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)

2023
ANNUAL REPORT

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

Corporate Information

DIRECTORS

Mr. Yuen Kin Pheng *(Chairman)*
(re-designated as executive Director on 1 June 2023)
Mr. Choy Choong Yew *(Managing Director)*
Ms. Guan Xin*
Mr. Li Ze Qing *(appointed on 15 February 2023)*
Mr. Lin Ju Zheng* *(re-designated as independent non-executive Director on 1 June 2023)*
Mr. Ma Hang Kon, Louis
Mr. Xue Guo Qiang *(resigned on 31 January 2023)*
Mr. Zhang Xi
Mr. Zhou Ming*

* *Independent Non-Executive Directors*

AUDIT COMMITTEE

Mr. Yuen Kin Pheng* *(Chairman)*
(ceased to be the chairman on 1 June 2023)
Mr. Zhou Ming* *(Chairman)*
(re-designated from a member to chairman on 1 June 2023)
Ms. Guan Xin*
Mr. Lin Ju Zheng* *(appointed as a member on 1 June 2023)*

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Choy Choong Yew
Mr. Ma Hang Kon, Louis

COMPANY SECRETARY

Mr. Ma Hang Kon, Louis

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants

PRINCIPAL BANKERS

Shanghai Commercial Bank Limited
Bank of China Limited
China Merchants Bank Company Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A,
Block 3, Building D,
P.O. Box 1586,
Gardenia Court, Camana Bay,
Grand Cayman, KY1-1100,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE

51 Goldhill Plaza #15-05
Singapore 308900

PRINCIPAL PLACE OF BUSINESS

Unit 1007, Level 10, Tower I
Grand Century Place,
193 Prince Edward Road West,
Mongkok, Kowloon, Hong Kong

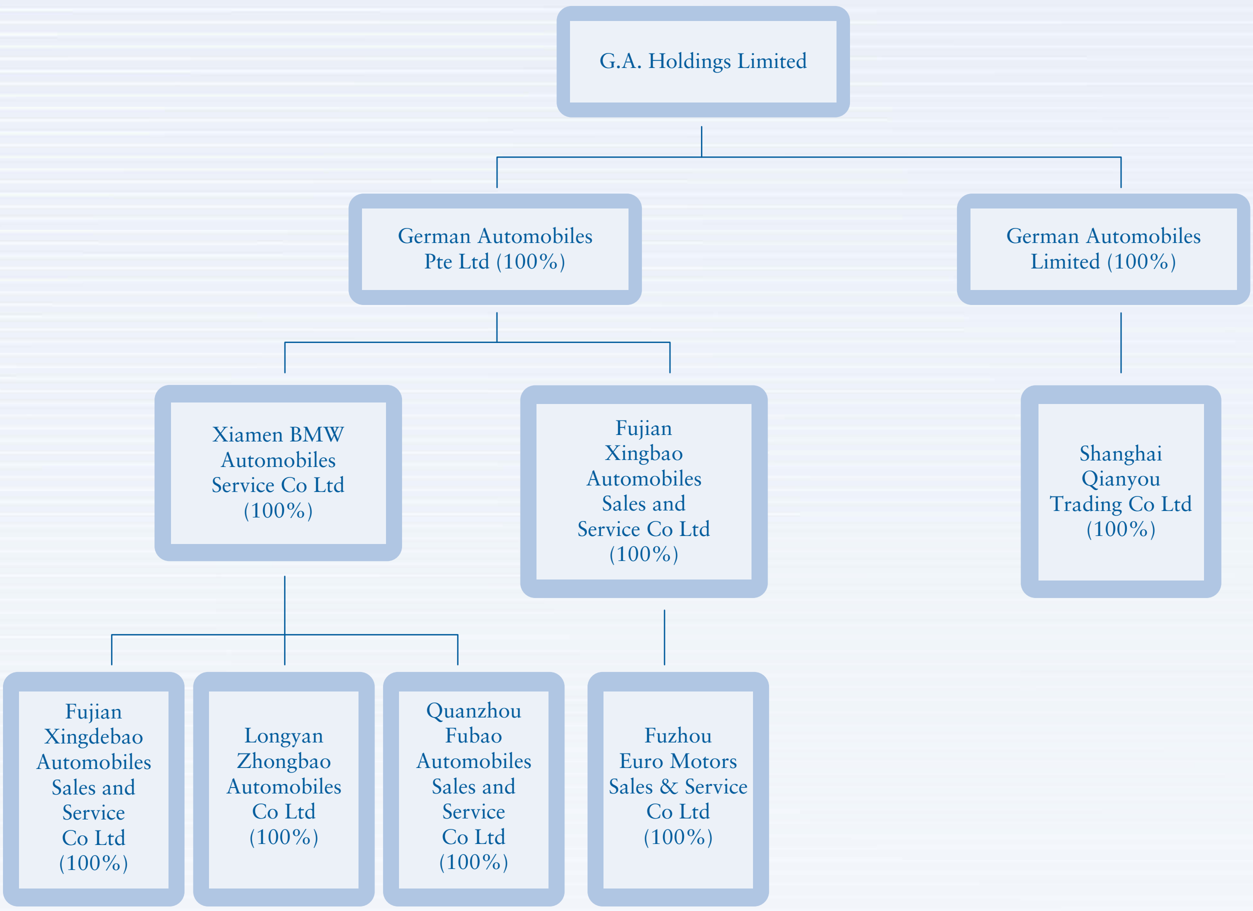
COMPANY WEBSITE

http://www.ga-holdings.com.hk

STOCK CODE

8126

Group Structure



Only principal subsidiaries are presented

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of G.A. Holdings Limited (the "Company" and together with its subsidiaries, the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2023.

In 2023, China achieved a GDP growth of 5.2%. While the high-tech and services sectors remain resilient, major challenges affecting the Chinese real estate and property sector have weaken confidence and hence consumption growth. In particular, the recovery in consumption of durable goods and big-ticket items remained sluggish. Given the uncertainty of the global economic environment and the prospect of a weak domestic recovery, Chinese households were cautious and hesitant in their discretionary spending. The automotive market had also suffered major set backs as price wars in the passenger car market continued unabated in 2023 and may continue into 2024. All these had adversely impacted the Group's revenue and gross margin from car sales in 2023, resulting in a decline compared to the previous year.

Looking forward, we anticipate that BMW, with its wide model range spanning from electric to internal combustion engine cars, will continue to maintain its leading position in the China's premier brand automobiles market in 2024, surpassing other brands. In recent years, BMW has actively expanded its presence in the electric vehicle market and achieved a higher market penetration rate among traditional luxury brands. In 2024, BMW plans to launch new electric vehicle models, aiming for significantly growth in electric vehicle sales compared to 2023. Despite the overall challenging environment in the automotive industry, we believe that the Group's operations will remain stable in the near future.

Moving forward, the Group will continue to exercise rigorous cost control and drive productivity while maintaining our high standard of service quality to our customers. We will build on our strength in the after-sales market and explore new areas for growth. We will also leverage on our strong relationships with leading suppliers of premium automobiles brands to capture new opportunities for growth.

In order to retain adequate working capital for the expansion of our dealership business and related corporate development, the Board does not propose any payment of dividend for the year ended 31 December 2023.

On behalf of the Board, I would like to express our sincere gratitude to all our customers, business partners, employees and shareholders for their continuous support.

Yours sincerely,
Yuen Kin Pheng
Chairman

Hong Kong, 22 March 2024

Biographical Information of Directors

EXECUTIVE DIRECTORS

Mr. Yuen Kin Pheng, *Chairman*

Mr. Yuen, aged 74, currently an executive Director and chairman of the Board, and is currently the advisor to Spirit Aero Systems, a large aero structures manufacturer in the United States of America. Throughout his career, he held various senior executive leadership positions in Fortune 500 companies as well as major listed companies in Singapore, covering businesses in the Asia Pacific region. His executive positions included chief executive officer, president and vice president, spanning across various industries such as aerospace and aviation, HVAC (heating, ventilation and air conditioning), diesel engines, home appliances and building materials. Mr. Yuen has a distinguished career with the Republic of Singapore Air force with a number of diverse positions in operations, planning and administration. He left the service to pursue a second career in business after 18 years with the rank of Lieutenant Colonel. Mr. Yuen holds a bachelor's degree (First-Class Honors) in business administration and a master of business administration from the National University of Singapore and completed the advanced management program from the Wharton School of Business at the University of Pennsylvania, United States of America. He was appointed as an independent non-executive Director of the Company on 23 March 2017 and re-designated as an executive Director on 1 June 2023. He was appointed as chairman of the Board on 18 February 2022.

Mr. Choy Choong Yew, *Managing Director*

Mr. Choy, aged 70, is currently the Managing Director of the Group and an authorised representative of the Company under the GEM Listing Rules as well as the director and general manager of Fujian Xingbao Automobiles Sales and Service Co., Ltd., a wholly-owned subsidiary of the Company. He joined the Group in 1987 as the administration and finance manager of the Group and has achieved significant results for the Group in several roles since then. He has been an executive Director of the Company since 2012.

Mr. Choy has broad-based expertise in general management, operations and finance. He is known for his ability to drive excellent business outcomes, through insightful strategic planning, participative leadership, and focus on operational efficiency and sound financial management principles. Mr. Choy's educational qualifications include a Professional Diploma for Finance Controllers & Finance Directors of Foreign Investment and Foreign Enterprise in China (Zhongshan University and Hong Kong Management Association), Master of Finance (University of Royal Melbourne Institute of Technology), Diploma in Financial Management (Hong Kong Management Association) and Higher Diploma in Accounting (London Chamber of Commerce and Industry).

Mr. Li Ze Qing

Mr. Li, aged 48, was appointed as an executive Director on 15 February 2023. He graduated from Chang'an University (長安大學) (formerly known as Xi'an Highway University (西安公路交通大學)) with a bachelor degree in automotive application engineering in July 1998. Mr. Li began his career as an after-sales service engineer in Xiamen BMW Automobiles Service Co., Ltd, a wholly-owned subsidiary of the Company and departed the Group in 2009 as a technical trainer. Mr. Li has over 20 years of experience in automobiles operation management, spare parts logistics and managing relationships with customers and car manufacturers.

Biographical Information of Directors

Mr. Ma Hang Kon, Louis

Mr. Ma, aged 61, was appointed as the chief financial officer, the company secretary and an authorised representative of the Company under the GEM Listing Rules in November 2015. He has over 30 years of working experience, mainly in professional services in Hong Kong, petrochemical, electronics and resources industries, both in the United States and in the Asia Pacific region. He also has extensive experience in managing businesses in listed companies both in Hong Kong and in the United States. Mr. Ma is a member of each of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators). He graduated from the Kellogg School of Business, Northwestern University in the United States, the Hong Kong University of Science and Technology and the Hong Kong Polytechnic (the predecessor of The Hong Kong Polytechnic University). He was an independent non-executive director of Carnival Group International Holdings Limited (the shares was listed on the Main Board of the Stock Exchange until 7 December 2023) from May 2019 to December 2023. He is also an executive director, chief financial officer and secretary of Vision Sensing Acquisition Corp. (stock code: VSACU listed on Nasdaq Global Market) since November 2021.

Mr. Zhang Xi

Mr. Zhang, aged 40, is currently the director and deputy general manager of Xiamen BMW Automobiles Service Co, Ltd, a wholly-owned subsidiary of the Company. He is also a director of certain subsidiaries of the Company. Prior to joining the Group, Mr. Zhang has worked in international high-end automobiles companies as key management, mainly responsible for overseeing operational efficiency and strategic planning. Mr. Zhang holds a Bachelor degree of Information Management System from Beihang University (北京航空航天大學) and a Master degree in International Relations from the University of International Relations (國際關係學院). He was appointed as an executive Director in September 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Guan Xin

Ms. Guan, aged 47, is currently the general manager of a company providing management, training and consultancy services in the PRC. She has extensive experience in other major industries including finance, renewable energy, telecommunication and public accounting. Ms. Guan graduated from the Guanghua School of Management of Peking University with a master degree in professional accounting and is a certified public accountant in the PRC. She was appointed as an independent non-executive Director in July 2016.

Mr. Lin Ju Zheng

Mr. Lin, aged 76, holds a bachelor degree in foreign language majoring in English from Fujian No. 2 Normal College (福建第二師範學院) (which merged with other colleges to become Fujian Normal University (福建師範大學)). He is a senior economist with extensive experience in banking operations and management. Before joining the Company, Mr. Lin occupied senior positions in one of the major banks in the PRC till December 2007. Mr. Lin was appointed as an independent non-executive Director in June 2010. In March 2012, he was re-designated as an executive Director. In March 2017, he was re-designated as a non-executive Director. On 1 June 2023, he was re-designated as an independent non-executive Director.

Mr. Zhou Ming

Mr. Zhou, aged 51, graduated from China University of Political Science and Law (中國政法大學) and holds a master degree in law from Peking University Law School (北京大學法學院). Mr. Zhou joined Global Law Office (Beijing) in 2001 and was admitted as a partner in 2007. He was appointed as an independent non-executive Director in November 2015.

Management Discussion and Analysis

BUSINESS REVIEW

Due to the intensifying price competition among various automobiles brands in China, the Group recorded lower revenue, gross operating margin and profit for the year ended 31 December 2023.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2023, the consolidated revenue decreased by 11.9% from HK$2,362,390,000 for the year ended 31 December 2022 to HK$2,080,324,000 for the year ended 31 December 2023. The profit for the year ended 31 December 2023 was HK$4,078,000, representing a 84.4% decrease compared to HK$26,104,000 for the year ended 31 December 2022. The decrease in the revenue and profit was mainly due to intensifying price competition among various automobiles brands in China.

1. ***Sales of Motor Vehicles***

   Sales of motor vehicles decreased by 16.1% from HK$1,752,680,000 for the year ended 31 December 2022 to HK$1,470,027,000 for the year ended 31 December 2023 mainly due to the intensifying price competition.

2. ***Servicing of Motor Vehicles and Sales of Auto Parts***

   Revenue generated from servicing of motor vehicles and sales of auto parts slightly increased by 0.4% from HK$577,473,000 for the year ended 31 December 2022 to HK$579,560,000 for the year ended 31 December 2023.

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 year ended 31 December 2023 was HK$8,896,000, decreased by 11.1% as compared to HK$10,010,000 for year ended 31 December 2022 since the number of PRC locally assembled BMW motor vehicles sold by Xiamen Zhong Bao decreased.

4. ***Car Rental Business***

   The income from car rental business in Hong Kong for the year ended 31 December 2023 was HK$21,841,000, representing a decrease of 1.7% compared to the year ended 31 December 2022. This was mainly due to decrease in long-term leasing customers who are concerned about uncertainties in the Hong Kong economy as a result of the challenging external environment, heightened geopolitical tensions and tightened financial conditions.

Management Discussion and Analysis

Gross Operating Profit and Gross Operating Margin

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

The gross operating profit for the year ended 31 December 2023 decreased by 25.3% to HK$210,473,000, as compared to HK$281,811,000 for the year ended 31 December 2022. The decrease was mainly due to the decrease in revenue during the year as more discounts on car sales were offered to customers ahead of facelifting of several models and intensifying price competition in the automobiles markets in China.

The gross operating margin for the year ended 31 December 2023 was 10.1%, as compared to 11.9% for the year ended 31 December 2022. The decrease in gross operating margin during the year was due to the same reasons above.

Other Income

Other income increased by 79.9% from HK$59,891,000 for the year ended 31 December 2022 to HK$107,761,000 for the year ended 31 December 2023 mainly due to the increase in consultant service income during the year.

Employee Benefit Expenses

The Group recorded employee benefit expenses of HK$129,747,000 for the year ended 31 December 2023, representing a decrease of 4.1% as compared to HK$135,364,000 for the year ended 31 December 2022. The decrease was mainly due to decrease in staff commission due to the decrease in revenue and gross operating profit, and decrease in average number of staff during the year.

Depreciation and Amortisation

Depreciation and amortisation expenses decreased by 6.6% from HK$59,226,000 for the year ended 31 December 2022 to HK$55,293,000 for the year ended 31 December 2023.

Foreign Exchange Exposure

For the year ended 31 December 2023, there was an exchange loss of approximately HK$2,068,000 (2022: loss of HK$4,018,000), which mainly resulted from the translation of receivables and payables denominated in foreign currencies other than the functional currencies of the group companies.

Other Expenses

For the year ended 31 December 2023, other expenses were HK$75,167,000, representing an increase of 8.2% compared to HK$69,494,000 for the year ended 31 December 2022. The increase was mainly attributable to (i) increase in entertainment expenses, legal and professional fees and transportation and travelling expenses by HK$2,354,000, HK$1,211,000 and HK$1,339,000 respectively during the year ended 31 December 2023; (ii) an increase in loss allowance from financial guarantee contract, a non-cash expenses, of HK$1,538,000 during the year ended 31 December 2023; offset by (iii) decrease in advertising and promotion expenses by HK$1,818,000.

Finance Costs

Finance costs increased by 14.7% from HK$33,156,000 for the year ended 31 December 2022 to HK$38,028,000 for the year ended 31 December 2023 mainly due to increase in average borrowings of the Group and increase in general interest rates during the year.

Income Tax Expense

Income tax expense during the year ended 31 December 2023 was HK$3,640,000, a decrease by 70.3% compared to HK$12,237,000 during the year ended 31 December 2022. The effective tax rate of the Group increased from 31.9% for the year ended 31 December 2022 to 47.2% for the year ended 31 December 2023. The increase was mainly due to decrease in profits of the Group's profit-making subsidiaries outweighed the decrease in losses of the Group's loss-making subsidiaries compared to last year.

Financial Resources and Liquidity

As at 31 December 2023, shareholders' fund of the Group amounted to HK$766,013,000 (2022: HK$769,988,000). Current assets of the Group totaled HK$1,293,109,000 (2022: HK$1,257,472,000), of which HK$175,510,000 (2022: HK$195,304,000) were cash and bank balances and pledged deposits. Current liabilities of the Group totaled HK$853,595,000 (2022: HK$842,082,000), mainly represented trade payables, bills payables, borrowings, contract liabilities, accruals and other payables and current portion of lease liabilities. The Group had non-current liabilities of approximately HK$139,278,000 (2022: HK$125,779,000) which mainly represents non-current portion of borrowings, lease liabilities and deferred tax liabilities. The net asset value per share as at 31 December 2023 was HK$1.61 (2022: HK$1.62).

Capital Structure of the Group

During the year ended 31 December 2023, the Group had no debt securities in issue (2022: nil).

The Group obtained funding mainly from bank and other borrowings. They are mainly denominated in United States dollars and Renminbi ("RMB"). As at 31 December 2023, the Group has available unutilised banking facilities of approximately HK$194,048,000 (2022: HK$224,434,000).

Capital Expenditure and Capital Commitments

In 2023, the Group incurred capital expenditure of approximately HK$63,472,000 and HK$868,000 (2022: HK$110,334,000 and HK$1,328,000) on acquisition of property, plant and equipment and right-of-use assets respectively.

As at 31 December 2023, there were commitment contracted but not provided for purchase of property, plant and equipment amounted to approximately HK$1,816,000 (2022: nil).

Material Acquisitions and Disposals of Subsidiaries or Affiliated Companies

The Group had no acquisitions and disposals of subsidiaries or affiliated companies during the years ended 31 December 2023 and 2022.

Management Discussion and Analysis

Employees

As at 31 December 2023, the total number of employees of the Group was 686 (2022: 799). For the year ended 31 December 2023, the staff costs including directors' remuneration of the Group amounted to HK$129,747,000 (2022: HK$135,364,000), representing 6.2% (2022: 5.7%) of the revenue of the Group. Appropriate staff force is maintained cautiously in accordance with the operational needs and activities of the Group.

It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.

Charges on Group's Assets

As at 31 December 2023, fixed deposits of HK$102,734,000 (2022: HK$105,186,000) were pledged to banks and other financial institutions to secure facilities of the Group while amounts of HK$10,040,000 (2022: HK$9,423,000) were pledged to banks as security in favor of one of our suppliers.

As at 31 December 2023, certain leasehold improvement, motor vehicles and plant and machinery with net carrying amount of approximately HK$42,308,000 (2022: HK$16,798,000) was pledged as collateral for the other borrowings of the Group.

As at 31 December 2023, building with net carrying amount of approximately HK$17,832,000 (2022: HK$20,265,000) was pledged as collateral for the bank borrowings of the Group.

As at 31 December 2023, certain motor vehicles included in right-of-use assets with net carrying amount of approximately HK$270,000 (2022: HK$4,457,000) was pledged as collateral for the lease liabilities of the Group.

As at 31 December 2023, leasehold land included in right-of-use assets with net carrying amounts of approximately HK$64,056,000 and HK$2,362,000 (2022: HK$67,575,000 and HK$2,454,000) were pledged as collateral for the bank borrowings of the Group and Xiamen Zhong Bao respectively.

Gearing Ratio

The Group expresses its gearing ratio as a percentage of total borrowings (including bills payable, lease liabilities, short-term and long-term borrowings, as shown in the consolidated statement of financial position), less cash and bank balances (net debt), divided by total equity, plus net debt. As at 31 December 2023, the Group had a gearing ratio of 0.50 (2022: 0.48).

Contingent Liabilities

As at 31 December 2023, the Group provided guarantees with aggregate principal amounts of approximately HK$145,286,000 in respect of banking facilities granted to Zhong Bao Group (2022: HK$158,450,000).

Subsequent Events

Subsequent to 31 December 2023 and up to the date of this report, there was no material event relevant to the business or financial performance of the Group after 31 December 2023 that comes into the attention of the Directors.

