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

As at 30 June 2020, the interests or short positions of Directors in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which are notified to the Company and the Stock Exchange pursuant to SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.48 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in shares of the Company

Name	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Luo Wan Ju	Personal interest	8,000,000	1.68%
Ma Hang Kon, Louis	Personal interest	500,000	0.10%
Xue Guo Qiang	Personal interest	14,852,000	3.12%
Zhang Xi	Personal interest	500,000	0.10%

Save as disclosed above, as at 30 June 2020, none of the Directors or their associates, has any interests or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which are notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS


As at 30 June 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 corporations (Note 1)	99,116,320	20.81%
Loh & Loh Construction Group Ltd.	Beneficial owner	45,284,000	9.51%
Big Reap Investment Limited	Beneficial owner	32,676,320	6.86%
Galligan Holdings Limited	Beneficial owner	39,700,000	8.34%
Credit Suisse Trust Limited	Interest of a controlled corporation (Note 2)	39,700,000	8.34%

### Notes:

- The 99,116,320 shares are held as to 32,676,320 shares by Big Reap Investment Limited, 45,284,000 shares by Loh & Loh Construction Group Ltd as well as 21,156,000 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.
- 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 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 30 June 2020, the Directors are not aware of any other person or corporation having an interest or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

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

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

## **COMPETING INTERESTS**

During the six months ended 30 June 2020, none of the Directors or the controlling shareholders of the Company and their respective close associates had any interest in a business which competes or may compete with the business of the Group.

## **SHARE OPTION SCHEME**

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

During the six months ended 30 June 2020, no option has been granted under the Share Option Scheme.

## **ADVANCES TO ENTITIES**

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

Pursuant to the Rule 17.16 of the GEM Listing Rules, a disclosure obligation arises where the increment of relevant advance amount to an entity from the Group exceeds 3% under the assets ratio as defined under Rule 19.07(1) of the GEM Listing Rules (the “Assets Ratio”). As at 30 June 2020, the Company’s consolidated total assets were approximately HK\$1,544,414,000.

	(Unaudited) As at 30 June 2020 HK\$'000	Assets Ratio (%)	(Unaudited) As at 31 March 2020 HK\$'000	Increment as compared to Assets Ratio (%)
Guarantees to Zhong Bao				
Group <i>(note)</i>	100,740	6.5	100,648	N/A

*Note:*

Such amounts represent the principal amount of the facilities granted by the banks to Xiamen Zhong Bao.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 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 Directors’ securities transactions.

## 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

Pursuant to Rule 5.28 to 5.33 of the GEM Listing Rules and Code Provision C.3.3., the Company's Audit Committee was formed on 5 June 2002 and is currently composed of, namely, Mr. Zhou Ming, Mr. Yuen Kin Pheng and Ms. Guan Xin. Mr. Zhou Ming is the Chairman of the Audit Committee.

The primary duties of the Audit Committee are mainly: (a) to review the Group's annual reports, consolidated financial statements, interim reports and quarterly reports; and (b) to review and supervise the financial reporting, risk management and internal control procedures of the Group; and (c) to liaise with the external auditor at least twice a year and provide advices and comments thereon to the Board. The Audit Committee has reviewed the 2020 interim results and provided comments thereon to the Board.

The unaudited condensed consolidated interim financial statements have been reviewed by Grant Thornton Hong Kong Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and the Audit Committee, and were approved by the Board of Directors on 7 August 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 six months ended 30 June 2020.

## DIRECTORS OF THE COMPANY

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

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

Hong Kong, 7 August 2020

\* For identification purpose only