
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in G.A. Holdings Limited (“**Company**”), you should at once hand this circular to the purchaser(s) or transferee(s) to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

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This circular, for which the directors of the Company (“**Directors**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM 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, (1) the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and; (2) there are no other matters the omission of which would make any statement herein or this circular misleading.



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)

**(I) MAJOR TRANSACTION – FACILITIES GUARANTEES
UNDER THE GUARANTEE AGREEMENT;
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the extraordinary general meeting (“**EGM**”) of the Company to be held at 4:00 p.m. on Monday, 20 December 2021, at Unit 1203, 12th Floor, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong is set out on pages 33 to 34 of this circular.

Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

This circular will remain on the GEM website at www.hkgem.com and at www.hkexnews.hk on the “Latest Company Announcement” page for 7 days from the date of its posting and on the Company’s website at www.ga-holdings.com.hk.

3 December 2021

CHARACTERISTICS OF GEM

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

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

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the meanings set out below:

“Announcement”	the announcement of the Company dated 15 November 2021 in relation to, among other things, the entering into of the Guarantee Agreement
“Board”	the board of Directors
“BOC”	Bank of China Limited Xiamen Branch (中國銀行股份有限公司廈門市分行)
“CMS Bank”	China Minsheng Banking Corporation Limited (中國民生銀行股份有限公司)
“Company”	G.A. Holdings Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at 4 p.m. on Monday, 20 December 2021 to consider and if thought fit, to approve the Guarantee Agreement and the transactions contemplated thereunder
“Existing Facilities A Framework Agreement”	the framework agreement dated 27 November 2020 entered into by Xiamen Zhong Bao and BOC with an expiry date in the fourth quarter of 2021 which sets out the terms of the facility agreements in respect of Facilities A
“Existing Facilities A Guarantee Agreement”	the facilities guarantee agreement entered into by BOC and Xiamen BMW on 27 November 2020 in respect of Facilities A
“Existing Facilities A Pledge Agreement”	the pledge agreement dated 9 December 2020 entered into by BOC and GAPL in respect of Facilities A
“Existing Facilities B Framework Agreement”	the framework agreement dated 30 March 2021 entered into by Xiamen Zhong Bao and CMS Bank with an expiry date in the second quarter of 2022 which sets out the terms of the facility agreements in respect of Facilities B
“Existing Facilities B Guarantee Agreement”	the facilities guarantee agreement entered into by CMS Bank and Xiamen BMW on 30 March 2021 in respect of Facilities B

DEFINITIONS

“Existing Facilities Framework Agreements”	the Existing Facilities A Framework Agreement and the Existing Facilities B Framework Agreement
“Facilities A”	facilities including but not limited to a series of loans, notes, guarantees and letters of credit entered into or may be entered into by BOC and Xiamen Zhong Bao
“Facilities B”	facilities including but not limited to a series of loans, notes, guarantees and letters of credit entered into or may be entered into by CMS Bank and Xiamen Zhong Bao
“Facilities Guarantees”	the guarantees provided and/or to be provided (as the case may be) by Xiamen BMW and GAPL in favour of Xiamen Zhong Bao under the Guarantee Agreement
“GAPL”	German Automobiles Pte Ltd, a company incorporated in the Republic of Singapore with limited liability and the holding company of Xiamen BMW
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Guarantee Agreement”	the guarantee agreement dated 15 November 2021 entered into among Xiamen BMW, GAPL and Xiamen Zhong Bao
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Mr. Zhao”	Mr. Zhao Guiming (趙貴明先生)
“Latest Practicable Date”	26 November 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“New Facilities A Framework Agreement”	the framework agreement to be entered into by Xiamen Zhong Bao and BOC setting out the terms of the facility agreements in respect of Facilities A that may be entered into by Xiamen Zhong Bao and BOC after the expiry of the Existing Facilities A Framework Agreement and for the purpose of renewing the Existing Facilities A Framework Agreement

DEFINITIONS

“New Facilities A Guarantee Agreement”	the facilities guarantee agreement to be entered into by BOC and Xiamen BMW whereby Xiamen BMW shall provide a facility guarantee to BOC in respect of the Facilities A to be borrowed by Xiamen Zhong Bao from BOC
“New Facilities A Pledge Agreement”	the pledge agreement to be entered into by BOC and GAPL whereby GAPL shall pledge the Non-Business Operation Property to BOC in respect of the Facilities A to be borrowed by Xiamen Zhong Bao from BOC
“New Facilities B Framework Agreement”	agreement to be entered into by CMS Bank and Xiamen Zhong Bao setting out the terms of the facility agreements in respect of Facilities B that may be entered into by Xiamen Zhong Bao and CMS Bank after the expiry of the Existing Facilities B Framework Agreement and for the purpose of renewing the Existing Facilities B Framework Agreement
“New Facilities B Guarantee Agreement”	the facilities guarantee agreement to be entered into by CMS Bank and Xiamen BMW whereby Xiamen BMW shall provide a facility guarantee to CMS Bank in respect of the Facilities B to be borrowed by Xiamen Zhong Bao from CMS Bank
“New Facilities Framework Agreements”	the New Facilities A Framework Agreement and the New Facilities B Framework Agreement
“New Facilities Guarantee Agreements”	the New Facilities A Guarantee Agreement and the New Facilities B Guarantee Agreements
“Non-Business Operation Property”	a parcel of leasehold land located at Chaoyang District, Beijing, PRC and the residential building erected thereon, which is owned by GAPL
“PRC”	the People’s Republic of China
“Previous Guarantee Agreement”	the guarantee agreement dated 12 November 2019 entered into among Xiamen BMW, GAPL and Xiamen Zhong Bao
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Xiamen BMW”	Xiamen BMW Automobiles Service Co., Ltd.* (廈門寶馬汽車維修有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of GAPL which in turn is a wholly-owned subsidiary of the Company
“Xiamen Zhong Bao”	Xiamen Zhong Bao Automobiles Co., Ltd.* (廈門中寶汽車有限公司), a company established in the PRC with limited liability and a third party independent of the Company and the connected persons of the Company
“Zhong Bao Group”	Xiamen Zhong Bao and its related companies

