



# 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)



INTERIM REPORT  
**2022**



## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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



## **INDEPENDENT REVIEW REPORT**

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

### **INTRODUCTION**

We have reviewed the interim financial information of G.A. Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 4 to 40, which comprises the condensed consolidated statement of financial position as at 30 June 2022, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on the interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

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

## CONCLUSION

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

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

9 August 2022

Lin Ching Yee Daniel  
Practising Certificate No.: P02771

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

*for the six months ended 30 June 2022*

	Notes	(Unaudited)		(Unaudited)	
		Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	515,974	697,233	1,127,200	1,413,495
Other income	3	14,472	11,768	27,908	23,373
		530,446	709,001	1,155,108	1,436,868
Changes in inventories		42,273	(2,586)	(4,401)	(584)
Auto parts and accessories, and motor vehicles purchased		(486,244)	(603,761)	(964,987)	(1,221,828)
Employee benefit expenses		(30,269)	(32,340)	(67,816)	(65,358)
Depreciation and amortisation		(14,971)	(15,167)	(30,190)	(30,637)
Lease charges		(1,466)	(1,184)	(2,767)	(2,621)
Exchange differences, net		(1,935)	1	(2,407)	(686)
Reversal/(Provision) of Expected Credit Losses ("ECL") allowance on trade and other receivables		3,188	(2,535)	3,188	(2,535)
Other expenses	4	(15,394)	(16,329)	(30,066)	(29,064)
<b>Profit from operations</b>		<b>25,628</b>	<b>35,100</b>	<b>55,662</b>	<b>83,555</b>
Finance costs	5	(8,792)	(8,945)	(17,504)	(17,373)
<b>Profit before income tax</b>	5	<b>16,836</b>	<b>26,155</b>	<b>38,158</b>	<b>66,182</b>
Income tax expense	6	(5,287)	(8,266)	(11,778)	(19,808)
<b>Profit for the period</b>		<b>11,549</b>	<b>17,889</b>	<b>26,380</b>	<b>46,374</b>

	Notes	(Unaudited)		(Unaudited)	
		Three months ended 30 June		Six months ended 30 June	
		2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other comprehensive (expenses)/income Item that may be reclassified subsequently to profit or loss:					
Exchange (loss)/gain on translation of financial statements of foreign operations		(38,396)	1,817	(33,168)	8,792
Total comprehensive (expenses)/income for the period		(26,847)	19,706	(6,788)	55,166
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share					
Basic and diluted	8	2.42	3.76	5.54	9.74

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

		(Unaudited) As at 30 June 2022 <i>HK\$'000</i>	(Audited) As at 31 December 2021 <i>HK\$'000</i>
	Notes		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	447,564	435,546
Intangible asset		10,521	12,230
Prepaid expenses		12,535	12,844
Goodwill		6,598	6,902
Financial asset at fair value through other comprehensive income	10	12,825	13,418
Deposits for acquisition of property, plant and equipment		–	17,059
		<b>490,043</b>	<b>497,999</b>
<b>Current assets</b>			
Inventories		162,578	166,979
Trade receivables	11	103,428	118,702
Prepayments, deposits and other receivables	12	787,978	940,787
Tax recoverable		1,593	590
Pledged deposits		121,966	135,066
Cash and bank balances		101,600	102,804
		<b>1,279,143</b>	<b>1,464,928</b>

	Notes	(Unaudited) As at 30 June 2022 HK\$'000	(Audited) As at 31 December 2021 HK\$'000
<b>Current liabilities</b>			
Trade payables	13	58,025	53,452
Lease liabilities		11,706	12,782
Contract liabilities	14	58,880	117,832
Accruals and other payables		51,584	56,832
Bills payables	13	121,210	170,083
Borrowings		510,377	569,153
Advance from a director		–	2,750
Tax payable		9,290	12,810
		821,072	995,694
<b>Net current assets</b>		458,071	469,234
<b>Total assets less current liabilities</b>		948,114	967,233
<b>Non-current liabilities</b>			
Borrowings		5,062	4,815
Lease liabilities		119,636	131,355
Deferred tax liabilities		14,392	15,251
		139,090	151,421
<b>Net assets</b>		809,024	815,812
<b>EQUITY</b>			
Share capital		47,630	47,630
Reserves		761,394	768,182
<b>Total equity</b>		809,024	815,812



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2022

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium* HK\$'000	Capital reserve* HK\$'000	Statutory reserve* HK\$'000	Other reserve* HK\$'000	Translation reserve* HK\$'000	Fair value reserve - non-recycling* HK\$'000	Retained profits* HK\$'000	Total equity HK\$'000
For the six months ended 30 June 2022 (unaudited)									
At 1 January 2022 (audited)	47,630	29,522	8,623	65,064	(10,735)	37,405	4,510	633,793	815,812
Profit for the period	-	-	-	-	-	-	-	26,380	26,380
Other comprehensive expense									
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	(33,168)	-	-	(33,168)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(33,168)	-	26,380	(6,788)
Transactions with owners:									
Appropriation to statutory reserve	-	-	-	3,228	-	-	-	(3,228)	-
Total transactions with owners	-	-	-	3,228	-	-	-	(3,228)	-
At 30 June 2022	47,630	29,522	8,623	68,292	(10,735)	4,237	4,510	656,945	809,024