Management Discussion and Analysis

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2023 (2022: nil).

PROSPECT

The price war in China's passenger car market continued through 2023 and is expected to remain fierce in 2024. Nevertheless, BMW, with its wide model range spanning from electric to internal combustion engine cars, will continue to maintain its leading position in the China's premier brand automobiles market in 2024, surpassing other brands. In recent years, BMW has actively expanded its presence in the electric vehicle market and achieved a higher market penetration rate among traditional luxury brands. In 2024, BMW plans to launch new electric vehicle models, aiming for significantly growth in electric vehicle sales compared to 2023. Despite the overall challenging environment in the automotive industry, we believe that the Group's operations will remain stable in the near future.

for identification purpose only

Directors' Report

The Board is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

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

The business of each subsidiary and details of its nature of business, country of incorporation or other establishment, and particulars of the issued share capital and debt securities are set out in note 40 to the consolidated financial statements. An analysis of the Group's revenue, other income and profit before income tax is set out in notes 6, 8 and 10 to the consolidated financial statements.

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2023 and a discussion on the Group's future business development are provided in the sections "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

RESULTS, DIVIDENDS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated financial statements on pages 56 to 145 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 December 2023. As far as the Company is aware, as at the date of this report, there was no arrangement under which any shareholder has waived or agreed to waive any dividend proposed to be distributed for the year ended 31 December 2023 (2022: nil).

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting ("AGM") is scheduled to be convened on Thursday, 20 June 2024. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 17 June 2024 to Thursday, 20 June 2024 both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 14 June 2024.

DISTRIBUTABLE RESERVES

The Company is an investment holding company and has not carried on any business. Accordingly, the Company did not have any distributable reserve available for distribution to the shareholders as at 31 December 2023. Further details of the Company's distributable reserve as at 31 December 2023 are set out in note 31 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of property, plant and equipment of the Group during the year ended 31 December 2023 are set out in note 14 to the consolidated financial statements.

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

As at 31 December 2023, the interests or short positions of Directors in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are notified to the Company and the Stock Exchange pursuant to SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.48 of the rules governing that the listing of securities on the GEM of the Stock Exchange (the "GEM Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares

Name	Capacity	Number of ordinary shares held	Approximate percentage of total issued voting shares
Ma Hang Kon, Louis	Personal interest	500,000	0.10%
Zhang Xi	Personal interest	500,000	0.10%

Save as disclosed above, as at 31 December 2023, none of the Directors or their associates had any interests or short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which are notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 31 December 2023, 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 ordinary shares held	Approximate percentage of total issued voting shares
Loh Nee Peng	Beneficial owner and interest of controlled corporations *(note 1)*	107,780,320	22.63%
Loh & Loh Construction Group Ltd	Beneficial owner *(note 1)*	45,284,000	9.51%
Big Reap Investment Limited	Beneficial owner *(note 1)*	32,676,320	6.86%
Galligan Holdings Limited	Beneficial owner *(note 2)*	39,700,000	8.34%
Butterfield Trust (Asia) Limited	Trustee *(note 2)*	39,700,000	8.34%

Notes:

1. To the best of knowledge of the Directors, the 107,780,320 Shares are held as to 32,676,320 Shares by Big Reap Investment Limited and as to 45,284,000 Shares by Loh & Loh Construction Group Ltd as well as 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 by Butterfield Trust (Asia) Limited. By virtue of Part XV of the SFO, Butterfield Trust (Asia) Limited is deemed to be interested in the shares held by Galligan Holdings Limited.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any other person or corporation who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was expected to be interested in 5% or more of the nominal value of any class of share capital or carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year ended 31 December 2023 and as at the date of this report were:

Executive Directors

Mr. Yuen Kin Pheng *(Chairman) (re-designated from independent non-executive Director to executive Director on 1 June 2023)*

Mr. Choy Choong Yew *(Managing Director)*

Mr. Li Ze Qing *(appointed on 15 February 2023)*

Mr. Ma Hang Kon, Louis

Mr. Xue Guo Qiang *(resigned on 31 January 2023)*

Mr. Zhang Xi

Independent Non-Executive Directors

Ms. Guan Xin

Mr. Lin Ju Zheng *(re-designated from non-executive Director to independent non-executive Director on 1 June 2023)*

Mr. Zhou Ming

In accordance with Article 84 (1) of the Company's third amended and restated Articles of Association (the "Articles") adopted on 10 May 2023, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at AGM at least once every three years. At the AGM, it is intended that Mr. Yuen Kin Pheng, Mr. Zhang Xi, Mr. Lin Ju Zheng and Mr. Zhou Ming, will be retired by rotation and will offer themselves for re-election thereof.

Mr. Yuen Kin Pheng, Mr. Choy Choong Yew, Mr. Li Ze Qing, Mr. Ma Hang Kon Louis and Mr. Zhang Xi, each entered into a service contract with the Company for an initial term of three years commencing from 1 June 2023, 16 May 2021, 15 February 2023, 16 November 2021 and 23 September 2021 respectively subject to early termination by the Company giving not less than three months' notice of termination in writing or payment in lieu at any time during the term.

Mr. Lin Ju Zheng, Ms. Guan Xin and Mr. Zhou Ming each entered into an appointment letter with the Company for a term of three years commencing from 1 June 2023, 26 July 2022 and 16 November 2021 respectively, subject to early termination by the Company giving not less than three months' notice of termination in writing or payment in lieu.

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

No transaction, arrangement or contract of significance (as defined in the GEM Listing Rules) to which the Company or any of its subsidiaries was a party in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

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

GROUP'S EMOLUMENT POLICY

The Group's employees are selected, remunerated and promoted based on their merit, qualifications and competence. The emoluments of the Directors of the Company are determined with regard to the performance of individual, the Company's operating results and market standards.

DIRECTORS' EMOLUMENTS AND THE HIGHEST PAID EMPLOYEES

Details of the Directors' emoluments and the highest paid employees are set out in note 13 to the consolidated financial statements.

CONNECTED TRANSACTIONS AND MATERIAL RELATED PARTY TRANSACTIONS

The material related party transactions of the Company are set out in note 34 to the consolidated financial statements in this annual report. The related party transactions of the Company did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules. For the year ended 31 December 2023, the Group had not entered into any transactions constituting connected transactions (including continuing connected transactions) which are subject to the disclosure requirements under Chapter 20 of the GEM Listing Rules.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out in the financial summary on page 146 of this annual report. This summary does not form part of the audited consolidated financial statements.

MANAGEMENT OF RISKS

Details of risk management are set out in note 36 to the consolidated financial statements.

SEGMENTAL INFORMATION

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

BIOGRAPHICAL DETAILS OF DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the percentage of sales and purchases attributable to the Group's major customers and suppliers are set out as below:

Sales	
– The largest customer	5.7%
– The total of five largest customers	11.3%
Purchases	
– The largest supplier	72.2%
– The total of five largest suppliers	94.5%

As far as the Directors are aware, neither the Directors nor their respective close associates nor any shareholders (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in the five largest customers and suppliers of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2023 and up to the date of this report, the Company has maintained the prescribed public float as required by the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws in Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2023 were audited by Grant Thornton Hong Kong Limited ("Grant Thornton"), who will retire and a resolution to re-appoint Grant Thornton as auditor of the Company will be proposed at the forthcoming AGM.

COMPANY SECRETARY

Mr. Ma Hang Kon, Louis, aged 61, was appointed as the company secretary and authorised representative of the Company with effect from 16 November 2015. He is a member of each of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators. Mr. Ma confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 December 2023.

COMPETING INTERESTS

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

SHARE OPTION SCHEME

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

Details of the Share Option Scheme are set out in note 38 to the consolidated financial statements.

No share option has been granted under the Share Option Scheme in prior years and during the year.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year.

SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in note 40 to the consolidated financial statements.

ADVANCES TO ENTITIES

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

Pursuant to the GEM Listing Rule 17.16, a disclosure obligation arises where the increment of the relevant advance amount to an entity from the Group exceeds 3% under the assets ratio as defined under Rule 19.07 (1) of the GEM Listing Rules (the "Assets Ratio").

As at 31 December 2023, the Company's consolidated total assets were approximately HK$1,758,886,000.

	(Audited) As at 31 December 2023	**Assets Ratio**	(Audited) As at 31 December 2022	Increment as compared to Assets Ratio
	HK$'000	***(%)***	*HK$'000*	*(%)*
Guarantees to Zhong Bao Group *(note)*	**145,286**	**8.3**	158,450	N/A

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

	(Audited) As at 31 December 2023	**Assets Ratio**	(Unaudited) As at 30 September 2023	Increment as compared to Assets Ratio
	HK$'000	***(%)***	*HK$'000*	*(%)*
Guarantees to Zhong Bao Group *(note)*	**145,286**	**8.3**	143,444	N/A

Note: Such amounts include the principal amount of the facilities granted by the banks to Xiamen Zhong Bao and its related companies ("Zhong Bao Group").

The Group entered into a guarantee agreement on 5 June 2023 (the "Guarantee Agreement A") with Fuzhou Zhong Bao Automobiles Sales and Service Co., Ltd.# ("FZZB") to replace the previous one entered into in 7 June 2021, which expired on 31 July 2023. Pursuant to the Guarantee Agreement A, Xiamen BMW Automobiles Service Co, Ltd.#, Quanzhou Fubao Automobiles Sales and Services Co., Ltd.# and Fujian Xingbao Automobiles Sales and Services Co., Ltd.#, all being wholly-owned subsidiaries of the Company, will during the period from 1 August 2023 to 31 July 2025 guarantee FZZB banking facilities to be incurred in its ordinary course of business in a maximum aggregate amount of RMB39.6 million. The Guarantee Agreement A and the transactions contemplated thereunder have been approved by shareholders at the Company's extraordinary general meeting held on 25 July 2023.

Directors' Report

The Group entered into another guarantee agreement on 16 October 2023 (the "Guarantee Agreement B") with Xiamen Zhong Bao Automobiles Co., Ltd.# ("Xiamen Zhong Bao") to replace the previous one entered into in 15 November 2021, which expired on 31 December 2023. Pursuant to the Guarantee Agreement B, Xiamen BMW Automobiles Service Co, Ltd.# and its immediate holding company, German Automobiles Pte Ltd. will during the period from 1 January 2024 to 31 December 2025 guarantee Xiamen Zhong Bao's banking facilities to be incurred in its ordinary course of business in a maximum aggregate amount of RMB101.0 million. The Guarantee Agreement B and the transactions contemplated thereunder have been approved by shareholders at the Company's extraordinary general meeting held on 8 December 2023.

Further details for the Guarantee Agreement A and Guarantee Agreement B were set out in the circulars of the Company dated 10 July 2023 and 22 November 2023 respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2023.

PERMITTED INDEMNITY PROVISIONS

During the year and up to the date of this report, a permitted indemnity provision in line with the requirements specified in section 469(2) of the Hong Kong Companies Ordinance for the benefit of all directors of the Company was in force.

On behalf of the Board
G.A. Holdings Limited
Yuen Kin Pheng
Chairman

Hong Kong, 22 March 2024

* for identification purpose only

CORPORATE GOVERNANCE CODE

The Group is committed to promoting good corporate governance, with the following objectives: (i) the maintenance of responsible decision making, (ii) the improvement in transparency and disclosure of information to shareholders, (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of the shareholders, and (iv) the improvement in management of risk and the enhancement of performance by the Group.

The Group has complied with the code provisions set out in the Corporate Governance Code contained in Appendix C1 of the GEM Listing Rules (the "CG Code") throughout the year ended 31 December 2023.

The Board continues to monitor and review the Group's progress in respect of corporate governance practices to ensure compliance. The Board and senior management are responsible for performing the corporate governance duties set out in the CG Code.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

For the year ended 31 December 2023, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

BOARD

Board Composition

As at the date of this report, the Board consists of five executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Yuen Kin Pheng *(Chairman)*

Mr. Choy Choong Yew *(Managing Director)*

Mr. Li Ze Qing

Mr. Ma Hang Kon, Louis

Mr. Zhang Xi

Independent non-executive Directors

Ms. Guan Xin

Mr. Lin Ju Zheng

Mr. Zhou Ming

Corporate Governance Report

Meetings of the Board and the Shareholders and Directors' Attendance Records

The Board meets regularly over the Company's affairs and operations and held nine board meetings during the year ended 31 December 2023. The attendance records of each Director are set out below:

	Attendance/Number of Meetings					
Name of Director	Board	AGM	EGM	Audit Committee	Nomination Committee	Remuneration Committee
Executive Director						
Mr. Yuen Kin Pheng *(re-designated from independent non-executive Director to executive Director on 1 June 2023)*	9/9	1/1	2/2	3/3	2/2	2/2
Choy Choong Yew	8/9	1/1	2/2	N/A	N/A	N/A
Li Ze Qing *(appointed on 15 February 2023)*	9/9	0/1	2/2	N/A	N/A	N/A
Ma Hang Kon, Louis	9/9	1/1	2/2	N/A	N/A	N/A
Xue Guo Qiang *(resigned on 31 January 2023)*	0/0	0/0	0/0	N/A	N/A	N/A
Zhang Xi	9/9	1/1	2/2	N/A	N/A	N/A
Independent non-executive Director						
Ms. Guan Xin	8/9	1/1	2/2	4/5	2/2	2/2
Mr. Lin Ju Zheng *(re-designated from non-executive Director to executive Director on 1 June 2023)*	8/9	1/1	2/2	2/2	N/A	N/A
Mr. Zhou Ming	9/9	1/1	2/2	5/5	2/2	2/2

Responsibilities, accountabilities and contributions of the Board and management

The Board is entrusted with the overall responsibility for promoting the success of the Company through its direction and supervision. In practice, the Board takes responsibilities for decision making in all major matters of the Company while the day-to-day management, administration and operation of the Company are delegated to the senior executives. Approval has to be obtained from the Board prior to any significant transactions being entered into.

Details of the backgrounds and qualifications of the Chairman of the Company and other Directors are set out on pages 6 to 7 of this annual report. All Directors have given sufficient time and attention to the affairs of the Group.

Retirement of directors

Under the CG Code B.2.2, every Director should be subject to retirement by rotation at least once every three years. According to the existing Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. In order to comply with the CG Code, Mr. Yuen Kin Pheng, Mr. Zhang Xi, Mr. Lin Ju Zheng and Mr. Zhou Ming will retire at the forthcoming annual general meeting of the Company, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Continuous Professional Development

Pursuant to the CG Code C.1.4, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

Up to the date of this report, all Directors have participated in continuous professional development by reading relevant materials, attending trainings conducted by accredited service providers and in-house briefing on topics related to corporate governance regulations and Directors' duties. All Directors understand the importance of continuous professional development and are committed to participating in any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

Directors' Insurance

The Company has arranged appropriate insurance cover in respect of any legal action against the Directors for the year ended 31 December 2023 and onwards.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code C.2.1 stipulates that the role of chairman and chief executive officer should be separate and should not be performed by the same individual to ensure a balance of power and authority. The roles of chairman and chief executive officer are undertaken by Mr. Yuen Kin Pheng and Mr. Choy Choong Yew respectively.

The executive Directors, including the chief executive officer, undertake the day-to-day management of the Company's business, whereas the Chairman is responsible for management of the Board and strategic planning for the Group and ensures that all Directors are properly briefed on issues arising at board meetings. The Board believes that the balance of power and authority is adequately ensured under the existing arrangement and the operations of the Board which comprises experienced and high caliber individuals with a substantial number thereof being independent non-executive Directors.

Corporate Governance Report

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05A, 5.05 (1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors. Currently the independent non-executive Directors are Mr. Zhou Ming, Ms. Guan Xin and Mr. Lin Ju Zheng, representing at least one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise.

Mr. Lin Ju Zheng was re-designated from a non-executive Director to an independent non-executive Director on 1 June 2023. In assessing Mr. Lin's independence, the Board took into consideration of various factors, including but not limited to (i) Mr. Lin has not been involved in the day-to-day operations and management of the Company and he does not hold any positions in any subsidiaries of the Company and is not interested in any shares of the Company; (ii) During his tenure as a non-executive Director from 23 March 2017 to 1 June 2023, Mr. Lin has been providing oversight, knowledge, experience and insight form an outside perspective to the Board; (iii) Mr. Lin has no other links with the Company other than sitting on the Board and his principal role is to provide independent judgment on the business, strategy and policies of the Company with reference to his knowledge, experience and insights.

Confirmation of independence has been received from each of the independent non-executive Directors and the Company considers all existing independent non-executive Directors to be independent according to the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules. Also, if an independent non-executive Director serves more than 9 years, his further appointment will be subject to a separate resolution to be approved by Shareholders in accordance with the CG Code.

BOARD COMMITTEES

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

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

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

Nomination Committee

The Nomination Committee of the Company currently comprises of three members, namely Mr. Yuen Kin Pheng (executive Director), Ms. Guan Xin (independent non-executive Director) and Mr. Zhou Ming (independent non-executive Director). Mr. Yuen Kin Pheng is the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include reviewing the Board composition, including its structure, size and diversity, developing and formulating relevant procedures for nomination and appointment of Directors and senior management, making recommendations to the Board on the appointment and succession planning of Directors and senior management, and assessment of the independence of the independent non-executive Directors. The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the balance of, including but not limited to, their expertise, skills, experience, professional knowledge and personal integrity of such individuals, the requirements of the Group and other relevant statutory requirements and regulations. Further details on the terms of reference of the Nomination Committee are available on the website of the Company and the website of the Stock Exchange.

During the year ended 31 December 2023 the Nomination Committee had held two meetings for making recommendation to the Board on review on the appointment of Directors, and review on assessment of the independence of the independent non-executive Directors during the year.

Remuneration Committee

The Remuneration Committee of the Company currently comprises of three members, namely Mr. Zhou Ming (independent non-executive Director), Mr. Yuen Kin Pheng (executive Director) and Ms. Guan Xin (independent non-executive Director). Mr. Zhou Ming is the chairman of the Remuneration Committee.

The Remuneration Committee is principally responsible for making recommendations to the Board on policies and structure for remuneration of Directors and senior management and on the establishment for a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee reviews the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors and the senior management and other related matters as and when appropriate. The Remuneration Committee shall consult the Chairman and/or the Managing Director of the Company about its recommendations on remuneration policy and structure and remuneration packages. Further details on the terms of reference of the Remuneration Committee are available on the website of the Company and the website of the Stock Exchange.

During the year ended 31 December 2023, the Remuneration Committee held two meetings to discuss and review the remuneration policy and structure of the Company and remuneration packages of the independent non-executive Directors and the senior management under review for the year.

Audit Committee

The Audit Committee of the Company currently comprises of three members, namely Mr. Zhou Ming, Ms. Guan Xin and Mr. Lin Ju Zheng, who are all independent non-executive Directors. Mr. Zhou Ming is the chairman of the Audit Committee.

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

During the year ended 31 December 2023, the Audit Committee held five meetings. The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its risk management and internal control system and has made suggestions to improve them. The Audit Committee has also carried out and discharged its duties set out in the relevant CG Code. In the course of doing so, the Audit Committee has met with the Company's management, risk management and internal audit teams and external auditor during 2023. The audited financial results of the Group for the year ended 31 December 2023 have been reviewed by the Audit Committee.

AUDITOR'S REMUNERATION

For the year ended 31 December 2023, the remuneration paid or payable to the external auditor, Grant Thornton Hong Kong Limited or their affiliated firms is as follows:

	2023 *HK$'000*
Statutory audit	1,250
Other non-audit services (mainly other reporting review services)	206
	1,456

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year under review.

COMPANY SECRETARY

Mr. Ma Hang Kon, Louis ("Mr. Ma") was appointed as the Company Secretary and the Authorised Representative of the Company with effect from 16 November 2015. Mr. Ma possesses day-to-day knowledge on the Company's affairs and is responsible for advising the Board through the Chairman on all governance matters and facilitating the induction and professional development of all Directors. Mr. Ma has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 December 2023.

DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. The Company has therefore adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board.

Pursuant to the policy, the Nomination Committee seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, in the context of the talents, skills and experience the Board as a whole requires to be effective.

The Board currently has one female Director and as such has achieved gender diversity in respect of the Board. The Board aims to maintain at least the current level of female representation, while such goal has been achieved during the year ended 31 December 2023, with gender equality as the ultimate goal. As of 31 December 2023, 61.4% of the employee were male and 38.6% of the employee were female. We will continue to strive to enhance female representation and achieve an appropriate balance of gender diversity at all levels, including but not limited to the Board and senior management, and to develop a pipeline of potential successors to the Board by developing a pipeline of female middle and senior management.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for overseeing the Company's risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Senior management is responsible for administering the Company's risk management and is accountable for ensuring that the Company's business operations are conducted in compliance with relevant laws and regulations, taking into consideration changes in the environment and the Company's risk tolerance.

The Group has set up an internal audit team to perform ongoing internal audit and conduct risk assessment review. Such review included one-on-one interviews with key executives on behalf of the Audit Committee and the Company to understand the Company's risk management process. Relevant risks were identified and rated; with mitigating factors evaluated and documented. The review also made an assessment of the adequacy of internal controls through inquires and discussion with the management, observations and review of documents and performance of the internal control system. The risk assessment and internal control review reports were reviewed and commented in detail by the Company's chief financial officer and the chairman of the Audit Committee; and was distributed and presented to the Audit Committee, including a discussion of the risks relevant to the Company; room for improvement in the internal control system; and resolution of material internal control defects identified, if any. The Audit Committee concluded that the Company had in place effective and adequate risk management and internal control system.

