



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)

2021 Interim Report





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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 of the Stock Exchange 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 35, which comprises the condensed consolidated statement of financial position of as at 30 June 2021, 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

9 August 2021

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 2021


	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	3	697,233	585,312	1,413,495	968,380
Other income	3	11,768	12,167	23,373	20,002
		709,001	597,479	1,436,868	988,382
Changes in inventories		(2,586)	17,976	(584)	(27,847)
Auto parts and accessories, and motor vehicles purchased		(603,761)	(522,084)	(1,221,828)	(799,290)
Employee benefit expenses		(32,340)	(25,196)	(65,358)	(56,936)
Depreciation and amortisation		(15,167)	(14,585)	(30,637)	(29,226)
Lease charges		(1,184)	(1,096)	(2,621)	(2,485)
Exchange differences, net		1	321	(686)	(1,095)
Expected credit losses ("ECL") allowance on trade and other receivables		(2,535)	(4,000)	(2,535)	(4,000)
Other expenses	4	(16,329)	(11,023)	(29,064)	(20,409)
Profit from operations		35,100	37,792	83,555	47,094
Finance costs	5	(8,945)	(9,256)	(17,373)	(17,530)
Profit before income tax	5	26,155	28,536	66,182	29,564
Income tax expense	6	(8,266)	(7,979)	(19,808)	(10,295)
Profit for the period		17,889	20,557	46,374	19,269
Other comprehensive income/ (expenses)					
Item that may be reclassified subsequently to profit or loss:					
Exchange gain/(loss) on translation of financial statements of foreign operations		1,817	(2,188)	8,792	(15,516)
Total comprehensive income for the period		19,706	18,369	55,166	3,753
		HK cents	HK cents	HK cents	HK cents
Earnings per share					
Basic and diluted	8	3.76	4.32	9.74	4.05



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

		(Unaudited) As at 30 June 2021 HK\$'000	(Audited) As at 31 December 2020 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	209,318	211,941
Intangible asset		13,222	14,256
Prepaid expenses		12,850	13,041
Right-of-use assets		232,572	241,815
Goodwill		6,784	6,705
Financial asset at fair value through other comprehensive income	19	11,185	11,056
		485,931	498,814
Current assets			
Inventories		145,218	145,802
Trade receivables	10	147,905	165,864
Prepayments, deposits and other receivables	11	701,196	779,969
Tax recoverable		1,446	1,660
Pledged deposits		95,394	134,301
Cash and bank balances		93,690	40,405
		1,184,849	1,268,001



		(Unaudited) As at 30 June 2021 HK\$'000	(Audited) As at 31 December 2020 HK\$'000
	Notes		
Current liabilities			
Trade payables	12	69,834	57,774
Lease liabilities		11,986	14,418
Contract liabilities	13	64,083	100,513
Accruals and other payables		39,952	47,822
Bills payables	12	71,571	137,826
Borrowings		466,762	510,671
Advance from a director		2,435	2,140
Tax payable		14,854	16,198
		741,477	887,362
Net current assets		443,372	380,639
Total assets less current liabilities		929,303	879,453
Non-current liabilities			
Borrowings		1,771	4,489
Lease liabilities		131,473	133,783
Deferred tax liabilities		16,261	16,549
		149,505	154,821
Net assets		779,798	724,632
EQUITY			
Share capital		47,630	47,630
Reserves		732,168	677,002
Total equity		779,798	724,632



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021

	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	Fair value reserve – non- recycling* HK\$'000	Retained profits* HK\$'000	
For the six months ended 30 June 2021 (unaudited)									
At 1 January 2021 (audited)	47,630	29,322	8,623	56,310	(10,735)	13,666	2,502	577,114	724,632
Profit for the period	-	-	-	-	-	-	-	46,374	46,374
Other comprehensive income									
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	8,792	-	-	8,792
Total comprehensive income for the period	-	-	-	-	-	8,792	-	46,374	55,166
Transactions with owners:									
Appropriation to statutory reserve	-	-	-	6,257	-	-	-	(6,257)	-
Total transactions with owners	-	-	-	6,257	-	-	-	(6,257)	-
At 30 June 2021	47,630	29,322	8,623	62,567	(10,735)	22,458	2,502	617,231	779,798

	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 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 (expense)/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

* These equity accounts comprise the reserves of HK\$732,168,000 (31 December 2020: HK\$677,002,000) in the condensed consolidated statement of financial position as at 30 June 2021.