	Attributable to owners of the Company								
	Share capital	Share premium*	Capital reserve*	Statutory reserve*	Other reserve*	Translation reserve*	Fair value reserve – non-recycling*	Retained profits*	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2021 (unaudited)									
At 1 January 2021 (audited)	47,630	29,522	8,623	56,310	(10,735)	13,666	2,502	577,114	724,632
Profit for the period	-	-	-	-	-	-	-	46,374	46,374
Other comprehensive income									
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	8,792	-	-	8,792
Total comprehensive income for the period	-	-	-	-	-	8,792	-	46,374	55,166
Transactions with owners:									
Appropriation to statutory reserve	-	-	-	6,257	-	-	-	(6,257)	-
Total transactions with owners	-	-	-	6,257	-	-	-	(6,257)	-
At 30 June 2021	47,630	29,522	8,623	62,567	(10,735)	22,458	2,502	617,231	779,798

\* These equity accounts comprise the reserves of HK\$761,394,000 (31 December 2021: HK\$768,182,000) in the condensed consolidated statement of financial position as at 30 June 2022.

The notes on pages 11 to 40 are an integral part of these condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2022

	(Unaudited)	
	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
<b>Net cash from operating activities</b>	57,434	81,095
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(41,269)	(15,137)
Proceeds from disposals of property, plant and equipment	14,532	7,394
Decrease in pledged deposits	7,350	40,423
<b>Net cash (used in)/from investing activities</b>	(19,387)	32,680
<b>Cash flows from financing activities</b>		
New borrowings raised	494,726	966,666
Repayment of borrowings	(541,303)	(1,018,691)
Payment of lease liabilities	(6,856)	(13,522)
Other financing activities	–	225
<b>Net cash used in financing activities</b>	(53,433)	(65,322)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(15,386)	48,453
Translation adjustments	14,182	4,832
<b>Cash and cash equivalents at the beginning of the period</b>	102,804	40,405
<b>Cash and cash equivalents at the end of the period, represented by cash and bank balances</b>	101,600	93,690

## NOTES TO THE INTERIM FINANCIAL INFORMATION

*for the six months ended 30 June 2022*

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

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

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

The unaudited condensed consolidated interim financial statements (the “Interim Financial Information”) for the six months ended 30 June 2022 are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

The Interim Financial Information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The Interim Financial Information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). Except as described in note 2, the basis of preparation and accounting policies adopted in preparing the Interim Financial Information are consistent with those adopted in the preparation of the Group’s audited annual financial statements for the year ended 31 December 2021.



## 2. ADOPTION OF AMENDED HKFRSs

(a) Amended HKFRSs adopted as at 1 January 2022

In the current period, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's Interim Financial Information for the annual period beginning on 1 January 2022.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

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

## 2. ADOPTION OF AMENDED HKFRSs (Continued)

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

At the date of authorisation of the Interim Financial Information, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> 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 new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's Interim Financial Information.



## 2. ADOPTION OF AMENDED HKFRSs (Continued)

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

#### Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current” and related amendments to Hong Kong Interpretation 5 (2020)

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 have 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 that 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, 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 liabilities is current or non-current.

Amendments to HKAS 1 is effective for annual reporting period beginning on or after 1 January 2023 and apply retrospectively. Earlier application is permitted. The directors of the Group expect that the amendments have no material impact on these Interim Financial Information.

## 2. ADOPTION OF AMENDED HKFRSs (Continued)

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

*Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”*

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

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

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

*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” 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 “Income Taxes”.

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



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

The Group recognised revenue by category as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>				
Sales of motor vehicles	379,648	520,190	831,856	1,053,406
Servicing of motor vehicles and sales of auto parts	128,719	166,624	279,145	339,405
Technical fee income	2,095	2,914	4,646	5,777
Car rental income	5,512	7,505	11,553	14,907
	515,974	697,233	1,127,200	1,413,495

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

#### Disaggregation of revenue from contracts with customers

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

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Types of goods and services</b>				
Sales of motor vehicles	379,648	520,190	831,856	1,053,406
Servicing of motor vehicles and sales of auto parts	128,719	166,624	279,145	339,405
Technical service	2,095	2,914	4,646	5,777
Car rental income	5,512	7,505	11,553	14,907
<b>Total</b>	<b>515,974</b>	<b>697,233</b>	<b>1,127,200</b>	<b>1,413,495</b>
<b>Timing of revenue recognition</b>				
At a point in time	510,462	689,728	1,115,647	1,398,588
Over-time	5,512	7,505	11,553	14,907
<b>Total</b>	<b>515,974</b>	<b>697,233</b>	<b>1,127,200</b>	<b>1,413,495</b>
<b>Geographical markets</b>				
The People's Republic of China (the "PRC")	510,462	689,728	1,115,647	1,398,588
Hong Kong	5,512	7,505	11,553	14,907
<b>Total</b>	<b>515,974</b>	<b>697,233</b>	<b>1,127,200</b>	<b>1,413,495</b>
<b>Type of customers</b>				
Corporate	87,535	122,249	201,879	239,793
Individuals	428,439	574,984	925,321	1,173,702
<b>Total</b>	<b>515,974</b>	<b>697,233</b>	<b>1,127,200</b>	<b>1,413,495</b>