Risk management process

Key process and components of risk management and internal control of the Group are set out below:

Risk identification – a review on the current operation of the Group to identify relevant strategic risk, operating risk, financial risk and information risk. Key risk indicators are taken into consideration including economic data, industry trends, competitors' behavior, the Company's and its subsidiaries' management capabilities and financial information.

Risk estimation – an assessment of the management on the likelihood of occurrence of the risks identified and their qualitative and quantitative significance to the Group.

Risk evaluation – a process to make an overall judgment on the acceptability of each risk identified based on its estimated probability of occurrence and potential impact.

Taking measures – applying different strategies (e.g. risk elimination, risk mitigation or risk retention) and measures to respond to the risks identified, including but not limited to developing appropriate audit plan.

Monitoring – regular reviews by the management on key operating and financial performance of each business segment.

Significant risks relevant to the Company

The Company's 2023 risk management process identified the most significant risks relevant to the Company as follows:

Political and regulatory risk in the PRC

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

Downturn in the PRC economy

The Group's revenue is substantially dependent on the supply of automobiles by the manufacturers of relevant premium brands and the purchasing power of the customers. A sustained economic downturn could curtail consumer spending especially on automobiles, auto parts, and after sales services that the Group is selling. To mitigate this risk, senior management continues to evaluate the impact of the Chinese economy on its operations and to investigate alternatives as the need arises.

Information technology

The Company's internal work processes and communication with automobile manufacturers are highly dependent on the support of its information system. A major deficiency in the Company's information technology infrastructure systems, including hardware, software, networks, people and processes, will make it difficult for the Company to cope with the ever-changing business, resulting in lower operating efficiency and increased operating costs and may even disrupt the business. As the Company is essentially providing services to customers for the selection, purchase and maintenance of automobiles with a service-centric strategy, low efficiency can greatly reduce customer satisfaction which may result in a serious threat to the Company's competitiveness and profitability. In mitigating the risk, the Company ensures the investment of adequate resources and manpower to monitor the systems and closely communicate with the automobile manufacturers.

Inside information

The Directors, with the assistance of outside legal counsels and professionals as and when necessary, assess the likely impact of any unexpected and significant event that may impact the price of the Shares or their trading volume and decide whether the relevant information constitutes inside information which needs to be disclosed as soon as reasonably practicable pursuant to Rules 17.10 and 17.11 of the GEM Listing Rules and the inside information provisions under Part XIVA of the SFO.

Internal control

During the year ended 31 December 2023, the appropriate internal controls including the ones set out below were in place.

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

2. Appropriate operating policies and procedure have been established.

3. Delegation of authority – The Directors and/or management are delegated with appropriate level of authority relating to certain businesses or operational objectives. Appropriate Board Committees of which their decision-making authority has been delegated by the Board, are established to review, approve and monitor relevant aspects of the affairs of the Group.

4. Budgetary system – (i) Business plans and forecasts are prepared annually and subject to monthly review and approval by the management. With an annual budget and monthly rolling forecasts, the management is able to identify and evaluate the likelihood of the financial impact of significant business risks in the coming year and achieve the business objectives; and (ii) A budgetary system in relation to monthly recurrent and major capital expenditure is in place. Any material variances against budgets are investigated, explained and approved by the respective financial controller.

5. Internal Audit Review – The internal auditor has unrestricted access to review all aspects of the Group's activities and internal controls and risk management. Any serious internal control and risk management deficiencies or fraud identified would be reported immediately to the Directors or directly to the Audit Committee.

6. Review by Audit Committee and the Board – The Directors review major business and operational activities and financial performance of the Group.

7. Comprehensive accounting system – A reliable and comprehensive accounting system is in place for the recording of financial information of the Group.

8. Monthly review by the management – Key operating and financial performance of each business segment are reviewed by the management on monthly basis. Regular meetings are held to review the business and financial performance against forecasts and business strategies to be taken.

Based on the findings and recommendations from the external professional party and the Company's internal audit department, and the representations made by the management, the Board is satisfied with the effectiveness and adequacy of the existing internal control and risk management systems of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES AND PERFORMANCE

The Group has complied with the provisions set out in the Environmental, Social and Governance Reporting Guide contained in Appendix C2 of the GEM Listing Rules throughout the year ended 31 December 2023. Information about the Group's ESG policies and performance in 2023 as set out in the Environmental, Social and Governance Report on pages 33 to 49 of this annual report.

INVESTOR RELATIONS

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

A summary of the principal provision of the Articles of Association is available on the website of the Company and the website of Stock Exchange.

COMMUNICATIONS WITH SHAREHOLDERS

The general meetings of the Company provide an opportunity for direct communication between the Board and the shareholders. The Company encourages the participation of the shareholders through annual general meetings and other general meetings where the shareholders meet and exchange views with the Board and exercise their right to vote.

The Company held its annual general meeting on 10 May 2023 where the Chairman of the Board as well as chairman of each of the Audit Committee, the Nomination Committee and the Remuneration Committee were available to answer shareholders' questions on the Group's affairs. The Company also invited representatives of the external auditor of the Company to be present to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report and auditor independence.

The Company maintains a website at www.ga-holdings.com.hk, where updates on the Company's business developments and operations, financial information and news may be found. Shareholders may also contact the Company Secretary to direct their written enquiries.

Procedures for shareholders to convene an extraordinary general meeting

The Company has adopted a shareholders' communication policy and procedures with effect from 22 March 2012. The policy and procedures are available on the website of the Company. Apart from proposing a person for election as director of the Company, pursuant to Article 58 of the Article of Association of the Company, an extraordinary general meeting ("EGM") may be convened at the request of the Shareholders under the following conditions:

1. On the written requisition of any one or more members holding not less than one-tenth of the paid-up capital of the Company as at the date of deposit of the requisition;

2. The requisition must:

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

   (b) Be signed by the requisitionist(s); and

   (c) State the name(s) of the requisitionist(s); and the contact details and number of ordinary shares of the Company held by the requisitionist(s); and

   (d) Be deposited at the company's place of business at Unit 1007, Level 10, Tower I, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong and for the attention of the Company Secretary.

   The Directors must proceed to convene an EGM within 21 days from the date of deposit of the requisition. If the Directors fail to convene the EGM within 21 days from the date of deposit, the requisitionist(s) himself (themselves) may convene the general meeting in the same manner, provided that the meeting so convened shall not be held after the expiration of two months from the date of deposit of the requisition. Any reasonable expenses incurred by the requisitionist(s) by reason of the failure of the directors duly to convene a meeting shall be reimbursed to the requistionist(s) by the Company.

3. If the Board fails to give Shareholders sufficient notice (i.e. not less than 21 clear days for the annual general meeting and/or passing special resolution(s) at the EGM, or not less than 14 clear days for passing an ordinary resolution(s) at the EGM), the meeting is deemed not to have been duly convened.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2023, the amended and restated Memorandum and Articles of Association was adopted by the shareholders of the Company in the annual general meeting of the Company held on 10 May 2023 in order to (i) conform to the Core Standards set out in Appendix 3 of the GEM Listing Rules and (ii) reflecting certain updates in relation to the applicable laws of the Cayman Islands and the GEM Listing Rules and make other housekeeping amendments. An up-to-date version of the Company's Memorandum and Articles of Association is also available on the Company's website and the Stock Exchange's website. Save as disclosed above, there were no significant changes to the Company's constitutional documents.

LOOKING FORWARD

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

Environmental, Social and Governance Report

ABOUT THIS REPORT

G.A. Holdings Limited (the "Company") is pleased to present its Environmental, Social and Governance (hereinafter called "ESG") Report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023 (the "Year 2023"), with an aim to provide details of the system establishment and performance of the Group in respect of sustainable development to both the internal and external stakeholders.

This report was prepared in accordance with the ESG Reporting Guide set out in Appendix C2 to the Rules Governing the Listing of Securities on the GEM made by of The Stock Exchange of Hong Kong Limited, highlighted the environmental and social measures and activities of the Group during the Year 2023. Corporate governance is addressed separately in the Corporate Governance Report.

The Company is embracing the challenge of integrating its business objective – to become one of the top service providers and dealers in the People's Republic of China (the "PRC") premium automobile industry – with its responsibilities to stakeholders, business partners, staff, and the communities in which it operates.

It sees these two goals as being complementary ones, and believes that by fulfilling its social responsibilities it will indeed move more powerfully towards establishing itself at the head of its industry. One way the Group is doing this is by helping to build stronger relationships between the countries and jurisdictions in which it operates, namely the China (Mainland), China (Hong Kong) and Singapore.

GOVERNANCE STRUCTURE

Board's oversight of ESG issues

The Board has a primary role in overseeing the Group's ESG issues. During the Year 2023, the Board, the management and the ESG responsible staff ("ESG Working Team") evaluated the impacts of ESG-related risks towards the operation and formulated ESG-related policies in dealing with relevant risks. The oversight of the Board ensures that the management and the ESG Working Team can have all the right tools and resources to oversee the ESG issues.

To demonstrate the Group's commitment on transparency and accountability, the Group has established an ESG Working Team which has clear terms of reference that set out the powers delegated to it by the Board. The Group highly values the opinions of each stakeholder which are regarded as the cornerstone for the development of the Group.

Board's ESG management approach and strategy for material ESG-related issues

To better understand the opinions and expectations of different stakeholders on the ESG issues, materiality assessment is conducted annually. The Group ensures various platforms, and channels of communication are used to reach, listen and respond to its key stakeholders. Through communication with the stakeholders, the Group is able to understand the expectations and concerns from its stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impacts of the business decisions.

The Group has evaluated the materiality in ESG aspects through the following steps: (i) identification of ESG issues by the Group; (ii) key ESG areas prioritisation with stakeholder engagement; and (iii) validation and determining material ESG issues based on the results of communication with the stakeholders.

Taking these steps enhances the understanding of the expectations and concerns of the Group's stakeholders on various ESG issues, which enable the Board to plan the sustainable development direction to address material ESG-related issues in the future.

Board reviews progress made against ESG-related goals and targets

The Group will closely review from time to time for the performance and implementation progress of the goals and targets. If the progress falls short of expectation or changes of business operations, it may be necessary to make changes and communicate about the goals and targets with key stakeholders such as employees, customers and suppliers.

The Board has set strategic goals to enable the Group to develop a realistic path and focus on the development direction for achieving its visions. The Board will carefully examine the attainability of the targets which should be weighed against the Group's philosophy and goals.

REPORTING PRINCIPLES

The report is centred on four principles:

Materiality: Stakeholder engagement and materiality assessment were conducted regularly to identify material ESG issues, and to ensure that these issues are addressed in the report.

Quantitative: Data presented in this report have been collected prudently. Please refer to the environmental and social performance data for standards and methodologies used for calculation of key performance indicators.

Balance: Both positive and negative sides of the performance have been presented in a transparent manner.

Consistency: Unless otherwise stated, the disclosures, data collection and calculation methods have remained consistent throughout the years to facilitate comparability over time.

REPORTING BOUNDARIES

This report focus on reporting of ESG matters of ten companies, namely German Automobiles Limited ("GAL"), German Automobiles Pte Ltd ("GAPL"), Xiamen BMW Automobiles Service Co., Ltd ("XMBMW"), Fujian Xingbao Automobiles Sales and Service Co., Ltd ("FJXB"), RUF China Automobiles Trading Ltd ("RUFCN"), Fuzhou Euro Motors Sales and Service Co., Ltd ("FZ EURO"), Quanzhou Fubao Automobiles Sales and Service Co., Ltd ("QZ"), Longyan Zhongbao Automobiles Co., Ltd ("LY"), Fujian Xingdebao Automobiles Sales and Service Co., Ltd ("FJXDB") and Shanghai Qianyou Trading Co., Ltd ("QY").

Environmental, Social and Governance Report

GAL is engaged in trading of motor vehicles, provision of car rental services and investment holding in China (Hong Kong). XMBMW and FJXB are engaged in performing repair and maintenance services of high-end automobiles in China (Mainland). FZ EURO, QZ, LY and FJXDB are engaged in performing automobile dealership, exhibitions of high-end motor vehicles, provision of auto parts and after-sales services. QY is engaged in trading of auto accessories. GAPL is engaged in investment holding in Singapore. RUFCN is inactive during the year.

This report has primarily highlighted the major performance and disclosure in Year 2023 for the four environmental aspects and eight social aspects.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is a key success factor in formulating environmental and social strategy, defining the Group's objectives, assessing materiality, and establishing policy. The Group's key stakeholders include government and regulatory bodies, shareholders, customers, employees, suppliers and community. The Group has conducted a survey, discussed or communicated with stakeholders to understand their views and respond to their needs and expectations, evaluated and prioritised their inputs to improve the Group's performance, and finally strived to provide value to the stakeholders.

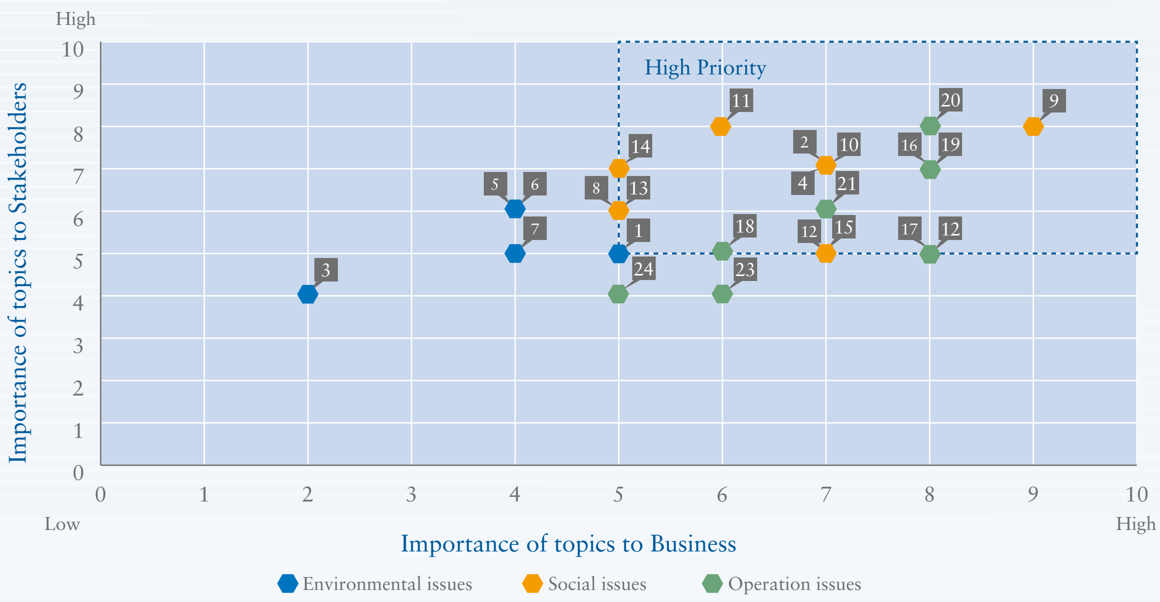
Stakeholders	Expectations	Communication and feedback
Government and regulatory bodies	• Compliance with laws and regulations • Tax payment in accordance with the laws	• Compliance operation • Tax payment on time and in full
Shareholders	• Implementation of corporate governance and create value • Corporate transparency	• Optimising internal control and risk management • Regular information disclosure
Customers	• Customer information security • Customer rights and interests protection	• Customer privacy protection • Compliance marketing
Employees	• Career development platform • Remuneration and benefits • Safe working environment	• Transparent promotion channel • Competitive remuneration package • To provide trainings for employees and strengthen their safety awareness
Suppliers	• Integrity cooperation • Business ethics and credit standing	• To build a responsible supply chain • To perform the contract according to law
Community	• Environmental protection • Employment opportunities	• To use environmental protection and energy saving equipment • To provide employment opportunities

Based on the stakeholder engagement and materiality matrix, the Group has identified issues with significant environmental and social impacts as well as significant issues concerned by the stakeholders.

MATERIALITY ASSESSMENT

In Year 2023, the Group carried out materiality assessment on a number of ESG issues in order to identify which issues were crucial to the Group's business and were of the utmost concerned by stakeholders. It helps the Group to ensure its business development meeting the expectations and requirements of stakeholders. The Group has identified 24 ESG issues covering environmental, social and operation, and has invited both internal and external stakeholders to assess the materiality of the ESG issues through a scoring tool and interviews. The Group's management has reviewed the ranking of materiality of the ESG issues and then disclosed the result in this report. The results of materiality assessment prioritised stakeholder inputs and made the Group focused on the material aspects for actions, achievements and reporting.

The Group's materiality matrix of ESG issues in the Year 2023:



Environmental issues	Social issues	Operation issues
1. Greenhouse gas emissions	8. Community contribution	16. Anti-corruption
2. Energy consumption and resource management	9. Occupational health and safety	17. Supply chain management
3. Water resources management	10. Child labour	18. Supplier evaluation and selection
4. Waste management	11. Forced and compulsory labour	19. Customer service and satisfaction
5. Use of packaging materials	12. Training and development	20. Customer privacy
6. Impact on the environment	13. Salaries and employee benefits	21. Feedback and complaint handling
7. Climate change	14. Diversity and equal opportunity	22. Product safety and quality
	15. Talent attraction and retention	23. Intellectual property protection
		24. Marketing and labelling

EMISSIONS

The Group believes that increased environmental awareness is the key to environmental protection and wellness to the general community. It is the Group's policy to ensure compliance with all applicable laws and regulations relating to the protection of environment and to minimise the Group environmental footprint through efficient use of resources. The Group endeavours to promote environmental conscientiousness not just to employees but to its car tenants as well. Given the nature of the Group's business, the Company believes that its operations have minimal adverse impact on the environment. The Group dealer shops are all located in specific areas designated for the use of the automobile industry as authorised by the PRC government. These areas are equipped with high technological facilities that could facilitate the efficient use of natural resources and protection of local environment. The Company is not aware of any material non-compliance with the relevant laws and regulations in relation to emissions of excessive greenhouse gas, discharge of hazardous gas or wastage in the Year 2023.

During the Year 2023, air emission for nitrogen oxides ("NO_X"), sulphur oxides ("SO_X") and particulate matter ("PM") were mainly generated from the combustion sources of motor vehicles of the Group. The table below shows the key environmental performance indicators of different types of air emissions emitted by the Group's operation during the Year 2023.

Air emissions *(Note 1)*	Unit	**Year 2023**	Year 2022
NO_X emissions	Kg	**500**	597
SO_X emissions	Kg	**2.5**	2.9
PM emission	Kg	**34**	52

Note 1: The emission factors used to calculate the NO_X, SO_X and PM are sourced from: (i) the Hong Kong Environmental Protection Department's ("EPD") EMFAC-HK Vehicle Emission Calculation model; and (ii) the United States Environmental Protection Agency's Vehicle Emission Modeling Software – MOBILE6.1. The assumption of 80% relative humidity, a temperature of 25 degrees Celsius, an average speed of 30kmh, and include running exhaust emissions only.

Reduction target of air emissions

Air emissions	**Reduction target**	**Baseline year**	**Status**
NO_X emissions intensity	Reduce 2% by Year 2026	Year 2021	In progress
SO_X emissions intensity	Reduce 2% by Year 2026	Year 2021	In progress
PM emission intensity	Reduce 2% by Year 2026	Year 2021	In progress

Greenhouse gas ("GHG") emissions refer to the sum of carbon dioxide ("CO_2") emission and the CO_2 equivalent emissions of methane ("CH_4") and nitrous oxide ("N_2O"). GHG emissions are categorised into direct emissions and indirect emissions.

The main sources of direct GHG emission from operations are the use of motor vehicles owned or controlled by the Group. The main sources of indirect GHG emission from operations are the use of purchased electricity, paper waste disposed at landfills, electricity used for processing fresh water and sewage water by government departments. The Group promotes conscious use of electricity cars to reduce direct GHG emission.

The table below shows the key environmental performance indicators of GHG emission emitted by the Group's operation during the Year 2023.

GHG emissions	Unit	Year 2023	Year 2022 (Note 1)
Total GHG emissions	kg CO_2e	**3,348,922**	3,715,283
Total area of operations	M^2	**48,260**	46,490
GHG emissions intensity (per total area of operations)	kg CO_2e/M^2	**69**	80
Direct emissions due to combustion of fuels in mobile sources (Scope 1)	kg CO_2e	**496,228**	547,832
Indirect emissions due to consumption of purchased electricity (Scope 2) *(Note 2)*	kg CO_2e	**2,657,927**	2,981,151
Other indirect emissions due to paper waste disposed at landfills, electricity used for processing fresh water and sewage water and air travelling (Scope 3)	kg CO_2e	**194,767**	186,300

Scope 1: It represents the gasoline and diesel oil consumed by motor vehicles.

Scope 2: It represents the electricity purchased from power suppliers.

Scope 3: It represents the paper waste disposed at landfills, water used and other indirect emission.

Note 1: The figure is restated as the emission factor used for the calculation of CO_2e associated with electricity purchased in East China is changed in order to be in line with the calculation of the figure in the Year 2023.

Note 2: The emission factor is sourced from the CLP Power Hong Kong Limited sustainability report for 2022, HK Electric Investments sustainability report for 2022 and East China Grid in 2021. The figures are calculated in accordance with the "Reporting Guidance on Environmental KPIs".