The notes on pages 10 to 35 are an integral part of these condensed consolidated interim financial information.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2021

	(Unaudited)	
	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Net cash from/(used in) operating activities	81,095	(74,209)
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,137)	(6,621)
Proceeds from disposal of property, plant and equipment	6,387	9,630
Proceeds from disposal of right-of-use assets	1,007	324
Decrease in pledged deposits	40,423	8,748
Net cash from investing activities	32,680	12,081
Cash flows from financing activities		
New borrowings raised	966,666	493,249
Repayment of borrowings	(1,018,691)	(479,244)
Payment of lease liabilities	(13,522)	(12,835)
Other financing activities	225	257
Net cash (used in)/from financing activities	(65,322)	1,427
Net increase/(decrease) in cash and cash equivalents	48,453	(60,701)
Translation adjustments	4,832	(291)
Cash and cash equivalents at the beginning of the period	40,405	116,170
Cash and cash equivalents at the end of the period, represented by cash and bank balances	93,690	55,178



NOTES TO THE INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2021

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”) for the six months ended 30 June 2021 are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

The Interim Financial Information for the six months ended 30 June 2021 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 GEM of 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 2020, 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 2020.



2. ADOPTION OF AMENDED HKFRSs

(a) Amended HKFRSs adopted as at 1 January 2021

In the current period, the Group has applied for the first time the 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 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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The above amendments ("Phase 2 Amendments") provide practical relief from certain requirements in HKFRSs. These reliefs relate to modifications of financial assets and financial liabilities (measured at amortised costs) and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark risk-free rate.

The Group initially applied Phase 2 Amendments on 1 January 2021 and applied the amendments retrospectively. However, in accordance with the exceptions permitted in Phase 2 Amendments, the Group has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020.

Impact on measurement of financial assets and financial liabilities

For changes in the basis for determining the contractual cash flows of financial assets and financial liabilities which are measured at amortised cost as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes such that it will not derecognise the carrying amounts of financial assets and financial liabilities and recognise an immediate gain or loss for changes solely arising from the interest rate benchmark reform, but will instead revise the effective interest rates of the financial assets and financial liabilities. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- The change is necessary as a direct consequence of the interest rate benchmark reform; and
- The new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately before the change).

The amendments do not have material impacts on the consolidated financial result and consolidated financial position as at 1 January 2021 and during the current period.

2. ADOPTION OF AMENDED HKFRSs (CONTINUED)

(b) Issued but not yet effective HKFRSs

At the date of authorisation of the Interim Financial Information, 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 and related amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁵
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 ¹
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination ⁴

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ Effective date not yet determined

⁴ Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 April 2021



2. ADOPTION OF AMENDED HKFRSs (CONTINUED)

(b) Issued but not yet effective HKFRSs (Continued)

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 Interim Financial Information.

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRS Practice Statement 2 "Making Materiality Judgements" to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies may need to be revised to cope with the above changes, the directors expect that the amendments have no other material impact on the Interim Financial Information.

2. ADOPTION OF AMENDED HKFRSs (CONTINUED)

(b) Issued but not yet effective HKFRSs (Continued)

Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12.

The amendments are effective for annual reporting period beginning on or after 1 January 2023. Earlier application is permitted. The directors expect that the amendments have no other material impact on the Interim Financial Information.

