



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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

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 announcement, 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 announcement 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 announcement misleading.

FINANCIAL RESULTS

The board of directors (the “Board”) of the Company is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	2,080,324	2,362,390
Other income	6	<u>107,761</u>	<u>59,891</u>
		2,188,085	2,422,281
Changes in inventories	8.1	(35,369)	(929)
Auto parts and accessories, and motor vehicles purchased	8.1	(1,834,482)	(2,079,650)
Employee benefit expenses		(129,747)	(135,364)
Depreciation and amortisation		(55,293)	(59,226)
Lease charges	8.3	(5,502)	(5,493)
Exchange differences, net		(2,068)	(4,018)
(Provision)/Reversal of ECL allowance on trade and other receivables, net	8.3	(4,711)	3,390
Other expenses	7	<u>(75,167)</u>	<u>(69,494)</u>
Profit from operations		45,746	71,497
Finance costs	8.2	<u>(38,028)</u>	<u>(33,156)</u>
Profit before income tax	8	7,718	38,341
Income tax expense	9	<u>(3,640)</u>	<u>(12,237)</u>
Profit for the year		<u>4,078</u>	<u>26,104</u>

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other comprehensive income/(expense)			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Unlisted equity investments at FVOCI – net movement in fair value reserves (non-recycling)		2,751	(4,212)
<i>Item that will be reclassified subsequently to profit or loss:</i>			
Exchange loss on translation of financial statements of foreign operations		<u>(10,804)</u>	<u>(67,716)</u>
Other comprehensive expenses for the year, net of tax		<u>(8,053)</u>	<u>(71,928)</u>
Total comprehensive expenses for the year		<u>(3,975)</u>	<u>(45,824)</u>
Profit for the year attributable to:			
Owners of the Company		<u>4,078</u>	<u>26,104</u>
Total comprehensive expenses for the year attributable to:			
Owners of the Company		<u>(3,975)</u>	<u>(45,824)</u>
		HK cents	HK cents
Earnings per share			
Basic and diluted	<i>10</i>	<u>0.86</u>	<u>5.48</u>

Consolidated Statement of Financial Position

as at 31 December 2023

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Net current assets	<u>439,514</u>	<u>415,390</u>
Total assets less current liabilities	<u>905,291</u>	<u>895,767</u>
Non-current liabilities		
Borrowings	26,753	2,378
Lease liabilities	101,562	110,720
Deferred tax liabilities	<u>10,963</u>	<u>12,681</u>
	<u>139,278</u>	<u>125,779</u>
Net assets	<u><u>766,013</u></u>	<u><u>769,988</u></u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	47,630	47,630
Reserves	<u>718,383</u>	<u>722,358</u>
Total equity	<u><u>766,013</u></u>	<u><u>769,988</u></u>

Notes:

1. GENERAL INFORMATION

G.A. Holdings Limited 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 Company and its subsidiaries 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.

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 2 to the consolidated financial statements.

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” 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 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.

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.

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”), 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.

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 reporting date (even if the covenant is only assessed after the reporting date) affect the classification of that liability as current or non-current. Those covenants to be complied with after the reporting date 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.

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

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.

2.3 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 offsettable 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

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

4. REVENUE

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<hr/>	<hr/>
Revenue from contracts with customers	<u>2,080,324</u>	<u>2,362,390</u>

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 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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	<u>21,841</u>	<u>22,227</u>
Total	<u>2,080,324</u>	<u>2,362,390</u>
Timing of revenue recognition		
At a point in time	2,058,483	2,340,163
Over time	<u>21,841</u>	<u>22,227</u>
Total	<u>2,080,324</u>	<u>2,362,390</u>
Geographical markets		
China (Mainland)	2,058,483	2,340,163
China (Hong Kong)	<u>21,841</u>	<u>22,227</u>
Total	<u>2,080,324</u>	<u>2,362,390</u>
Type of customers		
Corporate	407,708	438,871
Individuals	<u>1,672,616</u>	<u>1,923,519</u>
Total	<u>2,080,324</u>	<u>2,362,390</u>

5. SEGMENT INFORMATION

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

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-sale 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.