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

The Group recognised other income by category as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other income</b>				
Bank interest income	443	330	830	1,022
Commission income	119	1,665	1,006	2,933
Consultant service income	7,113	8,071	15,255	15,655
Government grants related to cash subsidies*	250	45	807	205
Financial guarantee income	595	60	1,217	119
Net gain on disposals of property, plant and equipment	3,180	369	5,381	1,485
Sundry income	2,772	1,228	3,412	1,954
	<b>14,472</b>	<b>11,768</b>	<b>27,908</b>	<b>23,373</b>

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

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

#### Segment information

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

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

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

These reportable segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

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

#### Segment information (Continued)

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

	(Unaudited)		
	Six months ended 30 June 2022		
	Motor vehicles sales and services business <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue	1,115,647	11,553	1,127,200
Reportable segment profit	36,002	1,685	37,687
Other information			
Depreciation and amortisation of non-current assets	(22,321)	(7,565)	(29,886)
Net gain on disposals of property, plant and equipment	2,255	3,126	5,381
Reversal of ECL allowance on trade receivables	2,532	–	2,532
Reversal of ECL allowance on other receivables	656	–	656
Addition to non-current assets (other than financial instruments) during the period	59,746	7,918	67,664

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

Segment information (Continued)

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

	(Unaudited)		
	Six months ended 30 June 2021		
	Motor vehicles sales and services business <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Reportable segment revenue	1,398,588	14,907	1,413,495
Reportable segment profit	68,704	1,900	70,604
Other information			
Depreciation and amortisation of non-current assets	(22,373)	(7,652)	(30,025)
Net gain on disposals of property, plant and equipment	606	879	1,485
ECL allowance on trade receivables	(675)	–	(675)
ECL allowance on other receivables	(1,860)	–	(1,860)
Addition to non-current assets (other than financial instruments) during the period	15,297	2,403	17,700

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

Segment information (Continued)

(b) *Segment assets and liabilities*

	(Unaudited)		
	As at 30 June 2022		
	Motor vehicles sales and services business <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	1,494,026	34,748	1,528,774
Reportable segment liabilities	872,931	13,911	886,842

	(Audited)		
	As at 31 December 2021		
	Motor vehicles sales and services business <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	1,671,027	35,056	1,706,083
Reportable segment liabilities	1,055,584	9,437	1,065,021

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

Segment information (Continued)

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

	(Unaudited)	
	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Reportable segment revenue	1,127,200	1,413,495
Reportable segment profit	37,687	70,604
Unallocated corporate income	6,817	2,063
Unallocated corporate expenses		
Depreciation and amortisation of non-current assets	(304)	(612)
Employee benefit expenses	(4,074)	(3,897)
Others	(1,225)	(1,150)
Unallocated finance costs	(743)	(826)
Profit before income tax	38,158	66,182



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

#### Segment information (Continued)

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

	(Unaudited) As at 30 June 2022 HK\$'000	(Audited) As at 31 December 2021 HK\$'000
Reportable segment assets	1,528,774	1,706,083
Non-current corporate assets <i>(note (i))</i>	14,295	15,388
Current corporate assets <i>(note (ii))</i>	226,117	241,456
<b>Consolidated total assets</b>	<b>1,769,186</b>	<b>1,962,927</b>
Reportable segment liabilities	886,842	1,065,021
Non-current corporate liabilities <i>(note (iii))</i>	15,428	16,706
Current corporate liabilities <i>(note (iv))</i>	57,892	65,388
<b>Consolidated total liabilities</b>	<b>960,162</b>	<b>1,147,115</b>

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

#### Segment information (Continued)

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

Notes:

- (i) Non-current corporate assets mainly include certain property, plant and equipment and financial asset at fair value through other comprehensive income that are not directly attributable to the business activities of the reportable segments.
- (ii) Current corporate assets mainly include certain prepayments, deposits and other receivables, tax recoverable, cash and bank balances and pledged deposits that are not directly attributable to the business activities of the reportable segments or that are managed on group basis.
- (iii) Non-current corporate liabilities include deferred tax liabilities 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, advance from a director and tax payables that are not directly attributable to the business activities of the reportable segments or that are managed on group basis.

#### 4. OTHER EXPENSES

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Advertising and promotion expenses	2,221	1,309	4,675	1,355
Auditor's remuneration	5	209	5	509
Bank charges	483	607	1,397	1,292
Entertainment expenses	795	1,230	1,730	2,761
Insurance expenses	484	353	886	653
IT service fees	659	754	821	906
Legal and professional fees	510	1,092	855	1,468
Motor vehicle expenses	1,942	1,936	3,093	3,857
Office expenses	2,479	2,076	4,529	3,704
Repairs and maintenance expenses	632	874	1,099	1,272
Taxes and levies*	2,652	2,268	5,953	6,063
Transportation and travelling expenses	670	1,027	1,152	1,564
Utilities	1,015	1,009	1,978	1,787
Miscellaneous expenses	847	1,585	1,893	1,873
	<b>15,394</b>	<b>16,329</b>	<b>30,066</b>	<b>29,064</b>

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

## 5. PROFIT BEFORE INCOME TAX

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

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Finance costs</b>				
Interest charges on bank and other borrowings	6,941	6,641	13,708	13,234
Finance charges on lease liabilities	1,851	2,304	3,796	4,139
	<b>8,792</b>	<b>8,945</b>	<b>17,504</b>	<b>17,373</b>