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

The Group recognised revenue by category as follows:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue				
Sales of motor vehicles	520,190	416,480	1,053,406	681,056
Servicing of motor vehicles and sales of auto parts	166,624	158,106	339,405	267,614
Technical fee income	2,914	2,563	5,777	3,657
Car rental income	7,505	8,163	14,907	16,053
	697,233	585,312	1,413,495	968,380



3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (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 types of goods and services provided and geographical market:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Types of goods and services				
Sales of motor vehicles	520,190	416,480	1,053,406	681,056
Servicing of motor vehicles and sales of auto parts	166,624	158,106	339,405	267,614
Technical service	2,914	2,563	5,777	3,657
Car rental income	7,505	8,163	14,907	16,053
Total	697,233	585,312	1,413,495	968,380
Timing of revenue recognition				
At a point in time	689,728	577,149	1,398,588	952,327
Over-time	7,505	8,163	14,907	16,053
Total	697,233	585,312	1,413,495	968,380
Geographical markets				
The People's Republic of China (the "PRC")	689,728	577,149	1,398,588	952,327
Hong Kong	7,505	8,163	14,907	16,053
Total	697,233	585,312	1,413,495	968,380
Type of customers				
Corporate	122,249	124,829	239,793	183,834
Individuals	574,984	460,483	1,173,702	784,546
Total	697,233	585,312	1,413,495	968,380

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

The Group recognised other income by category as follows:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Other income				
Bank interest income	330	272	1,022	814
Commission income	1,665	3,204	2,933	5,370
Consultant service income	8,071	4,556	15,655	7,938
Government grants related to cash subsidies*	45	622	205	711
Financial guarantee income	60	55	119	110
Net gain on disposal of property, plant and equipment	369	2,137	973	2,839
Net gain on disposal of right-of-use assets	–	92	512	92
Gain on termination of lease	–	596	–	596
Sundry income	1,228	633	1,954	1,532
	11,768	12,167	23,373	20,002

- * 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.

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 reportable 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 2021		
	Motor vehicles sales and services business HK\$'000	Car rental business HK\$'000	Total HK\$'000
Reportable segment revenue	1,398,588	14,907	1,413,495
Reportable segment profit	68,704	1,900	70,604
Other Information			
Depreciation and amortisation of non-current assets	(22,373)	(7,652)	(30,025)
Net gain on disposal of property, plant and equipment	525	448	973
Net gain on disposal of right-of-use assets	81	431	512
ECL allowance on trade receivables	(675)	–	(675)
ECL allowance on other receivables	(1,860)	–	(1,860)
Addition to non-current assets (other than financial instruments) during the period	15,297	2,403	17,700

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 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 financial instruments) during the period	7,346	3,836	11,182



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

Segment information (Continued)

(b) *Segment assets and liabilities*

(Unaudited)			
As at 30 June 2021			
	Motor vehicles sales and services business HK\$'000	Car rental business HK\$'000	Total HK\$'000
Reportable segment assets	1,429,232	36,931	1,466,163
Reportable segment liabilities	794,768	9,478	804,246

(Audited)			
As at 31 December 2020			
	Motor vehicles sales and services business HK\$'000	Car rental business HK\$'000	Total HK\$'000
Reportable segment assets	1,532,600	45,799	1,578,399
Reportable segment liabilities	934,038	13,702	947,740

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	
	2021 HK\$'000	2020 HK\$'000
Reportable segment revenue	1,413,495	968,380
Reportable segment profit	70,604	35,806
Unallocated corporate income	2,063	2,060
Unallocated corporate expenses		
Depreciation and amortisation of non-current assets	(612)	(634)
Employee benefit expenses	(3,897)	(3,304)
Others	(1,150)	(2,809)
Unallocated finance costs	(826)	(1,555)
Profit before income tax	66,182	29,564
	(Unaudited) As at 30 June 2021 HK\$'000	(Audited) As at 31 December 2020 HK\$'000
Reportable segment assets	1,466,163	1,578,399
Non-current corporate assets (note (i))	12,997	11,348
Current corporate assets (note (ii))	191,620	177,068
Consolidated total assets	1,670,780	1,766,815
Reportable segment liabilities	804,246	947,740
Non-current corporate liabilities (note (iii))	16,261	16,549
Current corporate liabilities (note (iv))	70,475	77,894
Consolidated total liabilities	890,982	1,042,183



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 fair value through other comprehensive income that are not directly attributable to the business activities of the reportable 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 reportable segments or that are managed on group basis.
- (iii) Non-current corporate liabilities include deferred tax liabilities that are not directly attributable to the business activities of the reportable segments.
- (iv) Current corporate liabilities include certain accruals and other payables, certain borrowings, certain lease liabilities, advance from a director and tax payables that are not directly attributable to the business activities of the reportable segments or that are managed on group basis.