Reduction target of GHG emissions

GHG emissions	Reduction target	Baseline year	Status
GHG emission intensity (Scope 1)	Reduce 2% by Year 2026	Year 2021	In progress
GHG emission intensity (Scope 2)	Reduce 2% by Year 2026	Year 2021	In progress
GHG emission intensity (Scope 3)	Reduce 2% by Year 2026	Year 2021	In progress

Waste	Unit	Year 2023	Year 2022
Total non-hazardous waste produced	Kg	**28,514**	28,502
Non-hazardous waste produced intensity (per total area of operations)	Kg/M^2	**0.59**	0.61
Total hazardous waste produced	Kg	**169,708**	154,272
Hazardous waste produced intensity (per total area of operations)	Kg/M^2	**3.52**	3.31

Reduction target of hazardous and non-hazardous waste produced

Waste	Reduction target	Baseline year	Status
Non-hazardous waste produced intensity	Reduce 2% by Year 2026	Year 2021	In progress
Hazardous waste produced intensity	Reduce 2% by Year 2026	Year 2021	In progress

The Group's car selling and servicing businesses are carried out to very high levels of cleanliness and attention to the environment. For instance, waste products such as used car parts and used motor oil are disposed of according to all relevant local regulations, and with scrupulous attention to avoiding pollution and minimising any impact on the environment. Very high standards are also maintained in areas such as the drainage of waste water from car cleaning operations, and the use of organic solvents in car painting activities.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Waste Disposal Ordinance, Regulation on Urban Drainage and Sewage Treatment of the PRC (《中華人民共和國城鎮排水與污水處理條例》) and other applicable laws and regulations that have a significant impact relating to air and greenhouse gas emissions, discharging into water and land, generation of hazardous and non-hazardous waste of the Group during the Year 2023.

In addition, no significant fines or non-monetary sanction for non-compliance with relevant laws and regulations has been reported in the Year 2023.

USE OF RESOURCES

Gasoline

The automobile industry as a whole, by its underlying nature, is implicated in global emissions. However, the Group, as a car-dealer, distributes high-end and high-quality mass-market vehicles manufactured by the very best European manufacturers, most of which are at the cutting edge of advances in reducing emissions and developing clean engine technology. By distributing these types of vehicles and providing excellent and efficient services, and genuine replacement parts to keep its cars running at optimum efficiency, the Group is in a small way contributing to improving the environment in China, which has long been plagued by inefficient and highly polluting vehicles. The Group is proud that the high-end vehicles it distributes are some of the most efficient and technically advanced in terms of minimizing environmental impact in the world.

The Group owns approximately 279 motor vehicles as at 31 December 2023 and most of them are run by unleaded petrol while only few are unavoidably run by diesel oil. During the Year 2023, a total of approximately 156,852 litres of unleaded petrol and approximately 8,336 litres of diesel oil were consumed.

Electricity

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

Electricity consumed by the Group for normal business operations was mainly supplied by CLP Power Hong Kong Limited, The Hongkong Electric Co., Ltd and other governmental electricity suppliers in Fujian Province.

Water

The Group's business operations do not require significant water usage and has not experienced any other difficulty in sourcing water that as fit for usage of the Group. The water consumption involved mainly bottled drinking water and servicing of motor vehicles at its dealer shops and office premises.

Paper

The Group encourages employees to go paperless as much as possible by limiting printouts and communicating through e-mail or other telecommunication systems. While the Group has not developed any dedicated recycling program for paper use, employees are encouraged to re-use papers for internal record and documentation. During the Year 2023, the Group used a total of approximately 33,278 kg (2022: 33,803 kg) of paper in the course of normal business operations. Since 2015, the Group has been using FSC-certified papers in bulk-printing its annual report to further support environmental protection.

The below table shows the key environmental performance indicators of the Group's use of resources during the Year 2023.

Total use of resources consumed	Unit	**Year 2023**	Year 2022
Purchased electricity consumed	kWh	**5,025,874**	5,636,564
Non-renewable fuel consumed *(Note 1)*	kWh	**1,609,341**	1,900,919
Total energy consumption	kWh	**6,635,215**	7,537,483
Total energy consumption intensity (per total area of operations)	kWh/M^2	**137**	162
Amount of water consumption	m^3	**37,708**	37,653
Water consumption intensity (per total area of operations)	m^3/M^2	**0.78**	0.81
Total packaging material used for finished products	kg	**9**	–
Packaging material consumption intensity (per total area of operations)	Kg/M^2	**0.0002**	–

Note 1: The conversion factors used to calculate the units to kWh are sourced from the Energy Statistics Manual issued by the International Energy Agency.

Reduction target of energy use

Environmental KPI	**Reduction target**	**Baseline year**	**Status**
Total energy consumption intensity	Reduce 2% by Year 2026	Year 2021	In progress
Water consumption intensity	Reduce 2% by Year 2026	Year 2021	In progress
Packaging material consumption intensity	Reduce 2% by Year 2026	Year 2021	In progress

Regarding measures to mitigate emissions, the Group closely monitors the level of energy consumption, GHG emissions, wastes disposal and sewage water drainage. The Group has set its respective energy and carbon reduction targets and come up with feasible measures to achieve them. The details and results achieved are listed as follows:

Projects	Details and results achieved
Light-emitting diode (LED)	Part of lightings in the office in Hong Kong has been installed with LED, instead of compact fluorescent lamps, to reduce electricity consumption.
Air-conditioners	More energy efficient air conditioners were selected in Year 2023 thus reducing the relevant consumption of electricity.
Water conservation	All staff was encouraged to save water at pantry. As a result, relevant consumption of water has been reduced.
Motor vehicles	The Group has a plan to replace the petrol motor vehicles to electric motor vehicles to reduce air emission for NO_x, SO_x, PM and GHG.
Non-hazardous waste	Non-hazardous waste from the office in Hong Kong and PRC subsidiaries include consumables, household wastes, paper and paper boxes. The office in Hong Kong and PRC subsidiaries have made their best effort to minimise their impact on the environment by using recyclable paper and paper boxes.
Hazardous waste	By replacing petrol motor vehicles to electric motor vehicles, lesser lubricating oil which is used in engine, gear box will be discharged.

THE ENVIRONMENT AND NATURAL RESOURCES

The Group understands that its performance in respect of emissions, waste produced, and use of resources impacts the environment, the Group endeavours to minimise such impacts, and communicate the Group's environmental policy, measures, performance, and achievements to the stakeholders. The Group is committed to reducing the operation impacts on environment and natural resources.

CLIMATE CHANGE

Awareness over climate change continues to grow and is one of the most discussed topics among companies. The Group is no exception, having increasing concerns over the potential impact from climate change on the Group's business and operation. The Group regularly reviews global and local government policies, regulatory updates and market trends to identify potential climate-related risks which may have impact on the Group's business operation.

In accordance with the reporting framework developed by the Task Force on Climate-related Financial Disclosures, there are two major categories of climate-related risks, physical and transition risks. The Group will immediately develop a response plan such as changing the business strategy and modifying the development plan in order to reduce the negative impacts of such climate-related risks.

The Group will continuously incorporate sustainable practices in its business operations and prepare and maintain sufficient resources for managing identified climate-related risks and studying the potential remediation measures.

During the Year 2023, there is no climate-related risk, including physical and transitional risks, which have significant impact to the Group.

EMPLOYMENT AND LABOUR PRACTICES

The quality of its employees is a major asset for the Group, especially for the industry in which quality and prestige is what differentiates itself from its competitors. The Group values their staff and take all possible measures to retain them, in particular by offering them good career advancement opportunities and an attractive, employee-friendly working environment. The Group comply with all equal opportunity laws and regulations in the areas where the Group operate, and are committed to offering equal pay for men and women doing equivalent jobs.

The Group, as a conscientious and responsible employer, has a strong sense to nurture the next generation so as to contribute to the society. The Group, therefore, have developed an internship program aiming at equipping young adults with the skills and knowledge that are required in the commercial enterprises and locating the outstanding and talented interns to join the Group as full-time employees. Selected interns are assigned to work in one or two departments according to their interests and strengths for three to six months. Performance evaluations are conducted by the head of each user department before the internship ends. Outstanding interns graduated with good results and meeting the Group's qualification requirements will be first invited to join the Group on a permanent basis.

Apart from offering employees competitive salary packages, the Group also provides generous annual performance bonuses and on occasions provides operational staff with group tours. The Company has adopted a share option scheme; aimed at providing incentives to existing staff and helping the Group attract new high-calibre candidates. The Group is a family friendly employer, and in general operates according to a basic five-day working week. It also lays on regular gatherings such as sports days, staff birthday parties and an annual dinner etc. for its staff, and offers flexible leave arrangements to enable staff to pursue professional examinations and other career advancement avenues. The benefits of making the Group an excellent working environment for employees can be seen in its very stable staff turnover rates, and the high proportion of long-term employees.

Environmental, Social and Governance Report

The compositions of the Group's workforce categorised by gender, age, employment type, location, categories of employment and department as of 31 December 2023 are stated as follows:

	2023	2022
By gender		
Male	421 (61%)	493 (62%)
Female	265 (39%)	306 (38%)
By age group		
Under 20 years old	16 (2%)	29 (64%)
20 – 30 years old	190 (28%)	257 (32%)
31 – 40 years old	361 (53%)	395 (49%)
41 – 50 years old	96 (14%)	84 (11%)
Over 50 years old	23 (3%)	34 (4%)
By employment type		
Full time	674 (98%)	782 (97%)
Part time	–	1 (1%)
Internship	12 (2%)	16 (2%)
By geographical region		
China (Hong Kong)	21 (3%)	22 (3%)
China (Mainland)	661 (96%)	773 (96%)
Singapore	4 (1%)	4 (1%)
By employment category		
Senior level	10 (1%)	26 (3%)
Middle level	58 (9%)	77 (10%)
Entry level	618 (90%)	696 (87%)
By department category		
Management	47 (7%)	62 (8%)
Finance	40 (6%)	43 (5%)
Sales and marketing	99 (14%)	146 (18%)
Logistics	10 (1%)	9 (1%)
Customers services	232 (34%)	301 (38%)
Technical	187 (27%)	167 (21%)
Warehouse	28 (4%)	19 (2%)
Human resources	21 (3%)	27 (3%)
Others	22 (4%)	25 (4%)

During the Year 2023, the Group's annually employee turnover rate is as follows:

Employee turnover rate	Year 2023	Year 2022
By gender (Note 1)		
Male	**32%**	24%
Female	**30%**	28%
By employment type (Note 1)		
Full time	**30%**	24%
Part time	**100%**	100%
Internship	**125%**	125%
By age group (Note 1)		
Under 20 years old	**163%**	107%
Aged between 20 to 30 years old	**41%**	35%
Aged between 31 to 40 years old	**26%**	19%
Aged between 41 to 50 years old	**14%**	12%
Over 50 years old	**22%**	3%
By geographical region (Note 1)		
China (Hong Kong)	**5%**	5%
China (Mainland)	**–**	27%
Singapore	**33%**	50%

Note 1: The employee turnover rate is calculated based on the number of employees who left employment in such category during the Reporting Period divided by total number of employees as at 31 December 2023 in such category.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Employment Ordinance of Hong Kong, Employees' Compensation Ordinance of Hong Kong, Labour Law of the PRC (《中華人民共和國勞動法》), Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), Employment Act of Singapore and other applicable laws and regulations that have a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare on the Group in the Year 2023.

No non-compliance with law that resulted in significant fines or sanctions had been reported in Year 2023.

HEALTH AND SAFETY

The health and safety of its employees are of a very high priority. To this end, the Group has looked closely at the safety rules and procedures most appropriate for the industry, and adopted them to the context of the operations. The Group operates in more than one jurisdiction (Hong Kong, Singapore and the PRC), the Group has also looked closely at the different regulations for each area to ensure the Group abide by all local legal requirements. In respect of the communities where the Group operates, the Group encourages volunteerism and encourages the employees to serve the communities in their leisure time.

The below table shows the work-related fatalities and recordable injury for the three years ended 31 December 2021, 2022 and 2023.

Notification of accident	Year 2023	Year 2022	Year 2021
Number of work-related fatalities	–	–	–
Rate of work-related fatalities	–	–	–
Lost days due to work injury	58 days	62 days	153 days

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Occupational Safety and Health Ordinance, Prevention and Control of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》) and other applicable laws and regulations that have a significant impact on providing a safe working environment and protecting employees from occupational hazards of the Group in Year 2023.

No non-compliance with law that resulted in significant fines or sanctions had been reported in Year 2023.

DEVELOPMENT AND TRAINING

As vehicle designs change and their technical specifications become more proprietary and increasingly complex, the Group utilise the skills of the senior technical staff by commissioning them to provide on-the-job training and guidance for less experienced staff. In addition, visiting BMW representatives provided regular theoretical training. Continuous training on repair and maintenance procedures, monitored by engineers of BMW Germany on site, is given to the technicians. These are regularly assessed to ensure they master the standards of the premium automobile manufacturers whose vehicles the Group distributes. Customer service and sales personnel are also provided with specialist training in the automobiles and parts that the Group sell. The result is a win-win situation: the Group ensures the Group services are leading the field, while at the same time the employees are stimulated and challenged to perform to their best potential.

During the Year 2023, the Group's employee training rate is as follows:

	Year 2023	Year 2022
Percentage of employees trained *(Note 1)*	**37%**	25%
Percentage of employees trained by gender *(Note 2)*		
Male	**64%**	62%
Female	**36%**	38%
Percentage of employees trained by employment category *(Note 2)*		
Senior level	**2%**	8%
Middle level	**14%**	10%
Entry level	**84%**	82%

Note 1: It is calculated by dividing the number of employees who took part in training by the number of employee as at 31 December 2023.

Note 2: It is calculated by dividing the number of employees trained in such category by the total number of employees trained.

The average training hours per employee grouped by gender and employee category in the Year 2023 are as follows:

	Year 2023	Year 2022
Total number of training hours	**627**	673
Average training hours per employee *(Note 1)*	**0.9**	0.8
Average training hours per employee by gender *(Note 2)*		
Male	**0.7**	0.8
Female	**1.3**	0.9
Average training hours per employee by employment category *(Note 2)*		
Senior level	**5.5**	3.9
Middle level	**3.6**	3.3
Entry level	**0.6**	0.5

Note 1: It is calculated by dividing the total number of training hours by the total number of employees as at 31 December 2023.

Note 2: It is calculated by dividing the total number of training hours for such category by the number of employees as at 31 December 2023 in such category.

LABOUR STANDARDS

The Group strictly complies with the relevant labour regulations relating to working hours, rest days and holidays to ensure the physical and mental health of all employees. Employees are not forced to work beyond working hours and are entitled to overtime pay in accordance with local regulations. The Group has a "No Child Labour" policy and does not employ persons under the age of 16.

To prevent the exploitation of child, human resources department staff checks the identity card of all permanent employees.

Employment by the Group is based on the principle of fairness, openness and willingness. All individuals enter into employment contracts without acts of forced labour.

In case of child labour and forced labour, the Group will immediately terminate the labour contract with the relevant employee and hold the person-in-charge accountable.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Employment Ordinance of Hong Kong, Employment of Children Regulations of Hong Kong, Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》), Employment Act of Singapore and other applicable laws and regulations that preventing from employment of child or forced labour on the Group in Year 2023.

No non-compliance with law that resulted in significant fines or sanctions had been reported in Year 2023.

SUPPLY CHAIN MANAGEMENT

The Group has set up a strict supply chain management system to ensure that high quality products and services are provided to the customers. All the major suppliers are qualified, reputable and reliable suppliers. The Group operates with the suppliers' specified standardised stock replenishment and management systems which strongly strengthened the sustainability and reliability of the quality of the products and services the Group provides to the customers.

The Group complies with various PRC regulations and suppliers' international standards relevant to the operation of its business in areas such as health and safety relating to its products and services. With regular trainings and updates delivered by the suppliers as well as in house training, the technicians, customer service representatives and sales personnel are well trained and the quality of the products and services are guaranteed.

In situations where several companies can meet its project requirements, the Group will select those with a good reputation for being environmentally and socially responsible and/or that hold environmental certification. The Group supports in its efforts to further improve their environmental protection which has the greatest respect for the laws and regulations that govern its business. The Group always adheres to good practices and conducts fair and unbiased procurement processes when dealing with suppliers.

During the Year 2023, the number of suppliers categorised by geographical regions are as follows:

Suppliers by geographical region	Year 2023	Year 2022
China (Mainland)	**Over 40**	Over 40
China (Hong Kong)	–	–
Singapore	–	–

PRODUCT RESPONSIBILITY

The Group strives to maintain a high level of customer satisfaction. Collecting feedback from the customers is critical for monitoring customer satisfaction. The Group has conducted customer satisfaction survey, follow-up procedures and improvement measures are maintained and implemented. Customers are encouraged to provide the Group with comments and ideas for improvements. The Group provides a variety of communication channels like, social media, phone hotline, emails and websites. Meanwhile, strict confidential system and guidelines have been established and imposed by the Group to secure these customers information collected.

During the Year 2023, the numbers of complaint and recall case are as follows:

Complaint and product recalling case	Year 2023	Year 2022
Number of complaint	–	–
Number of product recalls for health and safety reasons	–	–

The Group consolidated and comprehensively analysed the customers' feedback and monitor the level of customer satisfaction in its business. Follow-up actions, including internal evaluation and modification of training programs for employees, formulation of improvement plan and refining the existing management procedures will be taken to address the identified issues. Feedback will be provided to the customers in a timely manner.

The Group acknowledges the stakeholders' concern of data privacy, therefore puts great effort to protect data privacy to safeguard the corporate interest and comply with the relevant laws and regulations. The Group outlines data privacy requirements and confidentiality obligations in its internal control policy that employees should strictly follow and carefully manage the corporate confidential information, including but not limited to, customer business information and personal data, trade secrets and price-sensitive information.

The Group is committed to compliance with relevant laws and regulations in relation to intellectual property right ("IP rights") by valuing and protecting its intellectual properties through renewals of patent and trademark. In order to ensure that the customer's IP rights of products are properly protected during the outsourcing processes to suppliers, a confidentiality agreement regarding IP rights must be signed before engagement. The Group enters standard employment contracts with its employees who contain provisions on IP rights and confidentiality.

The Group is not aware of any material non-compliance with the Personal Data (Privacy) Ordinance, Trade Descriptions Ordinance, Copyright Ordinance, Prevention of Copyright Piracy Ordinance, Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), Regulation on the Implementation of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) and other applicable laws and regulations that have a significant impact relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress on the Group in Year 2023.

In addition, no significant fines had been reported in Year 2023.

ANTI-CORRUPTION

The Group maintains a high standard of business integrity throughout its operations. The Group has established a whistleblowing policy and communicated to its employees. At the same time, the Group strictly adheres to the rules and regulations relating to anti-corruption and fraudulent behaviors as set out by the relevant authorities.

In Year 2023, the Group provided anti-corruption education and training (through webcast and circulation of e-training materials) to its directors and staff on a regular basis to raise their awareness towards ethical and corruption issues.

Below is the list of training topics provided by the Group in the Year 2023:

- Ethical roles of company board and fiduciary duties of directors
- Guardian roles of professionals
- Bribery and cross-boundary corruption
- Conflict of interest and other related matters
- Internal control and risk management

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the Prevention of Bribery Ordinance, Criminal Law of the PRC《中華人民共和國刑法》, Anti-Money Laundering Law of the PRC《中華人民共和國反洗錢法》, Anti-Unfair Competition Law of the PRC《中華人民共和國反不正當競爭法》, Interim Provisions on Banning Commercial Bribery《關於禁止商業賄賂行為的暫行規定》and other applicable laws and regulations that has a significant impact on the issuer relating to bribery, extortion, fraud and money laundering in Year 2023.

There was no legal case concerning corruption brought against the Group or its employees in Year 2023.

COMMUNITY INVESTMENT

The Group aims to help creating a harmonious, dynamic and liveable environment for the communities in which the Group operates by developing and managing properties that take into account of the local culture, environment and community's priorities. The Group maintains an appropriate level of community involvement and provides support to community activities and encourages employees to take part into work-life balance activities and community services.

Although the Group has not established and documented a specific community policy, social care is deeply seeded in the Group's corporate culture. Employees are encouraged to participate in various charitable events and community services.

Grant Thornton
致同

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

OPINION

We have audited the consolidated financial statements of G.A. Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 56 to 145, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditor's Report

Recoverability of amounts due from Zhong Bao Group

Refer to material accounting policies in note 4.8, critical accounting estimates and judgments in note 5 and the disclosure of the amounts due from Zhong Bao Group in notes 21 and 22 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The Group has net carrying amounts due from Zhong Bao Group of approximately HK$828,209,000 as at 31 December 2023. Management has determined that the ECL allowance in respect of the amounts due from Zhong Bao Group for the year ended 31 December 2023 of HK$2,478,000 has been provided to profit or loss and approximately HK$14,600,000 has been recognised as at 31 December 2023. Management assesses the recoverability of the amounts due on a regular basis and apply an impairment model to calculate their expected credit losses ("ECL") assessing the provision of ECL. Management exercises significant judgment on the selection of unobservable inputs to this impairment model including probability of default, exposure at default and loss given default. We identified the recoverability of the amounts due from Zhong Bao Group as a key audit matter because of its significance to the consolidated financial statements and critical judgments required in assessing the ultimate realisation of the receivables, including the creditworthiness and the past collection history of Zhong Bao Group.	Our audit procedures in relation to the management's recoverability assessment included: – obtaining an understanding of the key data and assumptions of the ECL model adopted by management, including the basis of the segmentation of trade receivables and advances based on credit risk characteristics, the historical default data, and the assumptions involved in management's estimated loss rate; – Evaluating the appropriateness of the valuation model and key inputs used in determining ECL allowances for amounts due from Zhong Bao Group with the involvement of our internal valuation expert and check the mathematical accuracy of the valuation model; – reviewing the historical settlement record of Zhong Bao Group; – obtaining the pledge agreement signed between the Group and Zhong Bao Group and assessing the sufficiency of the collateral in place; and – assessing the reasonableness of management's lifetime ECL allowance estimates on trade receivables due from Zhong Bao Group and management's 12-month ECL allowance estimates on advances due from Zhong Bao Group, by examining the information used by management to form such judgments including testing the accuracy of the historical default data.