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other items</b>				
Lease charges:				
– Short term leases	1,440	1,157	2,737	2,552
– Leases of low value items	26	27	30	69
Depreciation of property, plant and equipment	14,356	14,564	28,986	29,437
Net gain on disposals of property, plant and equipment	(3,180)	(369)	(5,381)	(1,485)
Amortisation of intangible assets	615	603	1,204	1,200
(Reversal)/Provision of ECL allowance on trade receivables	(2,532)	675	(2,532)	675
(Reversal)/Provision of ECL allowance on other receivables	(656)	1,860	(656)	1,860

## 6. INCOME TAX EXPENSE

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
<b>Current – the PRC</b>				
– Charge for the period	5,490	8,475	12,194	20,223
<b>Current tax – total</b>	5,490	8,475	12,194	20,223
Deferred tax	(203)	(209)	(416)	(415)
<b>Total income tax expense</b>	5,287	8,266	11,778	19,808

The provision for Hong Kong Profits Tax for the six months ended 30 June 2022 and 2021 is calculated at 16.5% of the estimated assessable profits for the periods. Hong Kong Profits Tax has not been provided as the assessable profits for both periods are wholly absorbed by unrelieved tax losses brought forward from previous years.

Taxation on overseas profits has been calculated on the estimated assessable profits for the periods at the rate of tax prevailing in the countries in which the Group operates.

The income tax provision in respect of operations in the PRC is calculated at the applicable rates on the estimated assessable profits for the period based on the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25% (six months ended 30 June 2021: 25%).

Dividend distribution out of the retained profits of foreign-invested enterprises in the PRC earned after 1 January 2008 is subject to withholding income tax at a tax rate of 10% (six months ended 30 June 2021: 10%) unless reduced by treaty. Under the tax treaty for Singapore and the Mainland China, the withholding income tax rate applicable to the Group is 5% (six months ended 30 June 2021: 5%).

Income tax in respect of operations in Singapore has not been provided for the six months ended 30 June 2022 and 2021 as the Company's Singapore subsidiary has no assessable profits for the periods.

## 7. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 30 June 2022 is based on the unaudited profit attributable to the owners of the Company for the three months ended 30 June 2022 of approximately HK\$11,549,000 (three months ended 30 June 2021: HK\$17,889,000) and on the weighted average number of 476,300,000 (three months ended 30 June 2021: 476,300,000) ordinary shares in issue during the three months ended 30 June 2022.

The calculation of basic earnings per share for the six months ended 30 June 2022 is based on the unaudited profit attributable to the owners of the Company for the six months ended 30 June 2022 of approximately HK\$26,380,000 (six months ended 30 June 2021: HK\$46,374,000) and on the weighted average number of 476,300,000 (six months ended 30 June 2021: 476,300,000) ordinary shares in issue during the six months ended 30 June 2022.

Diluted earnings per share for the three months and the six months ended 30 June 2022 and 2021 are the same as the basic earnings per share as there was no dilutive potential ordinary share in issue during the respective periods.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with total cost of approximately HK\$67,664,000 (six months ended 30 June 2021: HK\$17,700,000) and disposed of certain items of property, plant and equipment with total carrying amount of approximately HK\$9,151,000 (six months ended 30 June 2021: HK\$5,909,000).

## 10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The directors consider that the carrying amount of each class of the financial assets and financial liabilities approximate to their fair values.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly and not using significant inputs.
- Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset 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
<hr/>	
<b>As at 30 June 2022 (Unaudited)</b>	
<b>Assets</b>	
Financial asset at fair value through other comprehensive income	12,825
<hr/>	
<b>As at 31 December 2021 (Audited)</b>	
<b>Assets</b>	
Financial asset at fair value through other comprehensive income	13,418
<hr/>	

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

## 10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Details of the particulars of the financial asset at fair value through other comprehensive income are as follows:

Name of financial asset	Place of establishment and operation	Particulars of registered capital	Percentage of equity interest directly held by the Group	Principal activities
廈門歐利行汽車銷售服務有限公司 (Xiamen Euro Automobiles Sales and Service Co., Ltd.)	PRC	Renminbi ("RMB") 80,000,000	9% (31 December 2021: 9%)	Sales of high-end motor vehicles and provision of repair and maintenance services of high-end automobiles

The fair value of financial asset at fair value through other comprehensive income (non-recycling) is determined using discounted cash flow method which requires the directors to estimate the future cash flows expected to arise from the financial asset and a suitable discount rate in order to calculate the present value. The main input used by the Group in measuring the fair value of the unlisted equity investment is derived and evaluated as follows:

- Discount rates of 15.3% (31 December 2021: 15.3%) for financial assets were determined using a capital asset pricing model to calculate a pre-tax rate that reflected current market assessments of the time value of money and the risk specific to the asset.
- A discount for lack of marketability (DLOM) of 15.8% (31 December 2021: 15.8%) is adopted as reference to "2021 Stout Restricted Stock Study Companion Guide" published by Stout Risius Ross, LLC, which its ownership interest is not readily marketable compared to similar interest in public companies.
- Average revenue growth rate of 2.0% (31 December 2021: 2.0%) were estimated reference to the publicly available market benchmark of China's average inflation rate in the past.