For illustration purposes only, an exchange rate of RMB1 to HK\$1.217 has been applied in this circular. No representation is made that any amount in RMB or HK\$ was, could have been or could be converted at such rate or at any other rate or at all.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Luo Wan Ju (*Chairman*)
Mr. Choy Choong Yew (*Managing Director*)
Mr. Zhang Xi
Mr. Ma Hang Kon, Louis
Mr. Xue Guo Qiang

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Independent non-executive Directors:

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Mr. Yuen Kin Pheng
Ms. Guan Xin

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51 Goldhill Plaza
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3 December 2021

To Shareholders

Dear Sir or Madam

**(I) MAJOR TRANSACTION – FACILITIES GUARANTEES
UNDER THE GUARANTEE AGREEMENT;
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement. Pursuant to the Guarantee Agreement, Xiamen BMW and GAPL have conditionally agreed to guarantee Xiamen Zhong Bao's banking facilities to be incurred in its ordinary course of business up to a maximum aggregate amount of RMB101.0 million (equivalent to

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approximately HK\$122.9 million) during the period from 1 January 2022 to 31 December 2023, which constitutes a major transaction of the Company and thus is subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 19 of the GEM Listing Rules.

The purpose of this circular is to provide the Shareholders with, among other things, further information relating to the Guarantee Agreement and the transactions contemplated thereunder and other information required by the GEM Listing Rules.

THE GUARANTEE AGREEMENT

1. The principal terms and conditions of the Guarantee Agreement

On 15 November 2021 (after trading hours), Xiamen BMW, GAPL and Xiamen Zhong Bao entered into the Guarantee Agreement, pursuant to which Xiamen BMW and GAPL have conditionally agreed to guarantee Xiamen Zhong Bao's banking facilities to be incurred in its ordinary course of business to a maximum aggregate amount of RMB101.0 million (equivalent to approximately HK\$122.9 million) during the period from 1 January 2022 to 31 December 2023.

Please refer to the paragraph headed "2. Reasons for and benefits of the Guarantee Agreement" below in this circular for further details.

Subject to the approval by the Shareholders at the EGM, the Facilities Guarantees under the Guarantee Agreement will be entered into among Xiamen BMW, GAPL and Xiamen Zhong Bao.

The principal terms of the Guarantee Agreement are set out as follows.

Parties

- (a) Xiamen BMW;
- (b) GAPL; and
- (c) Xiamen Zhong Bao

Date

15 November 2021

Period

From 1 January 2022 to 31 December 2023

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Guarantee amount

The guarantee amount, totalling RMB101.0 million (equivalent to approximately HK\$122.9 million), has been arrived at based on the estimated maximum aggregate principal amount of banking facilities of RMB92.0 million and possible interests and charges in any events of default payment to be incurred by Xiamen Zhong Bao under the New Facilities Framework Agreements in the ordinary course of its business and guaranteed by Xiamen BMW under the New Facilities Guarantee Agreements.

Your attention is drawn to the paragraph headed “3. Estimated maximum amount of interest and fees under the Facilities Guarantees” in this circular for the assumptions and calculations in respect of the maximum amount of interest and fees under the Facilities Guarantees and the analysis of the relevant financial figures.

Please also refer to the paragraphs under the heading “Financial Effect” in Appendix I to this circular for the financial effect of the Facilities Guarantees and the Board’s assessment of Xiamen Zhong Bao’s credit risk. The Board is of the view that the credit risk of Xiamen Zhong Bao is low.

In the event that Xiamen Zhong Bao were to default in making payments under the relevant banking facilities, Xiamen BMW, as guarantor, will be responsible to make payment of the above mentioned guarantee amount of RMB101.0 million (equivalent to approximately HK\$122.9 million). In such case, the Company’s liabilities would be increased by the same amount, which will then be charged to the Group’s income statement. If the Group is demanded to make payment, the Company’s intention is to settle the same using its internal cash and resources as well as other available financing options including but not limited to bank borrowing. The Group’s gearing ratio expressed as a percentage of total borrowings (including bills payable, lease liabilities, short-term and long-term borrowings) less cash and cash equivalents (net debt), divided by total equity plus net debt as at 30 September 2021 was 0.47.

The Company will not recognise any financial guarantee expense as a result of the entering into of the Guarantee Agreement per se. However, the Company will recognise financial guarantee expense upon the granting of a facilities guarantee, and the expense amount will be arrived at after taking into account the fair value of the guarantee at the time it is granted and will be amortised in profit or loss over the period of guarantee in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Recognition of such guarantee expense will not involve making any payment or cash outflow. For the year ended 31 December 2019, in connection with the granting of facilities guarantees under the Previous Guarantee Agreement, the Company recorded financial guarantee expenses amounting to approximately HK\$0.7 million. As at 31 October 2021, the aggregate principal amount guaranteed by the Group in favour of Xiamen Zhong Bao was RMB92.0 million (equivalent to approximately HK\$112.0 million).