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 <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue	<u>2,058,483</u>	<u>21,841</u>	<u>2,080,324</u>
Reportable segment profit	<u>9,577</u>	<u>3,220</u>	<u>12,797</u>
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	<u>(34,011)</u>	<u>(405)</u>	<u>(34,416)</u>
	2022		
	Motor vehicle sales and services business <i>HK\$'000</i>	Car rental business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue	<u>2,340,163</u>	<u>22,227</u>	<u>2,362,390</u>
Reportable segment profit	<u>47,161</u>	<u>1,458</u>	<u>48,619</u>
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	<u>(30,948)</u>	<u>(365)</u>	<u>(31,313)</u>

(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	<u>1,538,813</u>	<u>28,209</u>	<u>1,567,022</u>
Reportable segment liabilities	<u>911,209</u>	<u>14,197</u>	<u>925,406</u>
	2022		
	Motor vehicle sales and services business HK\$'000	Car rental business HK\$'000	Total HK\$'000
Reportable segment assets	<u>1,499,704</u>	<u>32,725</u>	<u>1,532,429</u>
Reportable segment liabilities	<u>886,131</u>	<u>13,905</u>	<u>900,036</u>

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

	2023 HK\$'000	2022 HK\$'000
Reportable segment revenue	<u>2,080,324</u>	<u>2,362,390</u>
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	<u>(3,612)</u>	<u>(1,843)</u>
Profit before income tax	<u>7,718</u>	<u>38,341</u>
Reportable segment assets	1,567,022	1,532,429
Non-current corporate assets (note (i))	11,401	9,384
Current corporate assets (note (ii))	<u>180,463</u>	<u>196,036</u>
Consolidated total assets	<u>1,758,886</u>	<u>1,737,849</u>
Reportable segment liabilities	925,406	900,036
Non-current corporate liabilities (note (iii))	11,178	13,293
Current corporate liabilities (note (iv))	<u>56,289</u>	<u>54,532</u>
Consolidated total liabilities	<u>992,873</u>	<u>967,861</u>

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		Non-current assets	
	external customers		(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
	<u>2,080,324</u>	<u>2,362,390</u>	<u>450,803</u>	<u>472,159</u>

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.

6. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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
	<u>107,761</u>	<u>59,891</u>

7. OTHER EXPENSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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
	<u>75,167</u>	<u>69,494</u>

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

8. PROFIT BEFORE INCOME TAX

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

8.1 Cost of inventories

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

8.2 Finance costs

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

8.3 Other items

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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	<u>116</u>	<u>81</u>
Total lease charges	<u>5,502</u>	<u>5,493</u>
Depreciation:		
Owned assets	34,139	31,597
Right-of-use assets	<u>18,933</u>	<u>25,307</u>
Total depreciation	<u>53,072</u>	<u>56,904</u>
Gain on disposals of property, plant and equipment	(2,199)	(4,366)
Gain on disposals of right-of-use assets	(3,012)	(3,476)
Amortisation of an intangible asset	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	268	(2,595)
Provision/(Reversal) of ECL allowance on other receivables	<u>4,443</u>	<u>(795)</u>
Provision/(Reversal) of ECL allowance on trade and other receivables, net	<u>4,711</u>	<u>(3,390)</u>
Net foreign exchange loss	<u><u>2,068</u></u>	<u><u>4,018</u></u>

9. 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 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax – Overseas		
Charge for the year	<u>9,378</u>	<u>13,959</u>
Current tax – total	9,378	13,959
Deferred tax	<u>(5,738)</u>	<u>(1,722)</u>
Total income tax expense	<u>3,640</u>	<u>12,237</u>

10. 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.

11. DIVIDEND

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

12. TRADE RECEIVABLES

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

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

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.

13. TRADE AND BILLS PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	48,465	51,686
Bills payables	<u>131,056</u>	<u>132,815</u>
	<u><u>179,521</u></u>	<u><u>184,501</u></u>

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 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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	<u>141</u>	<u>1,736</u>
	<u><u>179,521</u></u>	<u><u>184,501</u></u>

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.

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 and heightened geopolitical tensions and tightened financial conditions.

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.

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\$2,363,000 (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 announcement, 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.

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.

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.

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.

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

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

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

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

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.

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.

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.

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.

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.

SCOPE OF WORK OF THE AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Grant Thornton Hong Kong Limited ("Grant Thornton"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2023. The work performed by Grant Thornton in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Grant Thornton on the preliminary announcement.

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.

DIRECTORS OF THE COMPANY

Executive Directors of the Company as at the date hereof are Mr. Yuen Kin Pheng, Mr. Choy Choong Yew, Mr. Li Ze Qing, Mr. Ma Hang Kon, Louis and Mr. Zhang Xi, being the executive Directors and Ms. Guan Xin, Mr. Lin Ju Zheng and Mr. Zhou Ming, being the independent non-executive Directors..

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

Hong Kong, 22 March 2024

This announcement will remain on the "Latest Listed Company Information" page on the GEM website at www.hkgem.com for at least 7 days from the date of its posting and the company's website at www.ga-holdings.com.hk.

for identification purpose only