## 10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

There have been no transfers into or out of Level 3 during the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

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

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

	Unlisted equity security (Level 3) <i>HK\$'000</i>
At 1 January 2021 (audited)	11,056
Fair value gain recognised in other comprehensive income	2,008
Translation adjustment	354
At 31 December 2021 and 1 January 2022 (audited)	13,418
Translation adjustment	(593)
<b>At 30 June 2022 (unaudited)</b>	<b>12,825</b>

## 11. TRADE RECEIVABLES

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

	(Unaudited) As at 30 June 2022 <i>HK\$'000</i>	(Audited) As at 31 December 2021 <i>HK\$'000</i>
0 – 90 days	91,730	90,264
91 – 180 days	4,456	16,753
181 – 365 days	9,030	14,827
Over 1 year	986	2,164
	106,202	124,008
Less: ECL allowance	(2,774)	(5,306)
	<b>103,428</b>	<b>118,702</b>

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

	(Unaudited) As at 30 June 2022 <i>HK\$'000</i>	(Audited) As at 31 December 2021 <i>HK\$'000</i>
Balance at the beginning of the period/year	5,306	5,572
Reversal of ECL allowance recognised during the period/year	(2,532)	(266)
Balance at the end of the period/year	<b>2,774</b>	<b>5,306</b>

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	(Unaudited) As at 30 June 2022 HK\$'000	(Audited) As at 31 December 2021 HK\$'000
Advances to Zhong Bao Group ( <i>note</i> )	679,949	724,552
Rebate receivables	48,888	69,496
Other receivables, prepayments and deposits paid		
– Prepayments for acquisition of inventories	35,423	128,781
– Others	33,768	28,664
	798,028	951,493
Less: ECL allowance	(10,050)	(10,706)
	787,978	940,787

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

	(Unaudited) As at 30 June 2022 HK\$'000	(Audited) As at 31 December 2021 HK\$'000
Balance at the beginning of the period/year	10,706	6,580
(Reversal)/Provision of ECL allowance during the period/year	(656)	4,126
Balance at the end of the period/year	10,050	10,706

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

*Note:*

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

Pursuant to technical and management service agreements entered into between the Group and Zhong Bao Group, the Group would provide technical expertise, management service and financial assistance to Zhong Bao Group including making advances for the operations of the distribution of locally manufactured BMW motor vehicles in the PRC by Zhong Bao Group. The technical fee charged by the Group is based on agreed terms with reference to the monthly actual sales quantity of specified car models of Zhong Bao Group.

Other than the above, the Group sells motor vehicles, auto parts and provides motor vehicles services to the customers of Zhong Bao Group. Total receivables arising from the above transactions including advances made to Zhong Bao Group and trade receivables from Zhong Bao Group outstanding as at 30 June 2022 amounted to HK\$766,760,000 (31 December 2021: HK\$825,861,000), which is after netting off the trade and other payables balances due by the Group to Zhong Bao Group. The amount is interest-free and repayable on demand.

On 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’s shareholder until full settlement of all the outstanding amount due by Zhong Bao Group. As at 30 June 2022, the market value of the pledged assets amounted to approximately HK\$526,752,000 (31 December 2021: HK\$555,589,000) which provide safeguard for the balances due by Zhong Bao Group. The directors of the Company consider that the market value of the pledged assets and personal guarantee provided by Zhong Bao’s shareholder under the Agreement provide safeguard for the advances to Zhong Bao Group. The collateral remains effective as long as there are outstanding balances due by Zhong Bao Group.



## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

*Note: (Continued)*

The Group individually assesses ECL under HKFRS 9 on trade receivables and advances due from Zhong Bao Group based on historical settlement records and past experience and current external information and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

In view of the satisfactory settlement record in the past and the collateral in place as mentioned above, the directors are of the opinion that the credit risk of total receivables due from Zhong Bao Group are low. During the six months ended 30 June 2022, reversal of ECL allowance on trade receivables and advance due from Zhong Bao Group of HK\$2,532,000 and HK\$656,000 were provided respectively (six months ended 30 June 2021: ECL allowance on trade receivables and advance due from Zhong Bao Group of HK\$675,000 and HK\$1,860,000 respectively).

### 13. TRADE AND BILLS PAYABLES

	(Unaudited) As at 30 June 2022 <i>HK\$'000</i>	(Audited) As at 31 December 2021 <i>HK\$'000</i>
Trade payables	58,025	53,452
Bills payables	121,210	170,083
	<b>179,235</b>	<b>223,535</b>

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

	(Unaudited) As at 30 June 2022 <i>HK\$'000</i>	(Audited) As at 31 December 2021 <i>HK\$'000</i>
0 – 30 days	98,718	51,518
31 – 180 days	61,260	141,561
181 – 365 days	16,696	25,533
1 – 2 years	31	2,369
Over 2 years	2,530	2,554
	<b>179,235</b>	<b>223,535</b>

## 14. CONTRACT LIABILITIES

	(Unaudited) As at 30 June 2022 <i>HK\$'000</i>	(Audited) As at 31 December 2021 <i>HK\$'000</i>
Contract liabilities arising from deposits received from sales of motor vehicles*	41,429	88,315
Contract liabilities arising from deposits received from servicing of motor vehicles and sales of auto parts	17,451	29,517
	<b>58,880</b>	<b>117,832</b>