Fees, charges and security

Save for the pledge of the Non-Business Operation Property by GAPL under the Existing Facilities A Pledge Agreement and the New Facilities A Pledge Agreement, no fees, charges or security of any kind will be required from either party to the Guarantee Agreement.

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The Non-Business Operation Property had (a) a net book value of RMB2.8 million as at 31 October 2021; and (b) an estimated market value of approximately RMB17.8 million, according to a valuation carried out by a valuer as at 16 July 2020.

Prior to the Guarantee Agreement, the Company has entered into three similar guarantee agreements involving the same parties dated 29 April 2016, 14 November 2017 and 12 November 2019. As disclosed in the circular dated 25 May 2016, BOC required the pledging of the Non-Business Operation Property during the negotiation of one of the underlying facilities to be entered into between BOC and Xiamen Zhong Bao. Since then, BOC has required the pledging of the same property in relation to facilities extended by it to Xiamen Zhong Bao.

The Non-Business Operation Property is a residential property of 222.0 square metres located on 1st to 2nd Floor, Building 69D, No.1 Xiangjiang North Road, Chaoyang District, Beijing and is used for short term accommodation for the Group's employees during their business trips. The Non-Business Operation Property is not used for the Group's business operations. Taking into account the current use and the net book value of the Non-Business Operation Property, the Board is of the view that there will be no adverse impact on the Group's business operations and there will be no material impact on the Group's financial position as a result of any enforcement of the pledge of the Non-Business Operation Property by BOC if Xiamen Zhong Bao were to default in making payments under Facilities A.

The pledge of the Non-Business Operation Property would be exercisable by BOC where the debtor under the New Facilities A Framework Agreement (i.e. Xiamen Zhong Bao) has not paid BOC on any repayment dates decided in accordance with the New Facilities A Framework Agreement. BOC would have the right to negotiate with GAPL to discount the Non-Business Operation Property or use the proceeds from the auction or sale of the Non-Business Operation Property to pay off the defaulted Facilities A in priority. If the negotiation fails, BOC would have the right to request the people's court of the PRC to auction or sell the Non-Business Operation Property in accordance with the relevant laws and regulations. In respect of each defaulted facility, BOC shall only exercise the pledge within the period of the respective litigation.

To the best of the Directors' knowledge, information and belief, there is no material difference between the Existing Facilities A Pledge Agreement and the New Facilities A Pledge Agreement.

Conditions

The transactions contemplated under the Guarantee Agreement are conditional upon the Shareholders' approval on the same having been obtained at the EGM.

2. Reasons for and benefits of the Guarantee Agreement

The Group's business model

The Group is principally engaged in (i) the sales of motor vehicles and provision of car-related technical services, servicing of motor vehicles, sales of auto parts and (ii) provision of car rental services.

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As part of the Group's business model since the Company's listing in 2002, there has always been in place between the Group and its distribution agents technical and cooperation agreements for the Group's motor vehicle trading business as foreign companies were not allowed under PRC laws and regulations to engage in the business of trading motor vehicles directly in the PRC. The Group has entered into technical and cooperation agreements with local distributors whereby the Group shall provide technical expertise and management service to these distribution agents and they shall in return pay to the Group technical fee based on the number of motor vehicles sold to the customers in the PRC. The Group had cooperated and entered into agreements with a PRC distributor from January 2000 for a term of five years under which the Group provided management consultation and technical assistance to such PRC distributor and its distribution agents for the promotion and maintenance of locally manufactured passenger vehicles in exchange for technical fees. Similar agreements have since 2003 been entered into between the Group and Zhong Bao Group which is principally engaged in the business of sales of motor vehicles in Xiamen Province, the PRC.

Currently, the only partner cooperating with the Group under the technical and cooperation agreement is Zhong Bao Group (including Xiamen Zhong Bao). Pursuant to the technical and cooperation agreement between the Group and Zhong Bao Group, the Group shall provide technical expertise, financial assistance and management service to Zhong Bao Group and Zhong Bao Group shall in return pay technical fee to the Group based primarily on the number of motor vehicles sold. No other customer of the Group pays such a technical fee to the Group.

To the best knowledge of the Directors having sought advice from the Company's PRC lawyers, the arrangements under the technical and cooperation agreements between the Group and Zhong Bao Group were in compliance with the relevant PRC laws and regulations, namely, Contract Law of the People's Republic of China; Administrative Regulations of The People's Republic of China Governing the Registration of Legal Corporations; Notice of the State Administration of Taxation on Issuing the Measures for the Implementation of Special Tax Adjustments (for Trial Implementation) and Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (Interpretation No. 18 2015 of the Supreme People's Court).

In 2012 when foreign restriction over motor vehicles trading in the PRC was lifted, the Group began to sell motor vehicles directly to its end customers. In 2014, the Group ceased its sales of motor vehicles through its arrangement with Zhong Bao Group while it has continued to receive technical fees pursuant to the technical and cooperation agreements and generate income in relation to car servicing and sale of auto parts from Zhong Bao Group. In other words, from 2012, except for expanding into motor vehicles sales directly to its end customers, the Group's business model, including its arrangement with Zhong Bao Group which is principally engaged in the business of sales of motor vehicles in Xiamen Province, has remained largely the same.