4. OTHER EXPENSES

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Advertising and promotion expenses	1,309	53	1,355	194
Auditor's remuneration	209	230	509	230
Bank charges	607	692	1,292	1,189
Entertainment expenses	1,230	862	2,761	1,566
Insurance expenses	353	296	653	911
IT service fees	754	258	906	569
Legal and professional fees	1,092	300	1,468	1,199
Motor vehicle expenses	1,936	1,778	3,857	3,221
Office expenses	2,076	1,514	3,704	2,544
Repairs and maintenance expenses	874	301	1,272	417
Taxes and levies*	2,268	3,043	6,063	5,463
Transportation and travelling expenses	1,027	442	1,564	792
Utilities	1,009	920	1,787	1,572
Miscellaneous expenses	1,585	334	1,873	542
	16,329	11,023	29,064	20,409

* 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) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Finance costs				
Interest charges on bank and other borrowings	6,641	7,405	13,234	13,781
Finance charges on lease liabilities	2,304	1,851	4,139	3,749
	8,945	9,256	17,373	17,530

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Other items				
Lease charges:				
– Short term leases and leases term shorter than 12 month	1,157	1,096	2,552	2,485
– Leases of low value items	27	–	69	–
Depreciation of property, plant and equipment	6,947	6,041	15,272	14,638
Depreciation of right-of-use assets	7,617	7,997	14,165	13,485
Net gain on disposal of property, plant and equipment	(369)	(2,137)	(973)	(2,839)
Net gain on disposal on right-of-use assets	–	(92)	(512)	(92)
Gain on termination of lease	–	(596)	–	(596)
Amortisation of intangible assets	603	547	1,200	1,103
ECL allowance on trade receivables	675	2,900	675	2,900
ECL allowance on other receivables	1,860	1,100	1,860	1,100

6. INCOME TAX EXPENSE

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current – the PRC				
– Charge for the period	8,475	8,168	20,223	10,676
Current tax – total	8,475	8,168	20,223	10,676
Deferred tax	(209)	(189)	(415)	(381)
Total Income tax expense	8,266	7,979	19,808	10,295

The provision for Hong Kong Profits Tax for the six months ended 30 June 2021 and 2020 is calculated at 16.5% of the estimated assessable profits for the periods. Hong Kong Profits Tax has not been provided as the assessable profits for both periods are wholly absorbed by unrelieved tax losses brought forward from previous years.

Taxation on overseas profits has been calculated on the estimated assessable profits for the periods 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 2020: 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 2020: 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 2020: 5%).

Income tax in respect of operations in Singapore has not been provided for the six months ended 30 June 2021 and 2020 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 2021 (six months ended 30 June 2020: nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 30 June 2021 is based on the unaudited profit attributable to the owners of the Company for the three months ended 30 June 2021 of approximately HK\$17,889,000 (three months ended 30 June 2020: HK\$20,557,000) and on the weighted average number of 476,300,000 (three months ended 30 June 2020: 476,300,000) ordinary shares in issue during the three months ended 30 June 2021.

The calculation of basic earnings per share for the six months ended 30 June 2021 is based on the unaudited profit attributable to the owners of the Company for the six months ended 30 June 2021 of approximately HK\$46,374,000 (six months ended 30 June 2020: HK\$19,269,000) and on the weighted average number of 476,300,000 (six months ended 30 June 2020: 476,300,000) ordinary shares in issue during the six months ended 30 June 2021.

Diluted earnings per share for the three months and the six months ended 30 June 2021 and 2020 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 2021, the Group acquired items of property, plant and equipment with total cost of approximately HK\$15,137,000 (six months ended 30 June 2020: HK\$6,621,000) and disposed of certain items of property, plant and equipment with total carrying amount of approximately HK\$4,788,000 (six months ended 30 June 2020: HK\$6,791,000).