Recognition of vendor rebates

Refer to material accounting policies in note 4.18, critical accounting estimates and judgments in note 5 and the disclosure of the rebate receivables in note 22 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The Group receives vendor rebates under various and different arrangements from automobile manufacturers. Rebate arrangements, which can vary in different fiscal years and between automobile manufacturers, include volume based purchase rebates, sales rebates for certain specific car models and other specific rebates. The Group recognises vendor rebates with reference to the entitlement conditions set by the automobile manufacturers. As at 31 December 2023, the rebate receivables recognised in the consolidated statement of financial position amounted to HK$94,857,000. We identified recognition of vendor rebates as a key audit matter because of its significance to the consolidated financial statements and because there are many different kinds of rebate arrangements in place and critical judgments are required in estimating the rebate receivables with reference to the entitlement conditions.	Our audit procedures included: – obtaining an understanding of the design and implementation of management's key internal controls in relation to the recognition of vendor rebates; – assessing on a sample basis, the rebate policies in respect of the recognition of vendor rebates by inspecting the terms and conditions set out in each type of rebate arrangement communicated by the respective automobile manufacturers with reference to the prevailing accounting standards; and – checking the mathematical accuracy of the calculation of the rebate receivables based on the rebate policies.

Independent Auditor's Report

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2023 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

22 March 2024

Han Pui Yu
Practising Certificate No.: P07101

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	6	**2,080,324**	2,362,390
Other income	8	**107,761**	59,891
		2,188,085	2,422,281
Changes in inventories	10.1	**(35,369)**	(929)
Auto parts and accessories, and motor vehicles purchased	10.1	**(1,834,482)**	(2,079,650)
Employee benefit expenses	13	**(129,747)**	(135,364)
Depreciation and amortisation		**(55,293)**	(59,226)
Lease charges	10.3	**(5,502)**	(5,493)
Exchange differences, net		**(2,068)**	(4,018)
(Provision)/Reversal of ECL allowance on trade and other receivables, net	10.3	**(4,711)**	3,390
Other expenses	9	**(75,167)**	(69,494)
Profit from operations		**45,746**	71,497
Finance costs	10.2	**(38,028)**	(33,156)
Profit before income tax	10	**7,718**	38,341
Income tax expense	11	**(3,640)**	(12,237)
Profit for the year		**4,078**	26,104
Other comprehensive income/(expense)			
Item that will not be reclassified subsequently to profit or loss:			
Unlisted equity investments at FVOCI – net movement in fair value reserves (non-recycling)	36	**2,751**	(4,212)
Item that will be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(10,804)**	(67,716)
Other comprehensive expenses for the year, net of tax		**(8,053)**	(71,928)
Total comprehensive expenses for the year		**(3,975)**	(45,824)
Profit for the year attributable to:			
Owners of the Company		**4,078**	26,104
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(3,975)**	(45,824)
		HK cents	HK cents
Earnings per share			
Basic and diluted	12	**0.86**	5.48

The notes on pages 62 to 145 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**264,390**	249,471
Intangible asset	15	**6,624**	8,952
Prepaid expenses	16	**12,144**	12,323
Right-of-use assets	17	**159,928**	181,391
Goodwill	18	**6,231**	6,315
Financial asset at fair value through other comprehensive income	19	**10,843**	8,218
Deposits for acquisition of property, plant and equipment		**1,486**	13,707
Deferred tax assets	29	**4,131**	–
		465,777	480,377
Current assets			
Inventories	20	**130,681**	166,050
Trade receivables	21	**104,688**	135,501
Prepayments, deposits and other receivables	22	**879,343**	760,617
Tax recoverable		**2,887**	–
Pledged deposits	23	**112,774**	114,609
Cash and bank balances	23	**62,736**	80,695
		1,293,109	1,257,472
Current liabilities			
Trade payables	24	**48,465**	51,686
Lease liabilities	25	**8,441**	10,612
Contract liabilities	26	**41,221**	56,913
Accruals and other payables	27	**55,200**	48,592
Bills payables	24	**131,056**	132,815
Borrowings	28	**562,549**	536,442
Tax payable		**6,663**	5,022
		853,595	842,082
Net current assets		**439,514**	415,390
Total assets less current liabilities		**905,291**	895,767

Consolidated Statement of Financial Position (Continued)

as at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Borrowings	28	**26,753**	2,378
Lease liabilities	25	**101,562**	110,720
Deferred tax liabilities	29	**10,963**	12,681
		139,278	125,779
Net assets		**766,013**	769,988
EQUITY			
Equity attributable to owners of the Company			
Share capital	30	**47,630**	47,630
Reserves	31	**718,383**	722,358
Total equity		**766,013**	769,988

Yuen Kin Pheng
Director

Choy Choong Yew
Director

The notes on pages 62 to 145 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium* HK$'000 (note 31)	Capital reserve* HK$'000 (note 31)	Statutory reserve* HK$'000 (note 31)	Other reserve* HK$'000 (note 31)	Translation reserve* HK$'000 (note 31)	Fair value reserve – non-recycling* HK$'000	Retained profits* HK$'000	Total equity HK$'000
At 1 January 2022	47,630	29,522	8,623	65,064	(10,735)	37,405	4,510	633,793	815,812
Profit for the year	–	–	–	–	–	–	–	26,104	26,104
Other comprehensive expense:									
Equity investments at FVOCI – net movement in fair value reserves (non-recycling)	–	–	–	–	–	–	(4,212)	–	(4,212)
Exchange loss on translation of financial statements of foreign operations	–	–	–	–	–	(67,716)	–	–	(67,716)
Total comprehensive (expense)/income for the year	–	–	–	–	–	(67,716)	(4,212)	26,104	(45,824)
Transaction with owners:									
Appropriation to statutory reserve	–	–	–	4,163	–	–	–	(4,163)	–
Total transactions with owners	–	–	–	4,163	–	–	–	(4,163)	–
At 31 December 2022	47,630	29,522	8,623	69,227	(10,735)	(30,311)	298	655,734	769,988
At 1 January 2023	47,630	29,522	8,623	69,227	(10,735)	(30,311)	298	655,734	769,988
Profit for the year	–	–	–	–	–	–	–	4,078	4,078
Other comprehensive income/(expenses):									
Equity investments at FVOCI – net movement in fair value reserves (non-recycling)	–	–	–	–	–	–	2,751	–	2,751
Exchange loss on translation of financial statements of foreign operations	–	–	–	–	–	(10,804)	–	–	(10,804)
Total comprehensive (expense)/income for the year	–	–	–	–	–	(10,804)	2,751	4,078	(3,975)
Transaction with owners:									
Appropriation to statutory reserve	–	–	–	3,841	–	–	–	(3,841)	–
Total transactions with owners	–	–	–	3,841	–	–	–	(3,841)	–
At 31 December 2023	47,630	29,522	8,623	73,068	(10,735)	(41,115)	3,049	655,971	766,013

* These equity accounts comprise the reserves of HK$718,383,000 (2022: HK$722,358,000) in the consolidated statement of financial position as at 31 December 2023.

The notes on pages 62 to 145 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Profit before income tax		**7,718**	38,341
Adjustments for:			
Finance costs	10.2	**38,028**	33,156
Bank interest income	8	**(1,690)**	(1,375)
Gain on disposals of property, plant and equipment	8	**(2,199)**	(4,366)
Gain on disposals of right-of-use assets	8	**(3,012)**	(3,476)
Written-off of property, plant and equipment	10.3	**48**	–
Loss allowance from financial guarantee contracts	9	**3,144**	1,606
Depreciation of property, plant and equipment	10.3	**34,139**	31,597
Depreciation of right-of-use assets	10.3	**18,933**	25,307
Amortisation of intangible asset	10.3	**2,221**	2,322
Provision/(Reversal) of ECL allowance on trade receivables	10.3	**268**	(2,595)
Provision/(Reversal) of ECL allowance on other receivables	10.3	**4,443**	(795)
Operating profit before working capital changes		**102,041**	119,722
Decrease in inventories		**33,370**	13,153
Decrease/(Increase) in trade receivables		**28,887**	(13,777)
(Increase)/Decrease in prepayments, deposits and other receivables		**(126,152)**	9,193
(Decrease)/Increase in trade payables		**(3,221)**	1,766
Decrease in bills payables		**(1,759)**	(23,664)
Decrease in contract liabilities		**(16,454)**	(52,863)
Increase in accruals and other payables		**2,813**	12,320
Cash generated from operations		**19,525**	65,850
Interest received		**1,690**	1,375
Interest paid for borrowings		**(31,345)**	(25,779)
Income tax paid		**(9,842)**	(19,458)
Net cash (used in) from operating activities		**(19,972)**	21,988

Consolidated Statement of Cash Flows (Continued)

for the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(51,251)	(110,334)
Decrease in pledged deposits		1,835	31,965
Proceeds from disposal of property, plant and equipment		13,566	20,085
Proceeds of disposal of right-of-use assets		4,220	6,529
Deposits for acquisition property, plant and equipment		–	(13,707)
Net cash used in investing activities		(31,630)	(65,462)
Cash flows from financing activities			
New borrowings raised	41.2	1,435,842	1,045,802
Repayment of borrowings	41.2	(1,382,243)	(989,667)
Payment of lease liabilities	41.2	(17,293)	(26,464)
Net cash from financing activities		36,306	29,671
Net decrease in cash and cash equivalents		(15,296)	(13,803)
Translation adjustments		(2,663)	(8,306)
Cash and cash equivalents at the beginning of the year		80,695	102,804
Cash and cash equivalents at the end of the year, represented by cash and bank balances		62,736	80,695

The notes on pages 62 to 145 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

G.A. Holdings Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 5 July 2001. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Unit 1007, Level 10, Tower I, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The consolidated financial statements for the year ended 31 December 2023 were approved and authorised for issue by the Board of Directors on 22 March 2024.

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

2.1 New and amended HKFRSs that are effective for annual periods beginning on 1 January 2023

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA"), which are effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2023:

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of new and amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

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. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those 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.

The amendments to HKAS 1 are applied by the Group on 1 January 2023 and are applied prospectively. The amendments have no impact on the Group's financial positions and performance but has affected the accounting policies disclosures as set out in note 4 to the consolidated financial statements.

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

2.1 New and amended HKFRSs that are effective for annual periods beginning on 1 January 2023 *(Continued)*

Amendments to HKAS 8 "Definition of Accounting Estimates" ("HKAS 8")

The amendments clarify how entities should distinguish changes in accounting policies from changes in accounting estimates by introducing a definition for accounting estimates, which is now defined as "monetary amounts in the financial statements that are subject to measurement uncertainty".

Besides, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Accounting estimates typically involve the use of judgements or assumptions based on latest available reliable information. A change in accounting estimate that results from new information or new development is not correction of an error. Therefore, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are applied by the Group on 1 January 2023 and are applied prospectively. The amendments have no impact on the consolidated financial statements of the Group.

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 "Income Taxes" ("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 and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as 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 Group adopted the amendments from 1 January 2023 and are required to recognise the associated deferred tax assets and liabilities from leases that occurred on or after 1 January 2022, with any cumulative effect recognised as an adjustment to retained profits at that date.

Prior to the application of the amendments, the Group had recognised the deferred tax assets and liabilities arising from leases on a net basis. Following the requirements of the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets as at 1 January 2022. As the balances are qualified for offset under paragraph 74 of HKAS 12, there is no material impact on the opening retained profits as at 1 January 2022 as a result of the amendments.

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

2.1 New and amended HKFRSs that are effective for annual periods beginning on 1 January 2023 *(Continued)*

Amendments to HKAS 12 "International Tax Reform – Pillar Two Model Rules"

The amendments provide mandatory temporary relief from accounting for deferred tax arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules (i.e. global minimum tax rules designed to ensure that large multinational business pay a minimum effective rate of tax of 15% on profits in all countries) ("Pillar Two Model Rules"). Entities shall apply this temporary exception immediately and retrospectively upon issuance of the amendments and disclose the fact of the application.

Besides, the amendments also introduce additional disclosure requirements to help users of financial statements to understand an entity's exposure to income taxes arising from the Pillar Two Model Rules. These disclosure are required in periods in which the legislation for Pillar Two Model Rules is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The amendments have no impact on the consolidated financial statements because the Group does not fall into the scope of the Pillar Two Model Rules.

2.2 Issued but not yet effective HKFRSs

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of exchangeability[2]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 Effective date not yet determined

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

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

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

Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments remove an acknowledged inconsistency between the requirements in HKFRS 10 "Consolidated Financial Statements" and those in HKAS 28 "Investments in Associates and Joint Ventures" in dealing with the sale or contribution of assets between an investor and its associate or joint venture and require that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of the amendments has been postponed indefinitely with earlier adoption permitted. The directors expect that the amendments have no material impact on the consolidated financial statements.

Amendments to HKFRS 16 "Lease Liability in a Sale and Leaseback" ("Amendments to HKFRS 16")

The amendments specify that, in subsequent measurement of the lease liability arising from a sale and leaseback transaction (where the transaction qualifies as a sale under HKFRS 15 "Revenue from Contracts with Customers") ("HKFRS 15"), a seller-lessee determines "lease payments" and "revised lease payments" in a way that does not result in the recognition of a gain or loss that relates to the right of use it retains. It would reduce the lease liability as if the "lease payments" estimated at the date of transaction had been paid. Any difference between those lease payments and the amounts actually paid is recognised in profit or loss. The amendments do not prescribe a particular method of subsequent measurement. The seller-lessee will need to develop and apply an accounting policy that results in relevant and reliable information in accordance with HKAS 8.

Amendments to HKFRS 16 "Leases" ("HKFRS 16") are effective for annual reporting period beginning on or after 1 January 2024 and are applied by seller-lessee retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16. Earlier application is permitted. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

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

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

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" ("2020 Amendments") and related amendments to Hong Kong Interpretation 5 and Amendments to HKAS 1 "Non-current Liabilities with Covenants" ("2022 Amendments")

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current which are summarised as follows:

- It clarifies that a liability is non-current if an entity has a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months from the end of the reporting period. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at the date or at a later date;

- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and

- "Settlements" are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity's own equity instruments. Thus, if the counterparty conversion option is classified as liability under HKAS 32 "Financial Instruments: Presentation" ("HKAS 32"), the transfer of equity instruments by exercising the conversion option constitute settlement of liability for the purpose of current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with HKAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liability is current or non-current.

2022 Amendments issued in 2022 clarified that only covenants of a liability arising from a loan arrangement, which an entity must comply with on or before the end of the reporting period (even if the covenant is only assessed after the end of the reporting period) affect the classification of that liability as current or non-current. Those covenants to be complied with after the end of the reporting period do not affect such classification at the end of the reporting period.

Besides, the 2022 Amendments required an entity to provide additional disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The 2022 Amendments also deferred the effective date of the 2020 Amendments to the annual reporting periods beginning on or after 1 January 2024, in which both amendments are to be applied as a package and apply retrospectively. Earlier application is permitted.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

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

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

Amendments to HKAS 7 and HKFRS 7 "Supplier Finance Arrangements" on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangement ("SFA") and require additional disclosures to enhance the transparency of SFAs and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

The additional disclosures required by the amendments complement the existing disclosures in HKAS 7 and HKFRS 7. They require entities to disclose:

- the terms and conditions of the arrangement;
- the amount of the liabilities that are part of the arrangement, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities are included on the statement of financial position;
- ranges of payment due dates; and
- liquidity risk information.

The amendments, with certain specific transition reliefs, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

Amendments to HKAS 21 "Lack of exchangeability"

The amendments to HKAS 21 clarify the approach that should be taken by entities when they are reporting foreign currency transactions, translating foreign operations, or presenting financial statements in a different currency, and there is a long-term lack of exchangeability between the relevant currencies.

The amendments:

a) introduce a definition of whether a currency is exchangeable and the process by which an entity should assess this exchangeability (i.e. a currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations); and

b) set out a framework under which an entity can determine the spot exchange rate at the measurement date (by an observable exchange rate without adjustment or another estimation technique) when a currency lacks exchangeability.

Besides, the amendments also require an entity to disclose the additional information when it estimates a spot exchange rate due to lack of exchangeability.

The amendments are effective for annual periods beginning on or after 1 January 2025. Earlier application is permitted. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

2. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.3 New HKICPA guidance on the accounting implication of the MPF-LSP offsetting mechanism

The Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will take effect on 1 May 2025 (the "Transition Date"). The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory provident fund ("MPF") contributions to offset long service payment ("LSP") in respect of an employee's service from the Transition Date (the "Abolition"). In addition, the last month's salary immediately preceding the Transition Date is used to calculate the portion of the LSP in respect of the employment period before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in paragraph 93(b) of HKAS 19 "Employee benefits" (the "Practical Expedient") to account for the offsetable MPF benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" ("the Guidance") that provides guidance for the accounting for the offsetting mechanism and the impact arising from the abolition of the MPF-LSP offsetting mechanism.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has applied the above HKICPA guidance and changed its accounting policy in connection with its LSP liability, which should result in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022, with the corresponding adjustment to the comparative carrying amount of the LSP liability. However, since the amount of the catch-up profit or loss adjustment was immaterial, the Group did not restate the comparative figure for consolidated financial statements.

The abolition of the offsetting mechanism did not have a material impact on the Group's profit or loss for the year ended 31 December 2022 and the Group's and the Company's financial position as at 31 December 2022. In light of the immaterial impact, the Group did not apply the change in its accounting policy retrospectively.

3. BASIS OF PREPARATION

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

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

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

The material accounting policies that have been used in the preparation of these consolidated financial statements are summarised in note 4. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.

3. BASIS OF PREPARATION *(Continued)*

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

In the Company's statement of financial position, interests in subsidiaries are carried at cost less any impairment loss. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.2 Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Consideration transferred as part of a business combination does not include amounts related to the settlement of pre-existing relationships. The gain or loss on the settlement of any pre-existing relationship is recognised in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.3 Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the end of the reporting period retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date). When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the end of the reporting period. Income and expenses have been converted into Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.4 Property, plant and equipment

Property, plant and equipment (other than cost of right-of-use assets as described in note 4.13) are stated at acquisition cost less accumulated depreciation and accumulated impairment losses (note 4.19), if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

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

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

Motor vehicles which meet the definition of right-of-use assets are classified as right-of-use assets. Accounting policy for depreciation of right-of-use assets is set out in note 4.13.

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

4.5 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.6 Intangible assets (other than goodwill)

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

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

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

4.7 Financial instruments

Recognition and derecognition

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

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

Financial assets

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

– amortised cost;

– FVTPL; or

– FVOCI.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.7 Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and initial measurement of financial assets (Continued)

The classification is determined by both:

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

– the contractual cash flow characteristics of the financial asset.

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

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

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

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

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.7 Financial instruments *(Continued)*

Financial assets *(Continued)*

Subsequent measurement of financial assets (Continued)

Equity investments

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

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

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

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and bills payables, lease liabilities, accruals and other payables and borrowings.

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

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

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

Accounting policies of lease liabilities are set out in note 4.13.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.7 Financial instruments *(Continued)*

Financial liabilities *(Continued)*

Classification and measurement of financial liabilities (Continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Trade and bills payables, accruals and other payables

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

4.8 Impairment of financial assets

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

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

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

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

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

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.8 Impairment of financial assets *(Continued)*

Trade receivables

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

To measure ECL, trade receivables have been grouped based on share a credit risk, characteristics and the days past due. For trade receivables, the Group allows 0.3% (2022: 0.4%) for amounts that are neither past due nor impaired, 20.7% (2022: 23.6%) for amounts that are 1 to 90 days past due, 57.9% (2022: 62.0%) for amounts that are between 91 and 180 days past due and 100% (2022: 100%) for amounts that are more than 180 days past due.

Other financial assets measured at amortised cost

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

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

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

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

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.8 Impairment of financial assets *(Continued)*

Other financial assets measured at amortised cost *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

For internal credit risk management, the Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); or (ii) the financial asset is 30 days past due.

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 36.

Financial guarantee contracts

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

4.9 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

The Group reviews the condition and the ageing analysis of inventories at the end of the reporting period and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in providing repairing and maintenance service or sale.

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4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.10 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.11 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL and are reclassified to receivables when the right to the consideration has become unconditional.

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

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

4.12 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within other payables. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assessing the obligations. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under HKFRS 9 as set out in note 4.8 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period in accordance with the principles of HKFRS 15.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.13 Leases

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

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

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

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

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

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

Measurement and recognition of leases as a lessee

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.13 Leases *(Continued)*

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

Measurement and recognition of leases as a lessee (Continued)

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

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

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

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

Cost of leasehold land held by a lessee have been included in "Right-of-use assets". The prepayments for lease of leasehold land in which the lease period not yet commenced during the reporting period are presented as "Prepaid expenses" under non-current assets.

(b) ***The Group as a lessor***

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

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

The Group sub-leases some of its properties and the sub-lease contracts are classifies as operation leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.14 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provision are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.15 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. All transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

4.16 Revenue recognition

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

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

1. Identifying the contract with a customer.

2. Identifying the performance obligations.

3. Determining the transaction price.

4. Allocating the transaction price to the performance obligations.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.16 Revenue recognition *(Continued)*

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

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

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

Sales of motor vehicles

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

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

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

Servicing of motor vehicles and sales of auto parts

The Group offers servicing of motor vehicles, including maintenance, repairing and other support services. Revenue from servicing of motor vehicles is recognised when the relevant services have been provided and the Group received the payment or the right to receive payment has been established. For the contract which the Group grants a customer the option to acquire additional services, the Group assesses whether the option provides a material right to the customer. If the option provides a material right, the Group recognises the option as a performance obligation.