During the year ended 31 December 2020, Zhong Bao Group was one of the Group's top five customers, contributing approximately 7.3% of the Group's total revenue during the year ended 31 December 2020. During the same period, the Group generated income from car servicing and sale of motor vehicles and auto parts of HK\$155,914,000 and earned technical fee income of HK\$8,962,000 from Zhong Bao Group. Please refer to the paragraph headed "3. Estimated maximum amount of

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interest and fees under the Facilities Guarantees” below in this circular for the breakdown and the percentages of the revenue contributed by Zhong Bao Group and Xiamen Zhong Bao as compared to the Group’s total revenue for the year ended 31 December 2020.

The Group has continued to cooperate with Xiamen Zhong Bao despite the removal of foreign restriction over motor vehicles trading in the PRC in 2012 as: (i) the Group has developed a long term and stable business relationship with Xiamen Zhong Bao since 2003; (ii) Xiamen Zhong Bao was one of the Group’s top five customers with low credit risk and has provided the Group with a steady source of income; and (iii) the Group has been benefiting from Xiamen Zhong Bao’s local business network and customer base in Xiamen and Fuzhou for its servicing of motor vehicles and sale of auto parts businesses, which attract higher profit margin than sales of motor vehicles, and such benefit is expected to continue.

The financing arrangements under the technical and cooperation agreement with Zhong Bao Group include making short term advance payments for Zhong Bao Group’s daily operations from time to time (subject to the availability of the Group’ internal resources such as idle cash and the Group’s approval) and providing facility guarantees as financing support to Zhong Bao Group for its purchase of motor vehicles from suppliers which are part and parcel of the terms of the technical and cooperation agreement. While the Group receives no monetary consideration under the Guarantee Agreement, it receives technical fees under the technical and cooperation agreements with Zhong Bao Group. It is noted that Xiamen Zhong Bao shall only use the facilities to settle payments towards two specific major suppliers of automobiles in the PRC for the purposes stipulated under the Facilities Framework Agreements, for example as its working capital, unless otherwise agreed by the banks. Furthermore, the provision of facility guarantees in relation to Zhong Bao Group, which is the Group’s distributor, is related to the Group’s ordinary and usual course of business. Other than the facilities guarantees provided and to be provided in relation to Zhong Bao Group, the Group does not provide similar guarantee to other customers or third parties.

The background

At the extraordinary general meeting of the Company held on 19 December 2019, the Shareholders approved the Previous Guarantee Agreement, details in relation to which are set out in the circular of the Company dated 2 December 2019.

Xiamen BMW has, pursuant to the Previous Guarantee Agreement, entered into and renewed facilities guarantee agreements in favour of BOC and CMS Bank in respect of the facilities they granted to Xiamen Zhong Bao. As at the date of this circular, the relevant facilities guarantee agreements at as the date of this circular are (i) the Existing Facilities A Guarantee Agreement; and (ii) the Existing Facilities B Guarantee Agreement.

GAPL has, pursuant to the Previous Guarantee Agreement, entered into the Existing Facilities A Pledge Agreement whereby GAPL agreed to pledge the Non-Business Operation Property with a net book value of RMB2.8 million as at 31 October 2021 in favour of BOC in respect of Facilities A under the Existing Facilities A Framework Agreement.

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The Existing Facilities Framework Agreements will expire respectively in the fourth quarter of 2021 and the second quarter of 2022. Upon their respective expiry,

- (a) Xiamen Zhong Bao as the borrower is expected to renew the banking facilities with BOC and CMS Bank respectively and will enter into: (i) the New Facilities A Framework Agreement with BOC; and (ii) the New Facilities B Framework Agreement with CMS Bank; and
- (b) Xiamen BMW will be expected to guarantee the underlying banking facilities under the New Facilities Framework Agreements and GAPL will be expected to pledge the Non-Business Operation Property for the underlying banking facilities under the New Facilities A Framework Agreement.

As the Previous Guarantee Agreement will expire on 31 December 2021, the terms of the Guarantee Agreement, if approved by the Shareholders at the EGM, will give the Directors the flexibility to, during its term, guarantee Xiamen Zhong Bao's banking facilities to be incurred in its ordinary course of business up to a maximum aggregate amount of RMB101.0 million (equivalent to approximately HK\$122.9 million) without having to seek Shareholders' approval for entering into guarantees expected to be required of Xiamen BMW as and when the underlying facilities framework agreements expire.

Details of the principal terms of the Facilities Framework Agreements are set out in the paragraph headed "4. Details of the New Facilities Framework Agreements" below in this circular.

The reasons for and benefits of the Guarantee Agreement

The provision of the facilities guarantees under the Guarantee Agreement will facilitate Xiamen Zhong Bao's carrying on of motor vehicle sales business, and in view of the technical and cooperation relationship between the Group and Xiamen Zhong Bao, this will in turn help secure the Group's source of technical service fee income and other businesses such as sales of auto parts, aftersales and car servicing from Zhong Bao Group. The Board notes that the Group has been in this business cooperation of providing corporate guarantees for the aforesaid purpose to this business partner and similar corporate guarantees have been granted to the same banks. Taking into account the Group's business model and its long-term cooperation with Xiamen Zhong Bao and that no fees, charges or securities (save for the pledge of the Non-Business Operation Property) of any kind are required under the Guarantee Agreement, the Board considers that the Guarantee Agreement will promote and maintain the business relationship with Xiamen Zhong Bao. For the year ended 31 December 2020, Zhong Bao Group and Xiamen Zhong Bao respectively contributed approximately 7.3% and 1.9% of the Group's total revenue.