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 2021 HK\$'000	(Audited) As at 31 December 2020 HK\$'000
0-90 days	126,815	147,719
91 – 180 days	16,603	21,406
181 – 365 days	8,966	966
Over 1 year	1,768	1,345
	154,152	171,436
Less: ECL allowance	(6,247)	(5,572)
	147,905	165,864

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

	(Unaudited) As at 30 June 2021 HK\$'000	(Audited) As at 31 December 2020 HK\$'000
Balance at the beginning of the period/year	5,572	3,809
ECL allowance recognised during the period/ year	675	1,787
Written off during the year	–	(24)
Balance at the end of the period/year	6,247	5,572



11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	(Unaudited) As at 30 June 2021 HK\$'000	(Audited) As at 31 December 2020 HK\$'000
Advances to Zhong Bao Group (note)	583,004	559,036
Rebate receivables	77,504	64,963
Other receivables, prepayments and deposits paid		
– Prepayments for acquisition of inventories	23,046	142,532
– Others	26,082	20,018
	709,636	786,549
Less: ECL allowance	(8,440)	(6,580)
	701,196	779,969

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

	(Unaudited) As at 30 June 2021 HK\$'000	(Audited) As at 31 December 2020 HK\$'000
Balance at the beginning of the period/year	6,580	–
ECL allowance recognised during the period/year	1,860	6,580
Balance at the end of the period/year	8,440	6,580

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.



11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Note: (Continued)

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 2021 amounted to HK\$714,579,000 (31 December 2020: HK\$696,607,000), 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 and 18 March 2021, 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. As at 30 June 2021, the market value of the pledged assets amounted to approximately HK\$340,679,000 (31 December 2020: HK\$413,308,000), 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 individually assesses ECL under HKFRS 9 on trade receivables and advances due from Zhong Bao Group based on historical settlement records and past experience and current external information and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. 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.

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 total receivables due from Zhong Bao Group are low. During the six months ended 30 June 2021, ECL allowance on trade receivables and advance due from Zhong Bao of HK\$675,000 and HK\$1,860,000 were provided respectively (six months ended 30 June 2020: HK\$2,900,000 and HK\$1,100,000 respectively).



12. TRADE AND BILLS PAYABLES

	(Unaudited) As at 30 June 2021 HK\$'000	(Audited) As at 31 December 2020 HK\$'000
Trade payables	69,834	57,774
Bills payables	71,571	137,826
	141,405	195,600

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 and issuance date of bills, is as follows:

	(Unaudited) As at 30 June 2021 HK\$'000	(Audited) As at 31 December 2020 HK\$'000
0 – 30 days	69,846	45,792
31 – 180 days	53,041	136,213
181 – 365 days	14,740	5,981
1 – 2 years	1,862	1,899
Over 2 years	1,916	5,715
	141,405	195,600

13. CONTRACT LIABILITIES

	(Unaudited) As at 30 June 2021 HK\$'000	(Audited) As at 31 December 2020 HK\$'000
Contract liabilities arising from deposits received from sales of motor vehicles*	36,121	74,452
Contract liabilities arising from deposits received from servicing of motor vehicles and sales of auto parts	27,962	26,061
	64,083	100,513

* The decrease in balance is mainly attributable to the decrease in deposits received from customers in relation to sales of motor vehicles.

14. COMMITMENTS

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 2021 HK\$'000	(Audited) As at 31 December 2020 HK\$'000
Within one year	30	59
After one year but within five years	18	26
	48	85



15. CONTINGENT LIABILITIES

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

	(Unaudited) As at 30 June 2021 HK\$'000	(Audited) As at 31 December 2020 HK\$'000
Guarantees for banking facilities provided to Zhong Bao Group	110,584	109,296

16. TRANSACTIONS WITH ZHONG BAO GROUP

Save for those disclosed as set out in notes 11 and 15, the Group had generated income from sales of motor vehicles and auto parts and car servicing of HK\$80,708,000 (six months ended 30 June 2020: HK\$80,008,000) and earned technical fee income of HK\$5,777,000 (six months ended 30 June 2020: HK\$3,657,000) from Zhong Bao Group during the six months ended 30 June 2021.