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

## 15. COMMITMENTS

### Lease commitments as lessee

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

	(Unaudited) As at 30 June 2022 <i>HK\$'000</i>	(Audited) As at 31 December 2021 <i>HK\$'000</i>
Within one year	20	33
After one year but within five years	3	10
	<b>23</b>	<b>43</b>

## 15. COMMITMENTS (Continued)

### Capital commitments

	(Unaudited) As at 30 June 2022 <i>HK\$'000</i>	(Audited) As at 31 December 2021 <i>HK\$'000</i>
Contracted but not provided for property, plant and equipment	27,865	31,593

## 16. CONTINGENT LIABILITIES

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

	(Unaudited) As at 30 June 2022 <i>HK\$'000</i>	(Audited) As at 31 December 2021 <i>HK\$'000</i>
Guarantees for banking facilities provided to Zhong Bao Group	165,530	173,177

## 17. TRANSACTIONS WITH ZHONG BAO GROUP

Save for those disclosed as set out in notes 12 and 16, the Group had generated income from sales of motor vehicles and auto parts and car servicing of HK\$67,148,000 (six months ended 30 June 2021: HK\$80,708,000) and earned technical fee income of HK\$4,646,000 (six months ended 30 June 2021: HK\$5,777,000) from Zhong Bao Group during the six months ended 30 June 2022.

The Group purchased motor vehicles and auto parts and car servicing of HK\$36,045,000 (six months ended 30 June 2021: HK\$56,944,000) from Zhong Bao Group and was charged rental of HK\$2,528,000 (six months ended 30 June 2021: HK\$2,400,000) by Zhong Bao Group during the six months ended 30 June 2022.



## 18. RELATED PARTY TRANSACTIONS

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

### 18.1 Key management personnel remuneration

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

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Key management personnel compensation		
Short term employee benefits	4,875	5,062
Post-employment benefits	68	78
	<b>4,943</b>	<b>5,140</b>

### 18.2 Guarantee provided by a related party

As at 30 June 2022, certain borrowings of approximately HK\$401,852,000 (31 December 2021: HK\$398,216,000) were guaranteed by Loh Nee Peng, a substantial shareholder of the Company.

## 19. MAJOR NON-CASH TRANSACTIONS

- (1) During the six months ended 30 June 2022, the Group entered into lease arrangements in respect of the acquisition of motor vehicles (six months ended 30 June 2021: right-of-use assets) with a total capital value at the inception of the leases of HK\$9,336,000 (six months ended 30 June 2021: HK\$2,563,000).
- (2) During the six months ended 30 June 2022, non-current deposits of HK\$17,059,000 (six months ended 30 June 2021: nil) were transferred to property plant and equipment.
- (3) The amount due to a director amounting to HK\$2,750,000 was transferred to accruals and other payables due to his resignation as a director of the Company during the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

## 20. COMPARATIVE FIGURES

Certain comparative figures in these Interim Financial Information were reclassified to conform current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the six months ended 30 June 2022, China experienced a new wave of COVID infections and prompted the government to take actions to contain the spread in many cities. Lockdowns and restrictions in various cities have damped the market and the economy. The Group's car sales and after sales services experienced slowdown in the first half of 2022 with significantly lower revenue and profit.

## FINANCIAL REVIEW

### Revenue

The unaudited consolidated revenue for the six months ended 30 June 2022 decreased by 20.3% from HK\$1,413,495,000 for the six months ended 30 June 2021 to HK\$1,127,200,000 for the six months ended 30 June 2022.

#### 1. Sales of motor vehicles

For the six months ended 30 June 2022, revenue generated from the sales of motor vehicles decreased by 21.0% from HK\$1,053,406,000 for the six months ended 30 June 2021 to HK\$831,856,000 for the six months ended 30 June 2022 mainly due to China's measures implemented for the control of COVID-19 epidemic during the six months ended 30 June 2022.

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

Revenue generated from servicing of motor vehicles and sales of auto parts decreased by 17.8% from HK\$339,405,000 for the six months ended 30 June 2021 to HK\$279,145,000 for the six months ended 30 June 2022 mainly due to the above-mentioned reason.



### 3. Technical fee income

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

Technical fee income for the six ended 30 June 2022 was HK\$4,646,000, decreased by 19.6% as compared to HK\$5,777,000 for the corresponding period in 2021 since there was a decrease in the number of PRC locally assembled BMW sold by Xiamen Zhong Bao due to COVID-19 related measures in the PRC.

### 4. Car rental business

The income from car rental business in Hong Kong for the six months ended 30 June 2022 was HK\$11,553,000, representing a decrease of 22.5% compared to the corresponding period in 2021. This was mainly due to decrease in long-term leasing customers amidst general business uncertainties resulting from the COVID-19 pandemic.

## Gross Operating Profit and Gross Operating Margin

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

The gross operating profit for the six months ended 30 June 2022 decreased by 17.4% to HK\$157,812,000, as compared to HK\$191,083,000 in the corresponding period in 2021. This is in line with the decrease in revenue during the period.

The gross operating margin increased slightly from 13.5% for the six months ended 30 June 2021 to 14.0% for the six months ended 30 June 2022 as the average gross operating margin on car sales increased.