The Board believes that the estimated maximum exposure and liabilities under the Guarantee Agreement of RMB101.0 million (approximately HK\$122.9 million), which amounts to approximately 7.4% of the Group's total assets as at 30 June 2021, should be considered in light of the credit risks associated with New Facilities Guarantee Agreements. In this regard, the Board notes that BOC and CMS Bank have inserted specific terms in the New Facilities Agreements which require Xiamen Zhong Bao to use the credit facilities to settle payment towards two specific major

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suppliers of automobiles in the PRC and that the banks will monitor that these terms are strictly adhered to by Xiamen Zhong Bao. In addition, the Board reviews annually matters including (i) Xiamen Zhong Bao's turnover of inventory and level of obsolete stock (with reference to the net realizable value and any impairment as appropriate) (ii) the ageing analysis of Xiamen Zhong Bao's debtors in order to monitor the recoverability of the debtors balance. The other matters considered by the Board and the steps taken by it from time to time are more particularly set out in Appendix I on pages 25 and 26 of this circular. To the best knowledge of the Company, Xiamen Zhong Bao has never defaulted in repaying loan principals and interests. In light of the above, the Board believes that there are in place sufficient and timely measures for assessing Xiamen Zhong Bao's credit risks, and based on the Company's assessment carried out in accordance with these measures, the credit risk in respect of Xiamen Zhong Bao is low.

Having regard to the Group's business model, the previous financial and operational performance of Zhong Bao Group, the estimated of maximum exposure and liabilities under the Guarantee Agreement in light of the low credit risk Xiamen Zhong Bao, the financial benefits of the Group's long term cooperation and business relationship with Zhong Bao Group, as well as the lack of operational significance of the Non-Business Operation Property, the Board considers that the terms of the Guarantee Agreement are fair and reasonable and the entering into of the Guarantee Agreement and the provision of the facilities guarantees under the Guarantee Agreement are in the interests of the Company and the Shareholders as a whole.

No consideration will be received by the Group under the Guarantee Agreement albeit the Group receives technical fees under the technical and cooperation agreements with Zhong Bao Group. Your attention is drawn to various sections of this circular for the financial significance of the Guarantee Agreement as well as the Group's cooperation history and relationship with Zhong Bao Group, including but not limited to (i) the paragraph headed "3. Estimated maximum amount of interest and fees under the Facilities Guarantees" in this circular for the assumptions and calculations in respect of the estimated maximum amount of interest and fees under the Facilities Guarantees and the analysis of the relevant financial figures, including the breakdown and the percentages of the revenue contributed by Zhong Bao Group and Xiamen Zhong Bao as compared to the Group's total revenue; and (ii) the paragraph headed "Financial Effect" in Appendix I to this circular for the financial effect of the Facilities Guarantees and the Board's assessment of Xiamen Zhong Bao's credit risk.

3. Estimated maximum amount of interest and fees under the Facilities Guarantees

The total estimated maximum exposure for Facilities A and Facilities B is approximately RMB101.0 million (equivalent to approximately HK\$122.9 million) based on the following assumptions and calculations:

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(a) Assumptions

The calculation of the estimated maximum amount of interest and fees payable by the Group under the New Facilities Framework Agreements in the scenario where no repayment (and the corresponding interests) is made by Xiamen Zhong Bao during the loan period is based on the following assumptions:

- (1) The maximum amount borrowed under Facilities A and Facilities B is drawn by Xiamen Zhong Bao on the first day when the relevant facilities agreements are entered into.
- (2) The Company assumes the duty to pay off the default facilities and the liabilities and repay all of the principal in its entirety immediately.

The interest rates of Facilities A and Facilities B will be the prevailing market bank loan rate in the PRC. The forecasted maximum market bank loan rate for 2021 is approximately 6.0%, with reference to the actual bank loan rate used in the facilities obtained by Xiamen Zhong Bao in 2021 which ranged from approximately 5.2% to approximately 5.7%.

(b) Calculation

The maximum exposure and liabilities under the Guarantee Agreement is calculated with reference to the information set out below:

	Facilities A	Facilities B	
Principal (A)	RMB70 million	RMB22 million	
Facility period	1 year	1 year	
Maximum loan interest (B) <i>(Note 1)</i>	RMB4.20 million	RMB1.32 million	
Guarantee period <i>(Note 2)</i>	3 years	4 years	
Maximum penalty (C) <i>(Note 3)</i>	RMB2.10 million	RMB0.66 million	
Facility fee (D) <i>(Note 4)</i>	RMB0.21 million	RMB0.07 million	
			Total of Facilities A and Facilities B
	Facilities A	Facilities B	
Total Principal (A)	RMB70 million	RMB22 million	RMB92 million
Other liabilities (B+C+D)	RMB6.51 million	RMB2.05 million	RMB8.56 million
Estimated maximum exposure	RMB76.51 million	RMB24.05 million	RMB100.56 million

Notes:

- (1) Assuming the maximum market bank loan rate is approximately 6.0%.
- (2) Facilities A has a three-year guarantee period and Facilities B has a four-year guarantee period. Based on discussions with the banks and the Group's experience in providing guarantees for intra-group transactions, the Group believes that it is a usual practice for PRC based banks to require a guarantee

LETTER FROM THE BOARD

period which extends beyond the period of the underlying banking facilities by two to three years. With respect to release of the guarantees given by the Group, the Group has been able to obtain confirmations from the banks to the effect that the relevant guarantees have been released upon repayment of the banking facilities. For example, in relation to the banking facilities extended by Bank of East Asia (China) Limited Xiamen Branch (“BEA”) to Xiamen Zhong Bao under the “Existing Facilities C Framework Agreement” referred to in the circular of the Company dated 12 December 2017, the Group has obtained the relevant confirmation from BEA that the guarantee given by the Group with respect to the banking facilities thereunder had been released. The Group will endeavour to obtain the relevant confirmation of release with respect to the guarantees given in relation to Facilities A and Facilities B as and when appropriate.