Technical service fee income

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.16 Revenue recognition *(Continued)*

Car rental income

Car rental income arising from car rental activities is recognised when the relevant services have been rendered.

Commission income and consultancy service income

Commission income and consultancy service income are recognised when the relevant services have been rendered.

Interest income

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

Financial guarantee income

Income from the financial guarantee contracts is recognised over the term of the guarantee periods (note 4.12).

4.17 Government grants

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

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

4.18 Vendor rebates

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.19 Impairment of non-financial assets

The following assets are subject to impairment testing:

– Goodwill arising on acquisition of a subsidiary;

– Intangible asset;

– Property, plant and equipment;

– Right-of-use assets;

– Prepaid expenses; and

– Interests in subsidiaries in the Company's statement of financial position.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

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

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

4.20 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans. In addition, the employees employed under the Hong Kong Employment Ordinance are also entitled to LSP if the eligibility criteria are met. The LSP are defined benefits plans.

(a) *Defined contribution plans*

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

The employees of the Group's subsidiaries which operate in the PRC and Singapore are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.20 Employee benefits *(Continued)*

Retirement benefits *(Continued)*

(b) Defined benefit plans

The amount of long service benefit that an employee will receive on cessation of employment in certain circumstances is defined by reference to the employee's length of service and corresponding salary. The legal obligations for any benefits remains with the Group.

The LSP obligations recognised in the consolidated statement of financial position is the present value of the LSP obligation at the end of the reporting period.

Management estimates the LSP obligations. This is based on the discount rate, the salary growth rate, turnover rate and the expected investment return on offsetable MPF accrued benefits. Discount factors are determined close to the end of each annual reporting period by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related defined benefit liability.

Defined benefit costs are categorised as follows: ·

– service cost (including current and past service cost, and gains and losses on curtailments and settlements);

– net interest expense or income; and

– remeasurement.

Service cost on the Group's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost.

Gains and losses resulting from remeasurements of the net defined benefit liability, comprising actuarial gains and losses, are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises costs for any related restructuring.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.21 Borrowing costs

Borrowing costs are expensed when incurred.

4.22 Accounting for income taxes

Income tax comprises current and deferred tax.

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

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

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the requirements in HKAS 12 to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to the lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of the reporting period.

Changes in deferred tax assets or liabilities are recognised in the profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.22 Accounting for income taxes *(Continued)*

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

– income or loss excluding reversals of temporary differences; and

– reversals of existing temporary differences.

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

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

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

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

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

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

(i) the same taxable entity; or

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.23 Segment reporting

The Group identifies reportable segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined based on the Group's major product and service lines.

The Group has identified the following reportable segments:

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

– Car rental business

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

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its consolidated financial statements prepared under HKFRSs, except for the income tax and corporate income and expenses including certain finance costs which are not directly attributable to the business activities of any reportable segment and they are not included in arriving at the operating results of the reportable segment.

Segment assets exclude corporate assets that are not directly attributable to business activities of any reportable segment, which primarily applies to the Group's headquarters.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any reportable segment and are not allocated to a segment.

No asymmetrical allocations have been applied to reportable segments.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

4.24 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or a parent of the Group.

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

- (i) the entity and the Group are members of the same group.
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) the entity and the Group are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimation uncertainties

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

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

The Group makes allowances on items subjects to ECL (including trade receivables and other financial assets measured at amortised cost) based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period as set out in note 4.8. As at 31 December 2023, the aggregate carrying amounts of trade receivables and other financial assets measured at amortised cost amounted to HK$104,688,000 (net of ECL allowance of HK$2,979,000) and HK$1,039,276,000 (net of ECL allowance of HK$14,354,000) (2022: HK$135,501,000 (net of ECL allowance of HK$2,711,000) and HK$944,479,000 (net of ECL allowance of HK$9,911,000)) respectively.

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

Determination of the discount rate for calculating lease liabilities

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

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

Estimation uncertainties *(Continued)*

Depreciation, amortisation and impairment assessment of property, plant and equipment, intangible asset, right-of-use assets, prepaid expenses and interests in subsidiaries in the Company's statement of financial position

Property, plant and equipment, intangible asset, right-of-use assets and prepaid expenses with finite useful lives are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

Property, plant and equipment, intangible asset, right-of-use assets, prepaid expenses with finite useful lives and interests in subsidiaries in the Company's statement of financial position are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the assets have been determined based on the higher of fair value less costs of disposal and value-in-use calculations. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. No impairment is required for the years ended 31 December 2023 and 2022. As at 31 December 2023, the carrying amounts of property, plant and equipment, intangible asset, right-of-use assets, prepaid expenses and interests in subsidiaries in the Company's statement of financial position were HK$264,390,000, HK$6,624,000, HK$159,928,000, HK$12,144,000 and HK$80,978,000 respectively (2022: HK$249,471,000, HK$8,952,000, HK$181,391,000, HK$12,323,000 and HK$80,978,000 respectively).

Provision for inventories

The management of the Group reviews the condition and the ageing analysis of inventories at the end of the reporting period and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in providing repairing and maintenance service or sale. The management estimates the net realisable value for motor vehicles, auto parts and accessories based primarily on the latest selling and purchase prices and on current market conditions. The Group carries out an inventory review on an item-by-item basis at the end of the reporting period and makes allowance for slow-moving inventories. If the market condition was to deteriorate, resulting in a lower net realisable value for such inventories, additional allowances may be required. As at 31 December 2023, the carrying amount of inventories was HK$130,681,000 (2022: HK$166,050,000).

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

Estimation uncertainties *(Continued)*

Estimated rebate receivables

The Group receives incentive rebates from suppliers from time to time depending on the policies of the manufacturers. The amount of incentive rebates given by a manufacturer for a given period is generally determined with reference to the Group's purchase volume, sales volume, customer satisfaction and other performance indicators set by the manufacturer with respect to that period. The Group accrues incentive rebates based on management's best estimates and judgments as of the relevant end of the reporting period while the actual amount of the incentive rebates is determined by the manufacturers after the end of the reporting period. These estimates and judgments involve, among other factors, the estimated results of assessment by the manufacturers for the Group's performance in various aspects during the reporting period. When the actual rebates received by the Group differ from the estimated amount, adjustment will be made and recognised in the period in which such event takes place. As at 31 December 2023, the carrying amount of rebate receivables was HK$94,857,000 (2022: HK$75,182,000).

Income taxes and deferred taxation

The Group is subject to income taxes in Hong Kong, the PRC and Singapore. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made. Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised.

Deferred tax liabilities relating to undistributed profit of those subsidiaries in the PRC are recognised based on the undistributed profit of those subsidiaries generated since 1 January 2008 which is expected to be distributed in the foreseeable future. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and liabilities and taxation charges in the period in which such estimate is changed.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. In process of estimating expected future cash flows, management makes assumptions about future revenue and results. These assumptions relate to future events and circumstances. Determining the appropriate discount rate involves estimating the appropriate adjustment for risk-free rate, market return and CGUs specific risk factors. The actual results may vary and cause a material adjustment to the carrying amount of goodwill within the next financial year. As at 31 December 2023, the carrying amount of goodwill was HK$6,231,000 (2022: HK$6,315,000).

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

Estimation uncertainties *(Continued)*

Fair value of financial asset at FVOCI

The fair value of financial asset at FVOCI that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and determine the fair values primarily based on the purchase price paid by the Group, net asset value and taking into account of the analysis of the investees' financial trends and results, risk profile, prospects, industry trends and other factors. Independent external valuer has been involved in determining fair value of certain unlisted investments. The key assumptions adopted on projected cash flow are based on management's best estimates. As at 31 December 2023, the carrying amount of financial asset at FVOCI was HK$10,843,000 (2022: HK$8,218,000).

Financial guarantees valuation

The valuation of the financial guarantees requires the use of the management judgement in selecting an appropriate valuation technique for the financial guarantee contracts, and assumptions included the probability of default by the specified counterparty and an analysis of the counterparty's current and future financial position. Further details of the financial guarantee contracts are set out in note 35.

Estimation of LSP obligations

Management's estimate of the LSP obligations is based on a number of critical underlying assumptions such as the discount rate, the salary growth rate, turnover rate and the expected investment return on offsetable MPF accrued benefits. Variation in these assumptions may significantly impact the LSP obligations amount and the annual defined benefit expenses amount. Any changes in these assumptions will impact the carrying amount of LSP obligations.

6. REVENUE

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

	2023 HK$'000	2022 HK$'000
Sales of motor vehicles	**1,470,027**	1,752,680
Servicing of motor vehicles and sales of auto parts	**579,560**	577,473
Technical service fee income	**8,896**	10,010
Car rental income	**21,841**	22,227
Revenue from contracts with customers	**2,080,324**	2,362,390

6. REVENUE *(Continued)*

Disaggregation of revenue from contracts with customers

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

	2023 HK$'000	2022 HK$'000
Types of goods and services		
Sales of motor vehicles	**1,470,027**	1,752,680
Servicing of motor vehicles and sales of auto parts	**579,560**	577,473
Technical service	**8,896**	10,010
Car rental service	**21,841**	22,227
Total	**2,080,324**	2,362,390
Timing of revenue recognition		
At a point in time	**2,058,483**	2,340,163
Over time	**21,841**	22,227
Total	**2,080,324**	2,362,390
Geographical markets		
China (Mainland)	**2,058,483**	2,340,163
China (Hong Kong)	**21,841**	22,227
Total	**2,080,324**	2,362,390
Type of customers		
Corporate	**407,708**	438,871
Individuals	**1,672,616**	1,923,519
Total	**2,080,324**	2,362,390

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7. SEGMENT INFORMATION

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

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

	2023		
	Motor vehicle sales and services business HK$'000	**Car rental business HK$'000**	**Total HK$'000**
Reportable segment revenue	2,058,483	21,841	2,080,324
Reportable segment profit	9,577	3,220	12,797
Other information:			
Depreciation and amortisation of non-current assets	(43,039)	(10,009)	(53,048)
Gain on disposals of property, plant and equipment	1,378	821	2,199
Gain on disposals of right-of-use assets	–	3,012	3,012
Provision of ECL allowance on trade receivables	(268)	–	(268)
Provision of ECL allowance on other receivables	(4,443)	–	(4,443)
Additions to non-current assets (other than financial instruments) during the year	62,298	6,173	68,471
Finance costs	(34,011)	(405)	(34,416)

7. SEGMENT INFORMATION *(Continued)*

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

	2022		
	Motor vehicle sales and services business HK$'000	Car rental business HK$'000	Total HK$'000
Reportable segment revenue	2,340,163	22,227	2,362,390
Reportable segment profit	47,161	1,458	48,619
Other information:			
Depreciation and amortisation of non-current assets	(42,955)	(13,806)	(56,761)
Gain on disposals of property, plant and equipment	2,112	2,254	4,366
Gain on disposals of right-of-use assets	–	3,476	3,476
Reversal of ECL allowance on trade receivables	2,595	–	2,595
Reversal of ECL allowance on other receivables	795	–	795
Additions to non-current assets (other than financial instruments) during the year	111,060	14,309	125,369
Finance costs	(30,948)	(365)	(31,313)

7. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities

	2023		
	Motor vehicle sales and services business HK$'000	**Car rental business HK$'000**	**Total HK$'000**
Reportable segment assets	**1,538,813**	**28,209**	**1,567,022**
Reportable segment liabilities	**911,209**	**14,197**	**925,406**

	2022		
	Motor vehicle sales and services business HK$'000	Car rental business HK$'000	Total HK$'000
Reportable segment assets	1,499,704	32,725	1,532,429
Reportable segment liabilities	886,131	13,905	900,036

7. SEGMENT INFORMATION *(Continued)*

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

	2023 HK$'000	2022 HK$'000
Reportable segment revenue	**2,080,324**	2,362,390
Reportable segment profit	**12,797**	48,619
Unallocated corporate income	**12,359**	6,868
Unallocated corporate expenses		
Depreciation and amortisation of non-current assets	**(2,245)**	(2,465)
Employee benefit expenses	**(6,901)**	(5,660)
Others	**(4,680)**	(7,178)
Unallocated finance costs	**(3,612)**	(1,843)
Profit before income tax	**7,718**	38,341
Reportable segment assets	**1,567,022**	1,532,429
Non-current corporate assets (note (i))	**11,401**	9,384
Current corporate assets (note (ii))	**180,463**	196,036
Consolidated total assets	**1,758,886**	1,737,849
Reportable segment liabilities	**925,406**	900,036
Non-current corporate liabilities (note (iii))	**11,178**	13,293
Current corporate liabilities (note (iv))	**56,289**	54,532
Consolidated total liabilities	**992,873**	967,861

7. SEGMENT INFORMATION *(Continued)*

(c) Reconciliation of segment information to the Group's key financial figures as presented in the consolidated financial statements: *(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 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 and certain lease 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 and tax payables that are not directly attributable to the business activities of the reportable segments or that are managed on group basis.

(d) Geographical segments

The Group's revenue from external customers and non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets (other than financial instruments and deferred tax assets)	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
China (Mainland)	**2,058,483**	2,340,163	**426,632**	441,648
China (Hong Kong)	**21,841**	22,227	**23,678**	29,997
Singapore	**–**	–	**493**	514
	2,080,324	2,362,390	**450,803**	472,159

The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets or the location of operations.

For the years ended 31 December 2023 and 2022, no revenue from a single customer accounted for 10% or more of the Group's revenue.

8. OTHER INCOME

	2023 HK$'000	2022 HK$'000
Bank interest income	1,690	1,375
Commission income	1,865	2,219
Consultancy service income	85,230	38,328
Financial guarantee income	4,792	2,348
Gain on disposals of property, plant and equipment	2,199	4,366
Gain on disposals of right-of-use assets	3,012	3,476
Government grants	438	1,331
Sundry income	8,535	6,448
	107,761	59,891

9. OTHER EXPENSES

	2023 HK$'000	2022 HK$'000
Advertising and promotion expenses	9,547	11,365
Auditor's remuneration	1,405	1,594
Bank charges	4,200	3,066
Entertainment expenses	6,261	3,907
Insurance expenses	2,266	2,307
IT service fees	2,319	2,444
Legal and professional fees	3,080	1,869
Loss allowance from financial guarantee contracts	3,144	1,606
Miscellaneous expenses	4,782	4,606
Motor vehicles expenses	8,523	7,833
Office expenses	9,861	9,873
Other taxes and levies*	8,435	9,074
Repairs and maintenance expenses	1,444	1,681
Transportation and travelling expenses	4,552	3,213
Utilities	5,348	5,056
	75,167	69,494

* Other taxes and levies mainly represents the indirect taxes arising from sales and other operating activity of the Group.

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for the year ended 31 December 2023

10. PROFIT BEFORE INCOME TAX

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

10.1 Cost of inventories

	2023 HK$'000	2022 HK$'000
Changes in inventories		
Motor vehicles	22,121	15,719
Auto parts and accessories	13,248	(14,790)
	35,369	929
Auto parts and accessories, and motor vehicles purchased		
Motor vehicles	1,493,236	1,712,559
Auto parts and accessories	341,246	367,091
	1,834,482	2,079,650
	1,869,851	2,080,579

10.2 Finance costs

	2023 HK$'000	2022 HK$'000
Interest charges on bank and other borrowings	31,345	25,779
Finance charges on lease liabilities	6,683	7,377
	38,028	33,156

10. PROFIT BEFORE INCOME TAX *(Continued)*

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

10.3 Other items

	2023 HK$'000	2022 HK$'000
Auditor's remuneration	1,405	1,594
Lease charges:		
Short term leases and leases term shorter than 12 months	5,386	5,412
Leases of low-value items	116	81
Total lease charges	5,502	5,493
Depreciation:		
Owned assets (note 14)	34,139	31,597
Right-of-use assets (note 17)	18,933	25,307
Total depreciation	53,072	56,904
Gain on disposals of property, plant and equipment (note 8)	(2,199)	(4,366)
Gain on disposals of right-of-use assets (note 8)	(3,012)	(3,476)
Amortisation of an intangible asset (note 15)	2,221	2,322
Written-off of property, plant and equipment	48	–
Loss allowance from financial guarantee contracts	3,144	1,606
Provision/(Reversal) of ECL allowance on trade receivables (note 21)	268	(2,595)
Provision/(Reversal) of ECL allowance on other receivables (note 22)	4,443	(795)
Provision/(Reversal) of ECL allowance on trade and other receivables, net	4,711	(3,390)
Net foreign exchange loss	2,068	4,018

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

11. INCOME TAX EXPENSE

The provision for Hong Kong Profits Tax for the year ended 31 December 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year. For the years ended 31 December 2023 and 2022, a subsidiary of the Group is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK$2 million are taxed at 16.5%.

Hong Kong Profits Tax has not been provided for the year ended 31 December 2023 and 2022 as the assessable profits of the Company's subsidiaries were wholly absorbed by unrelieved tax losses bought forward from previous year.

The Company is incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to tax on income or capital gains. Additionally, the Cayman Islands do not impose a withholding tax on payments of dividends to shareholders. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

The income tax provision in respect of operations in the PRC is calculated at the applicable rates on the estimated assessable profits for the year based on the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25% (2022: 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% (2022: 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% (2022: 5%).

Income tax in respect of operations in Singapore has not been provided for the years ended 31 December 2023 and 2022 as the Company's Singapore subsidiary has no assessable profits for the years ended 31 December 2023 and 2022.

	2023 HK$'000	2022 HK$'000
Current tax – Overseas		
Charge for the year	9,378	13,959
Current tax – total	9,378	13,959
Deferred tax (note 29)	(5,738)	(1,722)
Total income tax expense	3,640	12,237

11. INCOME TAX EXPENSE *(Continued)*

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

	2023 HK$'000	2022 HK$'000
Profit before income tax	**7,718**	38,341
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**1,929**	9,715
Tax effect of non-deductible expenses	**2,885**	3,944
Tax effect of non-taxable revenue	**(2,664)**	(2,566)
Tax effect of tax losses not recognised	**2,963**	1,666
Utilisation of tax losses previously not recognised	**(705)**	–
Others	**(768)**	(522)
Income tax expense	**3,640**	12,237

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to the owners of the Company for the year of approximately HK$4,078,000 (2022: HK$26,104,000) and on the weighted average number of 476,300,000 (2022: 476,300,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2023 and 2022 are the same as the basic earnings per share as there was no dilutive potential ordinary share for the years ended 31 December 2023 and 2022.

13. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 HK$'000	2022 HK$'000
Salaries and wages	**112,273**	117,872
Other benefits	**4,901**	5,301
Contributions to defined contribution plan	**12,573**	12,191
	129,747	135,364

Note:

At 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: nil).

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

13.1 Directors' emoluments

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

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000 (note)	Contribution to defined contribution plan HK$'000	Total HK$'000
2023					
Executive Directors					
Mr. Choy Choong Yew[####]	–	1,517	–	–	1,517
Mr. Ma Hang Kon, Louis	–	2,171	349	18	2,538
Mr. Zhang Xi	–	346	–	–	346
Mr. Xue Guo Qiang (Resigned on 31 January 2023)	–	19	–	–	19
Mr. Yuen Kin Pheng[#]	133	184	–	–	317
Mr. Li Ze Qing[##]	–	295	–	–	295
Independent Non-Executive Directors					
Mr. Zhou Ming	204	–	–	–	204
Ms. Guan Xin	135	–	–	–	135
Mr. Lin Ju Zheng[###]	203	–	–	–	203
	675	4,532	349	18	5,574

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

13.1 Directors' emoluments *(Continued)*

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000 (note)	Contribution to defined contribution plan HK$'000	Total HK$'000
2022					
Executive Directors					
Mr. Luo Wan Ju (Resigned on 18 February 2022)	–	91	–	5	96
Mr. Choy Choong Yew####	–	1,586	–	–	1,586
Mr. Ma Hang Kon, Louis	–	2,098	509	18	2,625
Mr. Zhang Xi	–	362	–	–	362
Mr. Xue Guo Qiang (Resigned on 31 January 2023)	–	230	–	–	230
Non-Executive Director					
Mr. Lin Ju Zheng	216	–	–	–	216
Independent Non-Executive Directors					
Mr. Yuen Kin Pheng#	309	–	–	–	309
Mr. Zhou Ming	204	–	–	–	204
Ms. Guan Xin	144	–	–	–	144
	873	4,367	509	23	5,772

Appointed as Chairman of the board on 18 February 2022 and re-designated to Executive Director on 1 June 2023

Appointed on 15 February 2023

Re-designated to Independent Non-Executive Director on 1 June 2023

As a Managing Director taking Chief Executive officer's role

Note:

Discretionary bonus for the year was determined by the remuneration committee having regard to the performance and duties of directors.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the years.