### **Other Income**

Other income increased from HK\$23,373,000 in the corresponding period in 2021 to HK\$27,908,000 for the six months ended 30 June 2022 mainly due to the increase in net gain on disposal of property, plant and equipment during the period.

### **Employee Benefit Expenses**

The Group recorded employee benefit expenses of HK\$67,816,000 for the six months ended 30 June 2022, representing a 3.8% increase as compared to HK\$65,358,000 in the corresponding period in 2021. The increase was mainly due to an increase in general staff salary during the period.

### **Depreciation and Amortisation**

Depreciation and amortisation expenses remained stable at HK\$30,190,000 and HK\$30,637,000 for the six months ended 30 June 2022 and 30 June 2021 respectively.

### **Foreign Exchange Exposure**

During the six months ended 30 June 2022, the Group recorded exchange loss of HK\$2,407,000 (2021: HK\$686,000), which was mainly resulted from the translation of receivables or payables denominated in foreign currencies other than the functional currency of the Group.

### **Other Expenses**

For the six months ended 30 June 2022, other expenses were HK\$30,066,000, representing an increase of 3.4% compared to HK\$29,064,000 in the corresponding period in 2021. The increase was mainly attributable to (i) increase in advertising expenses by approximately HK\$3,320,000; offset by (ii) decrease in entertainment expenses and motor vehicle expenses by approximately HK\$1,031,000 and HK\$764,000 respectively for the six months ended 30 June 2022.



## Finance Costs

Finance costs increased slightly from HK\$17,373,000 for the six months ended 30 June 2021 to HK\$17,504,000 for the six months ended 30 June 2022.

## Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2022 was HK\$26,380,000 compared to HK\$46,374,000 for the six months ended 30 June 2021. The decrease in profit was mainly due to a decrease in revenue and gross operating profit due to measures implemented for the control of COVID-19 epidemic in the PRC during the six months ended 30 June 2022.

## Financial Resources and Liquidity

As at 30 June 2022, shareholders' fund of the Group amounted to HK\$809,024,000 (31 December 2021: HK\$815,812,000); current assets amounted to HK\$1,279,143,000 (31 December 2021: HK\$1,464,928,000) of which HK\$223,566,000 (31 December 2021: HK\$237,870,000) was cash and bank deposits. Current liabilities, amounted to HK\$821,072,000 (31 December 2021: HK\$995,694,000), were mainly trade payables, contract liabilities, lease liabilities, borrowings, bills payables, accruals and other payables and tax payable. The Group had non-current liabilities amounted to HK\$139,090,000 (31 December 2021: HK\$151,421,000) which were mainly the non-current portion of borrowings, lease liabilities and deferred tax liabilities. The net asset value per share as at 30 June 2022 was HK\$1.70 (31 December 2021: HK\$1.71).

## Gearing Ratio

The Group expresses its gearing ratio as a percentage of total borrowings (including bills payables, lease liabilities, short-term and long-term borrowings) less cash and bank balances (net debt), divided by total equity plus net debt. As at 30 June 2022, the gearing ratio of the Group was 0.45 (31 December 2021: 0.49).

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

As at 30 June 2022, fixed deposits of HK\$112,122,000 (31 December 2021: HK\$122,542,000) were pledged to banks and other financial institutions to secure facilities of the Group while HK\$9,844,000 (31 December 2021: HK\$12,524,000) were pledged to banks as security in favor of one of our suppliers.

As at 30 June 2022, certain motor vehicles and plant and machinery with net carrying amount of approximately HK\$9,499,000 and HK\$14,232,000 (31 December 2021: HK\$10,778,000 and HK\$9,019,000) was pledged as collateral for other borrowings and lease liabilities of the Group respectively.

As at 30 June 2022, building with net carrying amount of approximately HK\$22,283,000 (31 December 2021: HK\$25,097,000) was pledged as collateral for bank borrowings of the Group.

As at 30 June 2022, leasehold land with net carrying amounts of approximately HK\$71,941,000 and HK\$2,595,000 (31 December 2021: HK\$76,690,000 and HK\$2,746,000) were pledged as collateral for the bank borrowings of the Group and Xiamen Zhong Bao, respectively.

### **Contingent Liabilities**

As at 30 June 2022, the Group provided bank guarantees with an aggregate principal amount of approximately HK\$165,530,000 (31 December 2021: HK\$173,177,000) in respect of banking facilities to Xiamen Zhong Bao.

### **Employee Information**

As at 30 June 2022, the total number of employees of the Group was 778 (31 December 2021: 786). The decrease in the workforce was mainly due to cost control imposed by the Group. It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.



## **Retirement Benefits**

During the six months ended 30 June 2022, the Group's aggregate amount of employer's contribution under the Central Provident Fund in Singapore and the Mandatory Provident Fund in Hong Kong and the Central Pension Scheme in the PRC amounted to approximately HK\$6,165,000 (six months ended 30 June 2021: HK\$5,249,000).

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

During the six months ended 30 June 2022 and the corresponding period in 2021, the Group has no debt securities in issue.

## **Capital Expenditure and Capital Commitment**

During the six months ended 30 June 2022, the Group incurred capital expenditure of approximately HK\$67,664,000 (six months ended 30 June 2021: HK\$17,700,000) on acquisition of property, plant and equipment.