The guarantee period in relation to each of Facilities A and Facilities B will extend beyond the end of the term in the Guarantee Agreement, that is, fourth quarter of 2023 and second quarter of 2025 respectively. Similar situations have occurred in the past and the Group’s experience and discussion with the banks does not indicate that this will have any material impact on the granting of the relevant facilities or the issuance of confirmations by the banks to the effect that the relevant guarantees have been released upon repayment of the facilities.

- (3) Means the damages of the banks in relation to the borrower’s breach of the facility agreement, calculated at 50% of the maximum loan interest. This percentage is assumed based on historical arrangement and further discussion with the relevant banks.
- (4) Means the banks’ fees and expenses in relation to the borrower’s breach of the facility agreement, such as fees of the professional parties and administration fees, calculated at 0.3% of loan principal, which has been adopted with reference to the fees and expenses incurred by the Group for obtaining banking facilities from PRC based banks and discussions with these on their usual practice in relation to fees and expenses.

(c) *Financial significance*

The tables below set out: (i) the comparison between the estimated maximum exposure and liabilities under the Guarantee Agreement and the total assets of the Group as at 30 June 2021; and (ii) the percentages of the revenue contributed by Zhong Bao Group and Xiamen Zhong Bao as compared to the Group’s total revenue of HK\$2,264,306,000 for the year ended 31 December 2020.

- (i) *Comparison between the estimated maximum exposure and liabilities under the Guarantee Agreement and the total assets of the Group*

	Amount	
	<i>HK\$’000</i>	<i>%</i>
The estimated maximum exposure and liabilities under the Guarantee Agreement	122,917	
Total assets of the Group as at 30 June 2021	1,670,780	
Percentage		7.4%

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- (ii) *Comparison between the revenue contributed by Zhong Bao Group and Xiamen Zhong Bao and the Group's total revenue*

	Amount <i>HK\$'000</i>	Percentage of the Group's total revenue %
Revenue generated from car servicing and sales of motor vehicles and auto parts from Xiamen Zhong Bao	32,838	1.5%
Technical fees received from Xiamen Zhong Bao	8,962	0.4%
Total	41,800	1.9%
Revenue generated from car servicing and sales of motor vehicles and auto parts from Zhong Bao Group	155,914	6.9%
Technical fees received from Zhong Bao Group	8,962	0.4%
Total	164,876	7.3%

The Company will re-comply with the relevant requirements under Chapter 19 of the GEM Listing Rules including applicable announcement and shareholders' approval requirements, if the annual cap in respect of the aggregate amount guaranteed by the Group under the Guarantee Agreement (which is RMB101 million) is exceeded, or any of the annual cap in respect of the amount guaranteed by the Group in respect of each of Facilities A and Facilities B under relevant guarantee agreements (which is RMB76.51 million and RMB24.05 million respectively) is exceeded, or when there is anything that comes into the Company's knowledge which will lead to any material change to the parameters used in the above assumptions and calculation in determining the maximum exposure for Facilities A and Facilities B.

4. Details of the New Facilities Framework Agreements

Xiamen Zhong Bao, as borrower, is expected to enter into the New Facilities Framework Agreements with BOC and CMS Bank respectively with principal terms substantially the same as the Existing Facilities A Framework Agreement and Existing Facilities B Framework Agreement (except for the periods of the facilities). The Company will review the agreements to be provided by the banks before approving the same to ensure they contain the same principal terms. In case of any discrepancy, the Company will discuss and negotiate with the banks before entering into the same. The Company will also ensure that the New Facilities Framework Agreements will supersede the respective previous agreements.

Set out below are the proposed principal terms of the New Facilities A Framework Agreement and the New Facilities B Framework Agreement:

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The New Facilities A Framework Agreement

Parties

- (a) Xiamen Zhong Bao
- (b) BOC

Proposed Principal Terms

- (1) Xiamen Zhong Bao may borrow up to a maximum aggregated credit amount of RMB70 million during the usage period.
- (2) The maximum aggregated credit amount may be utilised in one or more types of borrowing such as loans, import and export documents, promissory notes, discounted bills, letters of credit, letters of guarantee, or any types of credit facilities accepted by BOC.
- (3) The credit amount is to be used to settle payments towards two major suppliers of automobiles in the PRC.
- (4) The usage period of the maximum aggregated credit amount is one year which commences from the date of entering into the New Facilities A Framework Agreement.
- (5) The credit facilities under Facilities A are revolving facilities and can be reused during the usage period once repaid.
- (6) The fees of bills, bank guarantee, international trades and financing, discount rate of discounted bills, the interest rate and exchange rate in respect of loans and import and export documents chargeable by BOC (estimated to be 0.3% of the loan principal amount as set out in the paragraph headed “3. Estimated maximum amount of interest and fees under the Facilities Guarantees” in this circular) shall be determined in the contracts to be agreed between Xiamen Zhong Bao and BOC.
- (7) BOC, at any time it chooses to, has the rights to investigate into the use of the credit limit as specified in the New Facilities A Framework Agreement. Under certain circumstances, BOC may also adjust the loan period of Facilities A.
- (8) BOC may require Xiamen Zhong Bao to provide additional guarantee other than those to be provided by the Group.
- (9) If Xiamen Zhong Bao fails to fulfil its obligations under the New Facilities A Framework Agreement, BOC may terminate the use of the credit limit under the New Facilities A Framework Agreement.