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

13.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2022: two) directors whose emoluments are included in the analysis presented above. The emoluments payable to the remaining three (2022: three) individuals during the year are as follows:

	2023 HK$'000	2022 HK$'000
Wages, salaries and other benefits	2,650	3,053
Contributions to defined contribution plan	103	106
	2,753	3,159

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
Emolument bands		
Nil to HK$1,000,000	2	1
HK$1,000,001 to HK$1,500,000	1	2

13.3 Key management personnel compensation

	2023 HK$'000	2022 HK$'000
Wages, salaries and other benefits	8,207	8,802
Contributions to defined contribution plan	121	129
	8,328	8,931

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Motor Vehicles HK$'000	Furniture and equipment HK$'000	Total HK$'000
At 1 January 2022						
Cost	159,712	70,396	43,850	83,283	42,789	400,030
Accumulated depreciation and impairment	(50,409)	(30,888)	(32,573)	(38,435)	(38,078)	(190,383)
Net carrying amount	109,303	39,508	11,277	44,848	4,711	209,647
Year ended 31 December 2022						
Opening net carrying amount	109,303	39,508	11,277	44,848	4,711	209,647
Exchange differences	(8,890)	(3,142)	(2,961)	(8,631)	(3,257)	(26,881)
Additions	17,772	46,447	3,589	34,296	8,230	110,334
Disposals	(497)	–	–	(11,535)	–	(12,032)
Depreciation	(8,311)	(5,897)	(2,361)	(13,070)	(1,958)	(31,597)
Closing net carrying amount	109,377	76,916	9,544	45,908	7,726	249,471
At 31 December 2022						
Cost	168,487	113,701	42,469	77,043	42,296	443,996
Accumulated depreciation and impairment	(59,110)	(36,785)	(32,925)	(31,135)	(34,570)	(194,525)
Net carrying amount	109,377	76,916	9,544	45,908	7,726	249,471
Year ended 31 December 2023						
Opening net carrying amount	**109,377**	**76,916**	**9,544**	**45,908**	**7,726**	**249,471**
Exchange differences	**(1,419)**	**(982)**	**(132)**	**(357)**	**(109)**	**(2,999)**
Additions	**–**	**27,908**	**6,578**	**27,432**	**1,554**	**63,472**
Disposals	**–**	**–**	**(138)**	**(11,277)**	**–**	**(11,415)**
Depreciation	**(8,062)**	**(7,657)**	**(2,186)**	**(13,759)**	**(2,475)**	**(34,139)**
Closing net carrying amount	**99,896**	**96,185**	**13,666**	**47,947**	**6,696**	**264,390**
At 31 December 2023						
Cost	**167,175**	**140,627**	**48,915**	**84,060**	**39,920**	**480,697**
Accumulated depreciation and impairment	**(67,279)**	**(44,442)**	**(35,249)**	**(36,113)**	**(33,224)**	**(216,307)**
Net carrying amount	**99,896**	**96,185**	**13,666**	**47,947**	**6,696**	**264,390**

As at 31 December 2023, certain leasehold improvement, motor vehicles and plant and machinery with net carrying amount of approximately HK$42,308,000 (2022: HK$16,798,000) was pledged as collateral for the other borrowings of the Group (note 28.1).

As at 31 December 2023, building with net carrying amount of approximately HK$17,832,000 (2022: HK$20,265,000) was pledged as collateral for the bank borrowings of the Group (note 28.1).

15. INTANGIBLE ASSET

	Car dealership HK$'000
At 1 January 2022	
Cost	24,460
Accumulated amortisation	(12,230)
Net carrying amount	12,230
Year ended 31 December 2022	
Opening net carrying amount	12,230
Amortisation	(2,322)
Exchange differences	(956)
Closing net carrying amount	8,952
At 31 December 2022	
Cost	22,380
Accumulated amortisation	(13,428)
Net carrying amount	8,952
Year ended 31 December 2023	
Opening net carrying amount	**8.952**
Amortisation	**(2,221)**
Exchange differences	**(107)**
Closing net carrying amount	**6,624**
At 31 December 2023	
Cost	**22,080**
Accumulated amortisation	**(15,456)**
Net carrying amount	**6,624**

The Group's identifiable intangible asset represents car dealership in the PRC, arising from the relationship with the automobile manufacturer, with an estimated useful lives of 10 years.

16. PREPAID EXPENSES

	2023 HK$'000	2022 HK$'000
Opening net carrying amount at 1 January	**12,323**	12,844
Exchange differences	**(179)**	(521)
Closing net carrying amount at 31 December	**12,144**	12,323

As at 31 December 2023 and 2022, the carrying amount represents prepayments for lease of leasehold land located in Beijing using as certain motor vehicle showroom, service centres and related facilities.

17. RIGHT-OF-USE ASSETS

	Properties HK$'000	Leasehold land HK$'000	Prepaid rental expenses HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2022					
Cost	154,622	87,853	2,954	58,663	304,092
Accumulated depreciation and impairment	(33,838)	(8,417)	(1,407)	(34,531)	(78,193)
Net carrying amount	120,784	79,436	1,547	24,132	225,899
Year ended 31 December 2022					
Opening net book amount	120,784	79,436	1,547	24,132	225,899
Exchange differences	(9,676)	(6,617)	(642)	(363)	(17,298)
Additions	1,328	–	–	–	1,328
Disposal	–	–	–	(3,231)	(3,231)
Depreciation	(11,508)	(2,790)	(456)	(10,553)	(25,307)
Closing net carrying amount	100,928	70,029	449	9,985	181,391
At 31 December 2022					
Cost	140,276	81,236	2,312	42,975	266,799
Accumulated depreciation and impairment	(39,348)	(11,207)	(1,863)	(32,990)	(85,408)
Net carrying amount	100,928	70,029	449	9,985	181,391
Year ended 31 December 2023					
Opening net book amount	**100,928**	**70,029**	**449**	**9,985**	**181,391**
Exchange differences	**(1,263)**	**(908)**	**–**	**(19)**	**(2,190)**
Additions	**868**	**–**	**–**	**–**	**868**
Disposal	**–**	**–**	**–**	**(1,208)**	**(1,208)**
Depreciation	**(10,521)**	**(2,703)**	**(449)**	**(5,260)**	**(18,933)**
Closing net carrying amount	**90,012**	**66,418**	**–**	**3,498**	**159,928**
At 31 December 2023					
Cost	**139,878**	**80,328**	**2,312**	**30,891**	**253,409**
Accumulated depreciation and impairment	**(49,866)**	**(13,910)**	**(2,312)**	**(27,393)**	**(93,481)**
Net carrying amount	**90,012**	**66,418**	**–**	**3,498**	**159,928**

As at 31 December 2023, certain motor vehicles included in right-of-use assets with net carrying amount of approximately HK$270,000 (2022: HK$4,457,000) was pledged as collateral for the lease liabilities of the Group. Details of the lease contracts are set out in note 25.

As at 31 December 2023, leasehold land included in right-of-use assets with net carrying amounts of approximately HK$64,056,000 (2022: HK$67,575,000) and HK$2,362,000 (2022: HK$2,454,000) were pledged as collateral for the bank borrowings of the Group (note 28.1) and Xiamen Zhong Bao, respectively.

18. GOODWILL

	2023 HK$'000	2022 HK$'000
Opening net carrying amount	**6,315**	6,902
Exchange adjustment	**(84)**	(587)
Closing net carrying amount	**6,231**	6,315

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

The recoverable amount of the CGU to which goodwill is allocated, being the car dealership business conducted by a subsidiary, Quanzhou Fubao Automobiles Sales and Service Co., Ltd. ("QZ Fubao"), which was acquired in 2016. The recoverable amount of the CGU has been determined based on cash flow projections from formally approved budgets covering a three-year (2022: three-year) period. Cash flow beyond the three-year (2022: three-year) period are extrapolated using a growth rate of 2.2%(2022: 2.0%), which does not exceed the long-term growth rate for the automobile industry in the PRC. Discount rate is 15.6% (2022: 17.0%) which is pre-tax and reflect specific risks relating to the relevant CGU. Gross profit margin is 3.9% (2022: 7.9%) which has been determined with reference to actual performance during the period and the expected market development. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed the aggregate recoverable amount.

19. FINANCIAL ASSET AT FVOCI

	2023 HK$'000	2022 HK$'000
Financial assets at FVOCI (non-recycling)		
Unlisted equity investment	**10,843**	8,218

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

The fair value of the Group's unlisted equity investment has been measured as described in note 36.

20. INVENTORIES

	2023 HK$'000	2022 HK$'000
Motor vehicles	**101,486**	123,607
Auto parts and accessories	**29,195**	42,443
	130,681	166,050

21. TRADE RECEIVABLES

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

	2023 HK$'000	2022 HK$'000
0 – 90 days	**88,629**	123,227
91 – 180 days	**16,619**	12,447
181 – 365 days	**133**	2,011
Over 1 year	**2,286**	527
	107,667	138,212
Less: ECL allowance	**(2,979)**	(2,711)
	104,688	135,501

In addition to the advances to Zhong Bao Group as disclosed in note 22, the Group's trade receivables included trade debts of HK$76,844,000 (2022: HK$112,709,000) due from Zhong Bao Group as at 31 December 2023. During the year ended 31 December 2023, reversal of ECL allowance on trade receivable from Zhong Bao Group of HK$1,965,000 was recognised (2022: HK$2,124,000). Further details are disclosed in note 22.

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

21. TRADE RECEIVABLES *(Continued)*

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

	2023 HK$'000	2022 HK$'000
Balance at the beginning of the year	**2,711**	5,306
Provision/(Reversal) of ECL allowance recognised	**268**	(2,595)
Balance at the end of the year	**2,979**	2,711

Details of the credit risk and provision of ECL allowance are set out in note 36.

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Advances to Zhong Bao Group (note)	**765,965**	638,179
Rebate receivables	**94,857**	75,182
Other receivables, prepayments and deposits paid		
– Prepayments for acquisition of inventories	**1,885**	29,521
– Others prepaid expenses	**6,480**	5,827
– Others	**24,510**	21,819
	893,697	770,528
Less: ECL allowance	**(14,354)**	(9,911)
	879,343	760,617

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Note:

The Group has maintained long term business relationship with Xiamen Zhong Bao and its related companies (collectively, "Zhong Bao Group"). Pursuant to the technical and management service agreements entered into between the Group and Zhong Bao Group, the Group would provide technical expertise, management service and financial assistance to Zhong Bao Group including making advances for the operations of the distribution of locally manufactured BMW motor vehicles in the PRC by Zhong Bao Group. The technical service fee charged by the Group is based on agreed terms with reference to the monthly actual sales quantity of specified car model of Zhong Bao Group.

Other than as stated above, the Group sells motor vehicles, auto parts and provides motor vehicles services to the customers of Zhong Bao Group. Total receivables arising from the above transactions including advances made to Zhong Bao Group and trade receivables from Zhong Bao Group outstanding as at 31 December 2023 amounted to HK$828,209,000 (2022: HK$750,888,000) after netting off the trade and other payables balances due by the Group to Zhong Bao Group. The amount is interest-free and repayable on demand.

On 14 January 2022, the Group entered into an agreement ("Agreement") with Zhong Bao Group, pursuant to which Zhong Bao Group agreed to pledge their motor vehicles inventories to the Group together with a personal guarantee provided by Zhong Bao Group's shareholder until full settlement of all the outstanding amount due by Zhong Bao Group. As at 31 December 2023, the market value of the pledged motor vehicles inventories amounted to approximately HK$392,387,000 (2022: HK$380,396,000). The directors of the Company consider that the market value of the pledged motor vehicles inventories and personal guarantee provided by Zhong Bao Group's shareholder under 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 (2022: 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 Zhong Bao Group's ability to settle the amount outstanding. At the end of each reporting period, the historical default rates are updated and changes in the forward-looking estimates are analysed. In applying the forward-looking information, the Group has taken into account the possible impacts associated with the overall change in the economic environment. During the year ended 31 December 2023, reversal of ECL allowance on trade receivables due from Zhong Bao Group of HK$1,965,000 was recognised (2022: HK$2,124,000).

By considering 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 is low. During the year ended 31 December 2023, ECL allowance on other receivables of HK$4,443,000 was provided (2022: reversal of ECL allowance on other receivables of HK$795,000 was recognised).

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

The movement of gross balance of other receivables is as follows:

	Stage 1 HK$'000
Balance at 1 January 2022	788,171
Net changes on the gross amount	(29,085)
Balance at 31 December 2022 and 1 January 2023	**759,086**
Net changes on the gross amount	**121,339**
Balance at 31 December 2023	**880,425**

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

	Stage 1 HK$'000
Balance at 1 January 2022	(10,706)
Reversal of ECL allowance recognised during the year	795
Balance at 31 December 2022 and 1 January 2023	**(9,911)**
Provision of ECL allowance recognised during the year	**(4,443)**
Balance at 31 December 2023	**(14,354)**

23. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	2023 HK$'000	2022 HK$'000
Cash and bank balances	**62,736**	80,695
Pledged deposits:		
Guarantee money in respect of security of suppliers	**10,040**	9,423
For bills facilities granted to the Group	**39,322**	39,855
For borrowings facilities granted to the Group (note 28.1)	**63,412**	65,331
	112,774	114,609
	175,510	195,304

Cash at banks earns interest at floating rates based on daily bank deposit rates. Pledged deposits are made for various periods of six months to one year (2022: six months to one year).

At the end of the reporting period, the cash and bank balances and pledged deposits of the Group denominated in Renminbi ("RMB") amounted to approximately HK$169,463,000 (2022: HK$184,969,000). RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. TRADE AND BILLS PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	**48,465**	51,686
Bills payables	**131,056**	132,815
	179,521	184,501

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

	2023 HK$'000	2022 HK$'000
0 – 30 days	**106,266**	90,639
31 – 180 days	**72,799**	92,024
181 – 365 days	**2**	47
1 – 2 years	**313**	55
Over 2 years	**141**	1,736
	179,521	184,501

The carrying amounts of trade and bills payables as at 31 December 2023 and 2022 were considered to be a reasonable approximation of their fair values.

25. LEASE LIABILITIES

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

	2023 HK$'000	2022 HK$'000
Total minimum lease payments:		
Due within 1 year	14,399	17,102
Due within 2 to 5 years	56,069	56,055
Due more than 5 years	73,709	89,214
	144,177	162,371
Less: future lease liabilities finance charges	(34,174)	(41,039)
Present value of lease liabilities	110,003	121,332
Present value of minimum lease payments:		
Due within 1 year	8,441	10,612
Due within 2 to 5 years	37,267	34,997
Due more than 5 years	64,295	75,723
	110,003	121,332
Less: payment due within 1 year (presented under current liabilities)	(8,441)	(10,612)
Payment due after 1 year (presented under non-current liabilities)	101,562	110,720

As at 31 December 2023, lease liabilities amounting to HK$367,000 (2022: HK$2,670,000) are effectively secured by the related underlying assets (note 17) as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

During the year ended 31 December 2023, the total cash outflow for the leases are HK$22,795,000 (2022: HK$31,957,000).

25. LEASE LIABILITIES *(Continued)*

Details of the lease activities

As at 31 December 2023, the Group has entered into leases for the items listed as follows:

Types of right-of-use assets	Number of leases	Range of remaining lease term	Particulars
Properties	7 leases (2022: 7 leases)	0.9-11 years (2022: 0.3-12 years)	Subject to monthly fixed rental payment
Leasehold land	7 leases (2022: 7 leases)	1-40 years (2022: 2-41 years)	All lease payments were prepaid upon obtained the leasehold land certificate
Motor vehicles	28 leases (2022: 55 leases)	1-3 years (2022: 1-4 years)	Subject to monthly fixed payment

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

26. CONTRACT LIABILITIES

	2023 HK$'000	2022 HK$'000
Contract liabilities arising from deposits received from sales of motor vehicles	**20,034**	26,937
Contract liabilities arising from deposits received from servicing of motor vehicles and sales of auto parts	**21,187**	29,976
	41,221	56,913

Note: The significant decrease of contract liabilities as at 31 December 2023 is mainly due to the decrease in the deposits received as a result of less sales and servicing of motor vehicles and sales of auto parts during the reporting period.

26. CONTRACT LIABILITIES *(Continued)*

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

	2023 HK$'000	2022 HK$'000
Contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	36,553	85,114

27. ACCRUALS AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Accruals	12,981	12,406
Deposit received	3,407	3,672
Financial guarantee liabilities (note 35)	8,906	7,989
Other payables	29,874	24,503
Pension and other employee obligations	32	22
	55,200	48,592

28. BORROWINGS

	Secured HK$'000	Unsecured HK$'000	Total secured and unsecured HK$'000	Guaranteed HK$'000	Unguaranteed HK$'000	Total guaranteed and unguaranteed HK$'000
2023						
Non-current						
Other borrowings	26,753	–	26,753	26,753	–	26,753
Current						
Bank borrowings	288,230	158,474	446,704	346,860	99,844	446,704
Other borrowings	115,845	–	115,845	97,945	17,900	115,845
	404,075	158,474	562,549	444,805	117,744	562,549
Total	430,828	158,474	589,302	471,558	117,744	589,302

	Secured HK$'000	Unsecured HK$'000	Total secured and unsecured HK$'000	Guaranteed HK$'000	Unguaranteed HK$'000	Total guaranteed and unguaranteed HK$'000
2022						
Non-current						
Other borrowings	2,378	–	2,378	2,378	–	2,378
Current						
Bank borrowings	281,095	120,077	401,172	308,406	92,766	401,172
Other borrowings	135,270	–	135,270	135,270	–	135,270
	416,365	120,077	536,442	443,676	92,766	536,442
Total	418,743	120,077	538,820	446,054	92,766	538,820

28. BORROWINGS *(Continued)*

28.1 Bank and other borrowings

	2023 HK$'000	2022 HK$'000
Analysed into:		
Bank and other borrowings		
Within one year	**562,549**	536,442
In the second year	**26,753**	2,378
	589,302	538,820

As at 31 December 2023 and 2022, certain of the Group's bank and other borrowings are secured/guaranteed by:

(i) the Group's bank deposits amounting to HK$63,412,000 (2022: HK$65,331,000) (note 23);

(ii) certain of the Group's right-of-use assets with net carrying amount of approximately HK$64,056,000 (2022: HK$67,575,000) (note 17);

(iii) certain of the Group's buildings with net carrying amount of approximately HK$17,832,000 (2022: HK$20,265,000) (note 14);

(iv) certain assets of Zhong Bao Group;

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

(vi) certain of the Group's leasehold improvement, motor vehicles and plant and machinery with net carrying amount of approximately HK$42,308,000 (2022: HK$16,798,000) (note 14);

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

(viii) personal guarantee provided by Loh Nee Peng, a substantial shareholder of the Company (note 34(b)); and

(ix) personal guarantee provided by Zhong Bao Group's shareholder.

At 31 December 2023 and 2022, no bank and other borrowings containing a repayment on demand clause with repayment dates over 1 year.

During the year ended 31 December 2023, the Group entered into several sale and leaseback agreements with leasing companies for leasehold improvement, plant and machinery and motor vehicles amounting to HK$25,772,000 (2022: HK$4,405,000).

28. BORROWINGS *(Continued)*

28.1 Bank and other borrowings *(Continued)*

Nominal interest rates underlying all these contracts are at respective contract dates ranging from 4.00% to 6.93% (2022: 4.00% to 7.57%) per annum.

As at 31 December 2023, certain sale and leaseback agreements were secured by certain of the Group's leasehold improvement, plant and machinery and motor vehicles, the total carrying amount of which at 31 December 2023 was HK$45,393,000 (2022: HK$5,466,000).

28.2 Other information about the borrowings

		Effective interest rate (%) per annum			
	Original currency	2023 Fixed	2023 Floating	2022 Fixed	2022 Floating
Bank borrowings	RMB	**3.65%-7.98%**	**–**	4.10%-6.91%	–
Bank borrowings	USD	**–**	**5.38%-8.50%**	–	5.42%-7.50%
Other borrowings	RMB	**4.00%-9.48%**	**–**	7.57%-8.50%	–

29. DEFERRED TAX

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

Deferred tax liabilities

The movement on the deferred tax liabilities is as follows:

	Fair value adjustments on business combination HK$'000	Accelerated tax depreciation HK$'000	Withholding tax on undistributed profits of PRC subsidiaries HK$'000	Total HK$'000
At 1 January 2022	8,691	4,936	1,624	15,251
Credit to profit or loss (note 11)	(803)	(919)	–	(1,722)
Exchange difference	(711)	–	(137)	(848)
At 31 December 2022 and 1 January 2023	**7,177**	**4,017**	**1,487**	**12,681**
Credit to profit or loss (note 11)	**(769)**	**(838)**	**–**	**(1,607)**
Exchange difference	**(90)**	**–**	**(21)**	**(111)**
At 31 December 2023	**6,318**	**3,179**	**1,466**	**10,963**

29. DEFERRED TAX *(Continued)*

Deferred tax assets

The movement on the deferred tax assets is as follows:

	Provisions HK$'000
At 1 January 2022, 31 December 2022 and 1 January 2023	–
Credit to profit or loss (note 11)	(4,131)
At 31 December 2023	**(4,131)**

Deferred tax liabilities of HK$20,841,000 (2022: HK$23,252,000) have not been established for the withholding tax that would be payable on the certain of the unremitted earnings the Group's subsidiaries established in the PRC. In the opinion of the directors, the Company controls the dividend policy of these subsidiaries and it is not probable that the temporary difference will be reversed in the foreseeable future. Such unremitted earnings for interests in subsidiaries totalled HK$416,827,000 (2022: HK$465,043,000).

At 31 December 2023, the Group had unused tax losses of approximately HK$151,912,000 (2022: HK$158,425,000) available to offset against future profits of which approximately HK$148,759,000 (2022: HK$89,891,000) will expire at various dates up to 2028 (2022: 2027). No deferred tax assets had been recognised in respect of such tax losses due to unpredictability of future profit streams.

30. SHARE CAPITAL

	2023		2022	
	Number of shares '000	HK$'000	Number of shares '000	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	2,000,000	200,000	2,000,000	200,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each at beginning and end of year	476,300	47,630	476,300	47,630

31. RESERVES

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

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

	Company			
	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2022	29,522	2,854	(75,254)	(42,878)
Profit for the year	–	–	707	707
At 31 December 2022 and 1 January 2023	**29,522**	**2,854**	**(74,547)**	**(42,171)**
Loss for the year	–	–	(7,600)	(7,600)
At 31 December 2023	**29,522**	**2,854**	**(82,147)**	**(49,771)**

Share premium

The share premium account represents the premium arising from the issue of shares, net of placing expenses.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

31. RESERVES *(Continued)*

Capital reserve

The capital reserve of the Company represents the difference between the then combined net asset value of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the shares of the Company issued in exchange therefore.