As at 30 June 2022, there were commitments contracted but not provided for purchase of property, plant and equipment amounted to approximately HK\$27,865,000 (31 December 2021: HK\$31,593,000).

## **Interim Dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

## **Event after the Reporting Period**

Subsequent to 30 June 2022 and up to the date of this report, there was no material event relevant to the business or financial performance of the Group that comes into the attention of the Directors.

## PROSPECTS

2022 will continue to be a year of uncertainties due to the COVID-19 epidemic. The Group will continue to exercise vigilant cost control to improve productivity and uphold quality service to customers as well as leverage on long-term good relationships with leading automobile suppliers of premium and ultra-luxury brands. The Group endeavours to overcome the hurdles ahead and realize its value to the shareholders and business partners.

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

As at 30 June 2022, the interests or short positions of Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are notified to the Company and the Stock Exchange pursuant to SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.48 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in shares of the Company

<u>Name</u>	<u>Capacity</u>	<u>Number of ordinary shares held</u>	<u>Approximate percentage of shareholding</u>
Ma Hang Kon, Louis	Personal interest	500,000	0.10%
Xue Guo Qiang	Personal interest	19,484,000	4.09%
Zhang Xi	Personal interest	500,000	0.10%



Save as disclosed above, as at 30 June 2022, none of the Directors or chief executive of the Company or their respective 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 required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, the persons or corporations (other than Directors or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	Number of shares held	Approximate percentage of shareholding
Loh Nee Peng	Beneficial owner and interest of a controlled corporations ( <i>Note 1</i> )	107,780,320	22.63%
Loh & Loh Construction Group Ltd.	Beneficial owner	45,284,000	9.51%
Big Reap Investment Limited	Beneficial owner	32,676,320	6.86%
Galligan Holdings Limited	Beneficial owner	39,700,000	8.34%
Credit Suisse Trust Limited	Interest of a controlled corporation ( <i>Note 2</i> )	39,700,000	8.34%

*Notes:*

1. The 107,780,320 shares are held as to 32,676,320 shares by Big Reap Investment Limited, 45,284,000 shares by Loh & Loh Construction Group Ltd as well as 29,820,000 shares directly by Mr. Loh Nee Peng. Big Reap Investment Limited is interested as to 100% by Mr. Loh Nee Peng and Loh & Loh Construction Group Ltd. is interested as to 64% by Mr. Loh Nee Peng. By virtue of Part XV of the SFO, Mr. Loh Nee Peng is deemed to be interested in the shares held by Big Reap Investment Limited and Loh & Loh Construction Group Ltd.
2. The 39,700,000 shares are held by Galligan Holdings Limited which is interested as to 100% indirectly held by Credit Suisse Trust Limited. By virtue of the SFO, Credit Suisse Trust Limited is deemed to be interested in the shares held by Galligan Holdings Limited.

Save as disclosed above, as at 30 June 2022, the Directors are not aware of any other person or corporation having an interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was expected to be interested in 5% of 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 CHIEF EXECUTIVES' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES**

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

## **COMPETING INTERESTS**

During the six months ended 30 June 2022, none of the Directors or the controlling shareholders of the Company and their respective close associates had any interest in a business which competes or may compete with the business of the Group.

## SHARE OPTION SCHEME

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

During the six months ended 30 June 2022, no option has been granted under the Share Option Scheme.

## ADVANCES TO ENTITIES

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

Pursuant to the Rule 17.16 of the GEM Listing Rules, a disclosure obligation arises where the increment of relevant advance amount to an entity from the Group exceeds 3% under the assets ratio as defined under Rule 19.07(1) of the GEM Listing Rules (the “Assets Ratio”). As at 30 June 2022, the Company’s consolidated total assets were approximately HK\$1,769,186,000.

	(Unaudited)		(Unaudited)	
	As at		As at	Increment as
	30 June		31 March	compared to
	2022	Assets Ratio	2022	Assets Ratio
	HK\$’000	(%)	HK\$’000	(%)
Guarantees to Zhong Bao Group <i>(note)</i>	165,530	9.4	174,593	0.1

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

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2022, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding Directors' securities transactions.


## CORPORATE GOVERNANCE

The Board also considers that the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 15 of the GEM Listing Rules throughout the period. Application of corporate governance policies are consistent with those adopted by the Group in the preparation of the annual consolidated financial statements for the year ended 31 December 2021.

## AUDIT COMMITTEE

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

The primary duties of the Audit Committee are mainly: (a) to review the Group's annual reports, consolidated financial statements, interim reports and quarterly reports; and (b) to review and supervise the financial reporting, risk management and internal control procedures of the Group; and (c) to liaise with the external auditor at least twice a year and provide advices and comments thereon to the Board. The Audit Committee has reviewed the 2022 interim results and provided comments thereon to the Board.



The unaudited condensed consolidated interim financial statements have been reviewed by Grant Thornton Hong Kong Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants and the Audit Committee, and were approved by the Board of Directors on 9 August 2022.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2022.

## **DIRECTORS OF THE COMPANY**

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

By Order of the Board  
**G.A. Holdings Limited**  
**Yuen Kin Pheng**  
*Chairman*

Hong Kong, 9 August 2022

\* *For identification purpose only*