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To the best of the Directors' knowledge, information and belief, there is no material difference between the Existing Facilities A Framework Agreement and the New Facilities A Framework Agreement.

The New Facilities B Framework Agreement

Parties

- (a) Xiamen Zhong Bao
- (b) CMS Bank

Proposed Principal Terms

- (1) Xiamen Zhong Bao may borrow up to a maximum aggregated credit amount of RMB22 million during the usage period.
- (2) The maximum aggregated credit amount may be utilized in one or more types of borrowing such as loans, import and export documents, promissory notes, discounted bills, letters of credit, letters of guarantee, or any types of credit facilities accepted by CMS Bank.
- (3) The credit amount is to be used to settle payments towards two major suppliers of automobiles in the PRC.
- (4) The usage period of the maximum aggregated credit amount is one year which commences from the date of entering into the New Facilities B Framework Agreement.
- (5) The credit facilities under Facilities B are revolving facilities and can be reused during the usage period once repaid.
- (6) The fees of bills, bank guarantee, international trades and financing, discount rate of discounted bills, the interest rate and exchange rate in respect of loans and import and export documents chargeable by CMS Bank (estimated to be 0.3% of the loan principal amount as set out in the paragraph headed "3. Estimated maximum amount of interest and fees under the Facilities Guarantees" in this circular) shall be determined in the contracts to be agreed between Xiamen Zhong Bao and CMS Bank.
- (7) CMS Bank, at any time it chooses to, has the rights to investigate into the use of the credit limit as specified in the New Facilities B Framework Agreement. Under certain circumstances, CMS Bank may also adjust the loan period of Facilities B.
- (8) CMS Bank may require Xiamen Zhong Bao to provide additional guarantee other than the one to be provided by the Group.
- (9) If Xiamen Zhong Bao fails to fulfil its obligations under the New Facilities B Framework Agreement, CMS Bank may terminate the use of the credit limit under the New Facilities B Framework Agreement.

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To the best of the Directors' knowledge, information and belief, save for the maximum aggregated credit amount during the usage period, there is no material difference between the Existing Facilities B Framework Agreement and the New Facilities B Framework Agreement.

INFORMATION OF THE PARTIES

Xiamen BMW, GAPL and the Company

Xiamen BMW, a wholly-owned subsidiary of the Company, is principally engaged in the provision of repair and maintenance and car-related technical services for high-end automobiles. GAPL is a wholly-owned subsidiary of the Company, the holding company of Xiamen BMW and is an investment holding company. The Company is an investment holding company. The Group is principally engaged in the sales of motor vehicles, provision of car-related technical services, servicing of motor vehicles and sales of auto parts.

Xiamen Zhong Bao

Xiamen Zhong Bao is principally engaged in the business of sales of motor vehicles in the PRC. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Xiamen Zhong Bao and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

To the best of the knowledge, information and belief of the Directors, based on the best available information as at the Latest Practicable Date, (i) the parent company of Xiamen Zhong Bao is Beijing Zhong Bao Excellent International Trading Co., Ltd.* (北京中寶卓越國際貿易有限公司) whose ultimate beneficial owner is Mr. Zhao Guiming; and (ii) Mr. Zhao Guiming's spouse, Ms. Yang Liying, is interested in 23,000,000 Shares, representing approximately 4.8% of the issued share capital of the Company. Accordingly, Ms. Yang Liying and her associates shall abstain from voting at the EGM.

The Lenders to the Facilities

BOC, the lender to Facilities A, is a company established in the PRC and a branch company of Bank of China. Bank of China is principally engaged in banking and other related financial services.

CMS Bank, the lender to Facilities B, is a company established in the PRC and is principally engaged in commercial banking.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, BOC and CMS Bank are third parties independent of the Company and the connected persons of the Company.

LETTER FROM THE BOARD

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as set out and calculated under Rule 19.07 of the GEM Listing Rules) in respect of the Guarantee Agreement exceed(s) 25%, the transactions contemplated under the Guarantee Agreement constitutes a major transaction of the Company and will be subject to the applicable announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

The Board would like to seek the approvals from the Shareholders at the EGM in relation to the Guarantee Agreement and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors having made all enquiries, save for Ms. Yang Liying who is interested in 23,000,000 Shares as at the Latest Practicable Date (representing approximately 4.8% of the issued share capital of the Company) as detailed in the paragraph headed "Information of the Parties – Xiamen Zhong Bao" in this circular, no Shareholders or any of their respective associates have any material interest in the Guarantee Agreement. As such, save for Ms. Yang Liying, no Shareholder would be required to abstain from voting on the resolution to be proposed at the EGM. Ms. Yang Liying and her associates shall abstain from voting at the EGM.

As the Guarantee Agreement is conditional upon the approval of the Shareholders at the EGM which approval may or may not be forthcoming, Shareholders and potential investors should exercise caution when dealing in the Shares.

THE EGM

The EGM will be held at 4:00 p.m. on Monday, 20 December 2021, at Unit 1203, 12th Floor, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong to consider and, if thought fit, approve, among other things, the entering into of the Guarantee Agreement and the transactions contemplated thereunder. A notice convening the EGM is set out on pages 33 to 34 of this circular.