The Group purchased motor vehicles and auto parts and car servicing of HK\$56,944,000 (six months ended 30 June 2020: HK\$47,515,000) from Zhong Bao Group and was charged rental of HK\$2,400,000 (six months ended 30 June 2020: HK\$2,206,000) by Zhong Bao Group during the six months ended 30 June 2021.

17. 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:

17.1 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	
	2021 HK\$'000	2020 HK\$'000
Key management personnel compensation		
Short term employee benefits	5,062	4,543
Post-employment benefits	78	76
	5,140	4,619

17.2 Guarantee provided by a related party

As at 30 June 2021, certain borrowings of approximately HK\$280,260,000 (31 December 2020: HK\$395,748,000) were guaranteed by Loh Nee Peng, a substantial shareholder of the Company.

18. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2021, 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\$2,563,000 (six months ended 30 June 2020: HK\$4,561,000).



19. 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 and significance of 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, and not using significant unobservable inputs.
- Level 3: significant 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 30 June 2021 (Unaudited)

Assets

Financial asset at fair value through other comprehensive income	11,185
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As at 31 December 2020 (Audited)

Assets

Financial asset at fair value through other comprehensive income	11,056
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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.

19. 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.)	PRC	Renminbi ("RMB") 80,000,000	9% (31 December 2020: 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 discounted cash flow method which requires the directors to estimate the future cash flows expected to arise from the financial asset and a suitable discount rate in order to calculate the present value. The main input used by the Group in measuring the fair value of the unlisted equity investment is derived and evaluated as follows:

- Discount rates of 12.7% for financial assets were determined using a capital asset pricing model to calculate a pre-tax rate that reflected current market assessments of the time value of money and the risk specific to the asset.
- A discount for lack of marketability (DLOM) of 15.8% is adopted as reference to "2020 Stout Restricted Stock Study Companion Guide" published by Stout Risius Ross, LLC., which its ownership interest is not readily marketable compared to similar interest in public companies.
- Average revenue growth rate of 2.6% were estimated reference to the publicly available market benchmark of China's average inflation rate in the past.

There have been no transfers into or out of Level 3 during the six months ended 30 June 2021 (six months ended 30 June 2020: nil).



19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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 2020 (audited)	8,035
Fair value gain recognised in other comprehensive income	2,502
Translation adjustment	519
At 31 December 2020 and 1 January 2021 (audited)	11,056
Translation adjustment	129
At 30 June 2021 (unaudited)	11,185

20. EVENTS AFTER THE REPORTING PERIOD

On 7 June 2021, Xiamen BMW Automobiles Service Co., Limited ("Xiamen BMW"), Quanzhou Fubao Automobiles Sales and Service Co., Limited ("Quanzhou Fubao") and Fujian Xingbao Automobiles Sales and Service Co., Limited ("Fujian Xingbao") entered into the Guarantee Agreement with Fuzhou Zhongbao Automobiles Sales and Service Co., Limited ("FZZB") and Ningde Zhong Bao Automobiles Sales and Services Co., Limited ("NDZB"), pursuant to which Xiamen BMW, Quanzhou Fubao and Fujian Xingbao have conditionally agreed to guarantee FZZB and NDZB's banking facilities incurred or may be incurred in their ordinary course of business up to a maximum aggregate amount of RMB51,000,000 (equivalent to approximately HK\$62,200,000) in favour of Bank of Communications Limited Fujian Branch and Bank of Communications Limited Ningde Branch from 1 August 2021 to 31 July 2023. Further details are set out in the Company's circular dated on 15 July 2021 and announcement dated on 30 July 2021.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30 June 2021, as the PRC economy gradually recovers from the impact of COVID-19, the overall automobiles market is showing a rebound trend. The Group will continue to provide excellent customer-oriented services and improve customer experience at our automobile dealer shops.