The capital reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the shares of the Company issued in exchange therefore.

Statutory reserve

According to the relevant PRC laws, the subsidiaries are required to transfer at least 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory reserve until the reserve balance reaches 50% of the subsidiaries' registered capital. The transfer of this reserve must be made before the distribution of dividend to the subsidiaries' equity owners. The statutory reserve is non-distributable other than upon the liquidation of the subsidiaries.

Other reserve

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

Translation reserve

The translation reserve has been set up and is dealt with in accordance with the accounting policy for foreign currencies as stated in note 4.3.

32. TRANSACTIONS WITH ZHONG BAO GROUP

Save for those disclosed as set out in notes 17, 21, 22, 28, and 35, the Group generated income from sales of motor vehicles, car servicing and sale of auto parts of HK$175,704,000 (2022: HK$158,145,000), earned technical service fee income of HK$8,896,000 (2022: HK$10,010,000) and generated operating lease income of HK$135,000 (2022: HK$153,000) from Zhong Bao Group during the year ended 31 December 2023.

The Group purchased motor vehicles and auto parts and car servicing of HK$82,928,000 (2022: HK$86,570,000) from Zhong Bao Group and was charged rental of HK$6,589,000 (2022: HK$4,645,000) by Zhong Bao Group during the year ended 31 December 2023.

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

33. COMMITMENTS

33.1 Lease commitments as lessee

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

	2023 HK$'000	2022 HK$'000
Within one year	33	27
After one year but within five years	44	–
	77	27

33.2 Capital commitments

	2023 HK$'000	2022 HK$'000
Contracted but not provided for property, plant and equipment	1,816	–
Capital injection in subsidiaries	7,800	7,800

34. MATERIAL RELATED PARTY TRANSACTIONS

(a) The compensations of key management personnel for the year are set out in note 13.3.

(b) As stated in note 28.1, as at 31 December 2023, bank and other borrowings and bills payables of approximately HK$432,982,000 (2022: HK$304,998,000) and HK$131,056,000 (2022: HK$123,863,000) were respectively guaranteed by Loh Nee Peng, a substantial shareholder of the Company.

35. CONTINGENT LIABILITIES

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

	2023 HK$'000	2022 HK$'000
Guarantees for banking facilities provided to Zhong Bao Group	145,286	158,450

As stated in note 27, the Group has recognised financial guarantee liabilities in respect of guarantees provided to Zhong Bao Group amounted to HK$8,906,000 (2022: HK$7,989,000) as at 31 December 2023.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2023 and 2022 are categorised as follows:

	2023 HK$'000	2022 HK$'000
Financial assets		
Financial assets at amortised cost:		
Trade receivables	**104,688**	135,501
Other receivables	**863,766**	749,175
Pledged deposits	**112,774**	114,609
Cash and bank balances	**62,736**	80,695
Financial asset at FVOCI (non-recycling):		
Unlisted equity investment	**10,843**	8,218
	1,154,807	1,088,198
Financial liabilities		
Financial liabilities at amortised cost:		
Trade payables	**48,465**	51,686
Lease liabilities	**110,003**	121,332
Accruals and other payables	**32,734**	37,570
Bills payables	**131,056**	132,815
Borrowings	**589,302**	538,820
	911,560	882,223

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

Credit risk

Credit risk refers to the risk the debtors will default on their obligations to repay the amounts due to the Group, resulting in a loss to the Group. The Group has adopted procedures in granting credit terms to customers and in monitoring its credit risk. The Group's credit risk exposures also extend to financial guarantees provided to Zhong Bao Group as disclosed in note 35.

As disclosed in note 22, the Group made advances to a key business partner, Zhong Bao Group. To reduce credit risk exposure arising from Zhong Bao Group, the Group has been actively monitoring the financial position of Zhong Bao Group and the status of its repayments. In addition, collaterals have been requested from Zhong Bao Group. The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are unavailable.

(i) ***Trade receivables***

As set out in note 4.8, the Group assesses ECL under HKFRS 9 on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 3 years (2022: 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 the end of each reporting period, the historical default rates are updated and changes in the forward-looking estimates are analysed. In applying the forward-looking information, the Group has taken into account the possible impacts associated with the overall change in the economic environment.

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

The Group's concentration of credit risk by geographical locations is mainly in the China (Mainland), which accounted for 99% (2022: 98%) of the total receivables as at 31 December 2023.

On the above basis, the ECL for trade receivables as at 31 December 2023 and 2022 was determined as follows:

	Current HK$'000	1-90 days past due HK$'000	91-180 days past due HK$'000	Over 180 days past due HK$'000	Total HK$'000
31 December 2023					
ECL rate	0.3%	20.7%	57.9%	100%	
Gross carrying amount – trade receivables	104,201	1,047	–	2,419	107,667
Lifetime ECL	343	217	–	2,419	2,979

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

Credit risk *(Continued)*

(i) ***Trade receivables*** *(Continued)*

	Current HK$'000	1-90 days past due HK$'000	91-180 days past due HK$'000	Over 180 days past due HK$'000	Total HK$'000
31 December 2022					
ECL rate	0.4%	23.6%	62.0%	100%	
Gross carrying amount – trade receivables	134,115	1,559	2,011	527	138,212
Lifetime ECL	568	369	1,247	527	2,711

(ii) ***Other financial assets at amortised cost***

Other financial assets at amortised cost include deposits and other receivables, pledged deposits and cash and bank balances. In order to minimise the credit risk of deposits and other receivables, the management would make periodic collective and individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience 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.

Besides, the management is of opinion that there is no significant increase in credit risk on these deposits and other receivables since initial recognition as the risk of default is low after considering the factors as set out in note 4.8 and, thus, ECL recognised is based on 12-month ECL. Details of the ECL allowance of other receivables are disclosed in note 22.

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

Liquidity risk

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

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

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

Liquidity risk *(Continued)*

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within one year or on demand HK$'000	More than one year but less than five years HK$'000	More than five years HK$'000
At 31 December 2023					
Trade payables	48,465	48,465	48,465	–	–
Lease liabilities	110,003	144,177	14,399	56,069	73,709
Accruals and other payables	32,734	32,734	32,734	–	–
Bills payables	131,056	131,056	131,056	–	–
Borrowings (note)	589,302	600,344	573,041	27,303	–
Total	911,560	956,776	799,695	83,372	73,709
Financial guaranteed issued:					
Maximum amount guaranteed	8,906	145,286	145,286	–	–
At 31 December 2022					
Trade payables	51,686	51,686	51,686	–	–
Lease liabilities	121,332	162,371	17,102	56,055	89,214
Accruals and other payables	37,570	37,570	37,570	–	–
Bills payables	132,815	132,815	132,815	–	–
Borrowings (note)	538,820	547,641	545,230	2,411	–
Total	882,223	932,083	784,403	58,466	89,214
Financial guaranteed issued:					
Maximum amount guaranteed	7,989	158,450	158,450	–	–

Note: As at 31 December 2023 and 2022, there was no bank and other borrowings containing a repayment on demand clause.

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

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("US$") and Euro ("EUR"). Foreign exchange risk arises from commercial transactions and recognised assets and liabilities. As HK$ is pegged to US$, the foreign exchange exposure of US$ is considered minimal.

The Group is exposed to currency risks primarily through interest-bearing borrowings and bank balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The foreign currencies giving rise to this risk are primarily US$ and EUR. The Group currently does not have a foreign currency hedging policy.

The following table illustrates the sensitivity of the net results for the year with regards to the Group's financial assets and financial liabilities at the end of the reporting period and the reasonable possible changes in the foreign exchange rates in the next 12 months to which the Group has significant exposure at the end of the reporting period, based on the assumption that other variables are held constant.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2023 and 2022 are as follows:

	Denominated in US$ HK$'000	Denominated in EUR HK$'000
2023		
Monetary assets		
Cash and bank balances	873	4
Total monetary assets	873	4
Monetary liabilities		
Borrowings	(91,106)	–
Total monetary liabilities	(91,106)	–
Net monetary (liabilities)/assets	(90,233)	4
Foreign currency strengthen/(weaken) by:	1%/(1%)	4%/(4%)
(Decrease)/Increase in profit after tax and retained profits	(902)/902	(1)/1

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

Foreign exchange risk *(Continued)*

	Denominated in US$ HK$'000	Denominated in EUR HK$'000
2022		
Monetary assets		
Cash and bank balances	1,395	65
Total monetary assets	1,395	65
Monetary liabilities		
Borrowings	(91,320)	–
Total monetary liabilities	(91,210)	–
Net monetary (liabilities)/assets	(89,925)	65
Foreign currency strengthen/(weaken) by:	1%/(1%)	7%/(7%)
(Decrease)/Increase in profit after tax and retained profits	(899)/899	5/(5)

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term bank deposits, certain variable-rate bank borrowings and lease liabilities. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 28 to the consolidated financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The exposure to interest rate risk for the Group's short-term bank deposits is considered immaterial.

As at 31 December 2023, if interest rates had been 100 basis point higher/lower and all other variables were held constant, the Group's profit after tax and retained profits for the year would be decreased/increased by HK$2,292,000 (2022: HK$725,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

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

Fair values measurement

The directors consider that the carrying amount of each class of the financial assets and financial liabilities approximate to their fair values.

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability 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 31 December 2023	
Asset	
Financial asset at FVOCI (non-recycling)	**10,843**
As at 31 December 2022	
Asset	
Financial asset at FVOCI (non-recycling)	8,218

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 the Group's unlisted equity investment.

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

Fair values measurement *(Continued)*

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

Name of financial asset	Place of establishment and operation	Particulars of registered capital	Percentage of equity interest directly held by the Group	Principal activities
廈門歐利行汽車銷售服務有限公司 (Xiamen EURO Automobiles Sales and Service Co., Ltd.)	PRC	RMB80,000,000	9% (2022: 9%)	Sales of high-end motor vehicles and provision of repair and maintenance services of high-end automobiles

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 investment (Level 3) HK$'000
At 1 January 2022	13,418
Fair value loss recognised in other comprehensive income	(4,212)
Translation adjustment	(988)
At 31 December 2022 and 1 January 2023	**8,218**
Fair value gain recognised in other comprehensive income	**2,751**
Translation adjustment	**(126)**
At 31 December 2023	**10,843**

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

Fair values measurement *(Continued)*

Value processes

Information about Level 3 fair value measurements as at 31 December 2023

The fair value of unlisted equity investment as at 31 December 2023 was determined by an independent qualified valuer based on discounted cash flow, 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 directors reviewed the valuation performed by the independent valuer for financial reporting purposes:

– Discount rates of 13.2% (2022: 14.6%) 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. An increase in the discount rate would increase the fair value.

– A discount for lack of marketability (DLOM) of 15.7% (2022: 15.7%) is adopted by reference to “2023 Stout Restricted Stock Study Companion Guide” published by Stout Risius Ross, LLC., as its ownership interest is not readily marketable compared to similar interest in public companies. An increase in the discount for lack of marketability would decrease the fair value.

– Terminal growth rate of 2.2% (2022: 2.0%) were estimated by reference to the publicly available market benchmark of China’s average inflation rate.

There have been no transfers into or out of Level 3 during the year ended 31 December 2023 and 2022.

37. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

Capital management

The Group’s objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide an adequate return to shareholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the current and previous years.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bills payables, lease liabilities and borrowings as shown in the consolidated statement of financial position) less cash and bank balances. Total capital is calculated as equity as shown in the consolidated statement of financial position, plus net debt.

37. CAPITAL MANAGEMENT POLICIES AND PROCEDURES *(Continued)*

Capital management *(Continued)*

The gearing ratios at 31 December 2023 and 2022 were as follows:

	2023 HK$'000	2022 HK$'000
Total borrowings	**830,361**	792,967
Less: Cash and bank balances	**(62,736)**	(80,695)
Net debt	**767,625**	712,272
Total equity	**766,013**	769,988
Total capital	**1,533,638**	1,482,260
Gearing ratio	**50%**	48%

38. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 10 October 2014, the Company adopted a share option scheme (the "Share Option Scheme") to provide incentives to participants for their contribution to the Group and to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

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

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from the adoption date, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

Subject to the terms of the Share Option Scheme and the GEM Listing Rules, the board shall be entitled at any time and from time to time within the period of 10 years after the adoption date to offer to grant to any participant as the board may in its absolute discretion select, and subject to such conditions as the board may think fit, an option to subscribe for such number of shares as the board may determine at the subscription price.

38. SHARE OPTION SCHEME *(Continued)*

An offer shall be made to a participant by letter in such form as the board may from time to time determine requiring the participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the participant concerned for a period of 28 days from the date on which the option was offered, provided that no such offer shall be open for acceptance after the expiry of the option period or termination of the Share Option Scheme or after the participant for whom the offer is made has ceased to be a participant.

An option shall be deemed to have been granted and accepted when the duplicate letter comprising acceptance of the option duly signed by the grantee with the number of shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK$1 by way of consideration for the grant thereof is received by the Company.

The subscription price in respect of any particular option shall be such price as determined by the board in its absolute discretion at the time of the grant of the relevant option but in any case the subscription price shall not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; or (iii) the nominal value of a share.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme where applicable and any other share option scheme of the Company may not exceed 10% of issued share capital of the Company, or may not exceed a maximum of 30%, should the shareholders renew the 10% limit, from time to time which have been duly allotted and issued. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme and where applicable within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

No share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme during the current year or in prior year.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK$'000	2022 HK$'000
ASSETS AND LIABILITIES		
Non-current asset		
Investments in subsidiaries	80,978	80,978
Current assets		
Other receivables	460	210
Amounts due from subsidiaries	34,072	36,898
Cash and bank balances	3,616	1,515
	38,148	38,623
Current liabilities		
Accruals and other payables	1,350	1,160
Amount due to subsidiaries	73,021	66,206
Bank borrowings	46,896	46,776
	121,267	114,142
Net current liabilities	(83,119)	(75,519)
Net (liabilities)/assets	(2,141)	5,459
(CAPITAL DEFICIENCY)/EQUITY		
Share capital	47,630	47,630
Reserves (note 31(b))	(49,771)	(42,171)
(Capital deficiency)/Total equity	(2,141)	5,459

Approved and authorised for issue by the board of directors on 22 March 2024.

Yuen Kin Pheng	**Choy Choong Yew**
Director	*Director*

40. PARTICULARS OF SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2023 and 2022 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Particulars of issued capital/registered capital	Percentage of issued capital/registered capital held by the Company		Principal activities
			Directly	Indirectly	
German Automobiles Pte Ltd.[3]	Singapore	7,876,996 shares of Singapore dollars 1 each	100%	–	Investment holding
German Automobiles Limited ("GAL")[3]	Hong Kong Special Administrative Region	20,000 ordinary shares of HK$20,000	100%	–	Trading of motor vehicles, provision of car rental services and investment holding
Xiamen BMW Automobiles Service Co., Ltd.[1]	PRC	Registered capital of US$11,200,000	–	100%	Provision of repair and maintenance services of high-end automobiles
Fujian Xingbao Automobiles Sales and Service Co., Ltd.[1]	PRC	Registered capital of US$5,100,000	–	100%	Provision of repair and maintenance services of high-end automobiles
Fuzhou Euro[2]	PRC	Registered capital of RMB70,000,000	–	100%	Automobile dealership, exhibitions of high-end motor vehicles, provision of auto parts and after-sales services
QZ Fubao[2]	PRC	Registered capital of RMB50,000,000	–	100%	Automobile dealership, exhibitions of high-end motor vehicles, provision of auto parts and after-sales services
Longyan Zhongbao Automobiles Co., Ltd.[2]	PRC	Registered capital of RMB30,000,000	–	100%	Automobile dealership, exhibitions of high-end motor vehicles, provision of auto parts and after-sales services
Fujian Xingdebao Automobiles Sales and Service Co., Ltd.[2]	PRC	Registered capital of RMB40,000,000	–	100%	Automobile dealership, exhibitions of high-end motor vehicles, provision of auto parts and after-sales services
Shanghai Qianyou Trading Co., Ltd. ("Qianyou")[2&4]	PRC	Registered capital of US$1,000,000	–	100%	Trading of auto accessories

40. PARTICULARS OF SUBSIDIARIES *(Continued)*

1 Registered as a wholly foreign-owned enterprise under the PRC law

2 Registered as a limited liability company under the PRC law

3 Incorporated as a limited liability company under local jurisdiction

4 As at 31 December 2023 and 2022, GAL subscribed for US$1,000,000 registered capital of Qianyou, representing 100% of its total registered capital. In accordance with PRC corporation laws, the subscriber has to pay the amounts of subscribed capital in prescribed schedule or when those amounts fall due. The subscriber is liable to any liabilities of the underlying entity up to the respective amounts subscribed. As at 31 December 2023 and 2022, the registered capital of Qianyou has not been paid up in full.

The English name of certain companies referred herein represent management's best effort at translating the Chinese names of these companies as no English name has been registered.

The above table lists the subsidiaries of the Company which in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the above subsidiaries had any debt securities in issue at the end of the reporting period.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

41.1 Major non-cash transactions

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year ended 31 December 2023, the Group entered into lease arrangements in respect of the acquisition and lease modification of right-of-use assets with a total capital value at the inception of the leases of HK$868,000 (2022: HK$1,328,000).

As at 31 December 2023, the balance of trade payables of HK$54,712,000 (2022: HK$11,448,000) and other payables of HK$183,144,000 (2022: HK$96,345,000) due to Zhong Bao Group were set off against the other receivables due from Zhong Bao Group.

During the year ended 31 December 2023, deposits for acquisition of property, plant and equipment amounting to HK$12,221,000 has been transferred to property, plant and equipment.

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

41.2 Reconciliation of liabilities arising from financing activities

The table below set out the reconciliation of liabilities arising from financing activities for the year ended 31 December 2023 and 2022.

	Advance from a director HK$'000	Borrowings HK$'000 (note 28)	Lease liabilities HK$'000 (note 25)	Total HK$'000
At 1 January 2022	2,750	573,968	144,137	720,855
Cash flows:				
– Inflow from financing activities	–	1,045,802	–	1,045,802
– Outflow from financing activities	–	(989,667)	–	(989,667)
– Capital element of lease rentals paid	–	–	(19,087)	(19,087)
– Interest element of lease rentals paid	–	–	(7,377)	(7,377)
Non-cash transactions:				
– Acquisition of right-of-use assets	–	–	1,328	1,328
– Interest expenses on lease liabilities	–	–	7,377	7,377
– Amount reallocated to other payables due to director's resignation	(2,750)	–	–	(2,750)
Exchange differences	–	(91,823)	(5,046)	(96,869)
At 31 December 2022 and 1 January 2023	**–**	**538,280**	**121,332**	**659,612**
Cash flows:				
– Inflow from financing activities	**–**	**1,435,842**	**–**	**1,435,842**
– Outflow from financing activities	**–**	**(1,382,243)**	**–**	**(1,382,243)**
– Capital element of lease rentals paid	**–**	**–**	**(10,610)**	**(10,610)**
– Interest element of lease rentals paid	**–**	**–**	**(6,683)**	**(6,683)**
Non-cash transactions:				
– Acquisition of right-of-use assets	**–**	**–**	**868**	**868**
– Interest expenses on lease liabilities	**–**	**–**	**6,683**	**6,683**
Exchange differences	**–**	**(2,577)**	**(1,587)**	**(4,164)**
At 31 December 2023	**–**	**589,302**	**110,003**	**699,305**

Financial Summary

RESULTS

	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Revenue	**2,080,324**	2,362,390	2,588,968	2,264,306	2,235,333
Other income	**107,761**	59,891	50,736	45,323	44,232
Cost of inventories	**(1,869,851)**	(2,080,579)	(2,227,813)	(1,958,595)	(1,901,767)
Employee benefits expenses	**(129,747)**	(135,364)	(132,365)	(105,709)	(130,666)
Depreciation and amortisation	**(55,293)**	(59,226)	(61,062)	(59,625)	(61,891)
Lease charges	**(5,502)**	(5,493)	(6,075)	(4,795)	(6,792)
Exchange differences, net	**(2,068)**	(4,018)	(1,518)	896	(1,262)
(Provision)/Reversal of ECL allowance on trade and other receivables, net	**(4,711)**	3,390	(3,860)	(8,367)	(3,300)
Other expenses	**(75,167)**	(69,494)	(82,013)	(59,373)	(79,345)
Profit from operations	**45,746**	71,497	124,998	114,061	94,542
Finance costs	**(38,028)**	(33,156)	(34,665)	(34,508)	(37,045)
Profit before income tax	**7,718**	38,341	90,333	79,553	57,497
Income tax expense	**(3,640)**	(12,237)	(24,900)	(26,742)	(30,618)
Profit for the year	**4,078**	26,104	65,433	52,811	26,879
	HK cents	HK cents	HK cents	HK cents	HK cents
Earnings per share					
Basic and diluted	**0.86**	5.48	13.74	11.09	5.64

ASSETS AND LIABILITIES

	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Total assets	**1,758,886**	1,737,849	1,962,927	1,766,815	1,598,098
Total liabilities	**(992,873)**	(967,861)	(1,147,115)	(1,042,183)	(976,892)
Equity attributable to owners of the Company	**766,013**	769,988	815,812	724,632	621,206