FINANCIAL REVIEW

Revenue

Compared to a lower base of revenue for the six months ended 30 June 2020 which was severely affected by the COVID-19 pandemic, the unaudited consolidated revenue for the six months ended 30 June 2021 increased by 46.0% from HK\$968,380,000 for the six months ended 30 June 2020 to HK\$1,413,495,000 for the six months ended 30 June 2021.

1. Sales of motor vehicles

For the six months ended 30 June 2021, revenue from the sales of motor vehicles increased by 54.7% to HK\$1,053,406,000 from HK\$681,056,000 in the corresponding period in 2020 mainly due to the above-mentioned reason.

2. Servicing of motor vehicles and sales of auto parts

Revenue generated from servicing of motor vehicles and sales of auto parts increased by 26.8% from HK\$267,614,000 for the six months ended 30 June 2020 to HK\$339,405,000 for the six months ended 30 June 2021 mainly due to the above-mentioned reason.



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 2021 was HK\$5,777,000, increased by 58.0% as compared to the corresponding period in 2020 since there was a substantial increase in number of PRC locally assembled BMW sold by Xiamen Zhong Bao during the six months ended 30 June 2021.

4. Car rental business

The income from car rental business in Hong Kong for the six months ended 30 June 2021 was HK\$14,907,000, representing a decrease of 7.1% compared to the corresponding period in 2020. This was mainly due to a decrease in long-term leasing customers amidst general business uncertainties resulting from the COVID-19 pandemic.

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 2021 increased by 35.3% to HK\$191,083,000, as compared to HK\$141,243,000 in the corresponding period in 2020. This is in line with the increase in revenue during the period.

The gross operating margin for the six months ended 30 June 2021 was 13.5%, as compared to 14.6% during the six months ended 30 June 2020. The decrease in gross operating margin during the period was mainly due to a decrease in the share of revenue contribution from servicing of motor vehicles and sales of auto parts during the period ended 30 June 2021, which yields relatively higher profit as compared to revenue from the sales of motor vehicles.



Other Income

Other income increased from HK\$20,002,000 in the corresponding period in 2020 to HK\$23,373,000 for the six months ended 30 June 2021 mainly due to the increase in consultant service income resulting from the substantial increase in sales of motor vehicles.

Employee Benefit Expenses

The Group recorded employee benefit expenses of HK\$65,358,000 for the six months ended 30 June 2021, representing a 14.8% increase as compared to HK\$56,936,000 in the corresponding period in 2020. The increase was mainly due to an increase in staff commission expenses in view of improved gross operating profit during the period.

Depreciation and amortisation

Depreciation and amortisation expenses increased by 4.8% from HK\$29,226,000 for the six months ended 30 June 2020 to HK\$30,637,000 for the six months ended 30 June 2021. The increase was mainly due to the appreciation of RMB during the six months ended 30 June 2021 compared to corresponding period in 2020.

Foreign Exchange Exposure

During the six months ended 30 June 2021, the Group recorded exchange loss of HK\$686,000 (2020: HK\$1,095,000), which was mainly resulted from the translation of receivables or payables denominated in foreign currencies other than the functional currency of the Group.

Other Expenses

For the six months ended 30 June 2021, other expenses were HK\$29,064,000, representing an increase of 42.4% compared to HK\$20,409,000 in the corresponding period in 2020. The increase was mainly attributable to the general cost savings during the temporary closure of our 4S shops, repair centres and offices in early 2020 due to the outbreak of the COVID-19 pandemic.



Finance Costs

Finance costs decreased slightly from HK\$17,530,000 for the six months ended 30 June 2020 to HK\$17,373,000 for the six months ended 30 June 2021.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2021 was HK\$46,374,000 compared to HK\$19,269,000 for the six months ended 30 June 2020. The increase was mainly due to the outbreak of COVID-19 which adversely affected the business of the Group in both the PRC and Hong Kong in early 2020.

Financial Resources and Liquidity

As at 30 June 2021, shareholders' fund of the Group amounted to HK\$779,798,000 (31 December 2020: HK\$724,632,000); current assets amounted to HK\$1,184,849,000 (31 December 2020: HK\$1,268,001,000) of which, HK\$189,084,000 (31 December 2020: HK\$174,706,000) was cash and bank deposits. Current liabilities, amounted to HK\$741,477,000 (31 December 2020: HK\$887,362,000), 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\$149,505,000 (31 December 2020: HK\$154,821,000) which were mainly lease liabilities. The net asset value per share as at 30 June 2021 was HK\$1.64 (31 December 2020: HK\$1.52).

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 2021, the gearing ratio of the Group was 0.43 (31 December 2020: 0.51).



Charges On Group's Assets

As at 30 June 2021, fixed deposits of HK\$83,085,000 (31 December 2020: HK\$118,310,000) were pledged to banks and other financial institutions to secure facilities of the Group while HK\$12,309,000 (31 December 2020: HK\$15,991,000) were pledged to banks as security in favor of one of our suppliers.

As at 30 June 2021, certain motor vehicles and plant and machinery with net carrying amount of approximately HK\$2,173,000 (31 December 2020: HK\$3,744,000) was pledged as collateral for other borrowings of the Group.

As at 30 June 2021, building with net carrying amount of approximately HK\$25,205,000 (31 December 2020: HK\$26,669,000) was pledged as collateral for bank borrowings of the Group.

As at 30 June 2021, certain motor vehicles included in right-of-use assets with net carrying amount of approximately HK\$9,888,000 (31 December 2020: HK\$16,171,000) was pledged as collateral for the lease liabilities of the Group.

As at 30 June 2021, leasehold land included in right-of-use assets with net carrying amounts of approximately HK\$76,795,000 and HK\$2,273,000 (31 December 2020: HK\$77,311,000 and HK\$2,731,000) were pledged as collateral for the bank borrowings of the Group and Xiamen Zhong Bao, respectively.

Contingent Liabilities

As at 30 June 2021, the Group provided bank guarantees with an aggregate principal amount of approximately HK\$110,584,000 (31 December 2020: HK\$109,296,000) in respect of banking facilities to Xiamen Zhong Bao.

Employee Information

As at 30 June 2021, the total number of employees of the Group was 750 (31 December 2020: 757). 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 2021, 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\$5,249,000 (six months ended 30 June 2020: HK\$2,925,000).

Capital Structure of the Group in Debt Securities

During the six months ended 30 June 2021 and the corresponding period in 2020, the Group has no debt securities in issue.

Capital Expenditure and Capital Commitment

During the six months ended 30 June 2021, the Group incurred capital expenditure of approximately HK\$15,137,000 (six months ended 30 June 2020: HK\$6,621,000) on acquisition of property, plant and equipment.

As at 30 June 2021, there was no commitment contracted but not provided for purchase of property, plant and equipment (31 December 2020: nil).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

Event after the Reporting Period

Subsequent to 30 June 2021 and up to the date of this report, save and except for the Guarantee Agreement as disclosed in note 20 to the financial statements, there was no material event relevant to the business or financial performance of the Group that comes into the attention of the Directors.

PROSPECTS

2021 will continue to be a year of uncertainties due to the COVID-19 pandemic and geopolitical conflicts. The Group will continue to exercise vigilant cost control to improve productivity and uphold quality service to customers as well as leverage on long-term good relationships with leading automobile suppliers of premium and ultra-luxury brands. The Group endeavours to overcome the hurdles ahead and realize its value to the shareholders and business partners.



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

As at 30 June 2021, 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	19,484,000	4.09%
Zhang Xi	Personal interest	500,000	0.10%

Save as disclosed above, as at 30 June 2021, 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 2021, 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)	107,780,320	22.63%
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:

1. The 107,780,320 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 29,820,000 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 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 2021, 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 2021, 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 2021, 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 2021, the Company’s consolidated total assets were approximately HK\$1,670,780,000.

	(Unaudited) As at 30 June 2021 HK\$'000	Assets Ratio (%)	(Unaudited) As at 31 March 2021 HK\$'000	Increment as compared to Assets Ratio (%)
Guarantees to Zhong Bao				
Group (note)	110,584	6.6	108,836	0.2

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 2021, 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 2020.



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 2021 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 9 August 2021.

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 2021.

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, 9 August 2021

* *For identification purpose only*