A proxy form is enclosed herewith for use at the EGM. Whether or not you intend to be present at the EGM, you are advised to complete the form of proxy and return it to the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM or any adjournment thereof. Completion and delivery of a form of proxy will not preclude you from attending and voting at the EGM or any adjournment in person should you so wish.

VOTING BY WAY OF POLL

According to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, the resolution proposed at the EGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under the Rule 17.47(5) of the GEM Listing Rules.

LETTER FROM THE BOARD

The results of the poll will be published on the websites of the Company and GEM as soon as practicable following the conclusion of the EGM.

RECOMMENDATIONS

The Board considers that the terms of the Guarantee Agreement are fair and reasonable and that the resolutions set out in the notice of the EGM are in the interest of the Company and the Shareholders as a whole. As such, the Board recommends the Shareholders to vote in favour of all resolutions at the EGM.

OTHER INFORMATION

Your attention is also drawn to the information set forth in the Appendices to this circular.

Yours faithfully
By order of the Board
G.A. Holdings Limited
Luo Wan Ju
Chairman

FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the nine-month period ended 30 September 2021 and the years ended 31 December 2018, 2019 and 2020 respectively are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.ga-holdings.com.hk>):

- third quarterly report of the Company for the nine months ended 30 September 2021 published on 12 November 2021 (pages 2-12) (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/1112/2021111201410.pdf>)
- interim report of the Company for the six months ended 30 June 2021 published on 12 August 2021 (pages 4-35) (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0812/2021081201145.pdf>)
- annual report of the Company for the year ended 31 December 2020 published on 30 March 2021 (pages 44-135) (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033001662.pdf>);
- annual report of the Company for the year ended 31 December 2019 published on 6 May 2020 (pages 40-127) (<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0506/2020050601870.pdf>);
- annual report of the Company for the year ended 31 December 2018 published on 28 March 2019 (pages 41-127) (<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0328/gln20190328413.pdf>);

INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had borrowings amounting to approximately HK\$802.1 million, details of which are as follows:

BORROWINGS

The following table illustrates the unaudited financial information of the Group's bank and other borrowings as at 31 October 2021:

	<i>HK\$'000</i>
Bank borrowings	388,993
Other borrowings	116,532
Bills payables	152,844
Lease liabilities	143,748
	<u>143,748</u>
	<u>802,117</u>

Analysed as:

	Secured <i>HK\$000</i>	Unsecured <i>HK\$000</i>	Total secured and unsecured <i>HK\$000</i>	Guaranteed <i>HK\$000</i>	Unguaranteed <i>HK\$000</i>	Total guaranteed and unguaranteed <i>HK\$000</i>
Bank borrowings	247,904	141,089	388,993	332,146	56,847	388,993
Other Borrowings	116,532	-	116,532	116,532	-	116,532
Bills payables	152,844	-	152,844	152,844	-	152,844
Lease Liabilities	4,857	138,891	143,748	2,072	141,676	143,748
Total	<u>522,137</u>	<u>279,980</u>	<u>802,117</u>	<u>603,594</u>	<u>198,523</u>	<u>802,117</u>

As at 31 October 2021, the Group's bank borrowings of approximately HK\$24.3 million are secured by the Group's leasehold land and jointly guaranteed by Zhong Bao group companies and a substantial shareholder of the Company.

As at 31 October 2021, the Group's bank borrowings of approximately HK\$22.1 million are secured by the Group's leasehold land and guaranteed by a subsidiary of the Group.

As at 31 October 2021, the Group's bank borrowings of approximately HK\$18.3 million are secured by the Group's leasehold lands and bank deposit of approximately HK\$3.9 million and no guarantee is involved.

As at 31 October 2021, the Group's bank borrowings of approximately HK\$60.9 million are secured by the Group's leasehold land and bank deposit of approximately HK\$18.3 million and jointly guaranteed by Zhong Bao group companies and a substantial shareholder of the Company.

As at 31 October 2021, the Group's bank borrowings of approximately HK\$28.9 million are secured by the Group's leasehold lands and no guarantee is involved.

As at 31 October 2021, the Group's bank borrowings of approximately HK\$15.8 million are secured by the properties owned by Zhong Bao Group companies and jointly guaranteed by a subsidiary of the Group and a substantial shareholder of the Company.

As at 31 October 2021, the Group's bank borrowings of approximately HK\$23.3 million are secured by the properties owned by a related company of a substantial shareholder and guaranteed by a substantial shareholder of the Company.

As at 31 October 2021, the Group's bank borrowings of approximately HK\$9.7 million are secured by the properties owned by a related company of a substantial shareholder and no guarantee is involved.

As at 31 October 2021, the Group's bank borrowings of approximately HK\$24.3 million are secured by the Group's bank deposits of approximately HK\$7.5 million and jointly guaranteed by the Company, a subsidiary of the Group and a substantial shareholder of the Company.

As at 31 October 2021, the Group's bank borrowings of approximately HK\$46.8 million are jointly guaranteed by the Company and a substantial shareholder of the Company and no security is involved.

As at 31 October 2021, the Group's bank borrowings of approximately HK\$36.5 million are guaranteed by certain subsidiaries of the Group and no security is involved.

As at 31 October 2021, the Group's bank borrowings of approximately HK\$36.5 million are jointly guaranteed by certain subsidiaries of the Group and Zhong Bao Group companies and no security is involved.

As at 31 October 2021, the Group's bank borrowings of approximately HK\$20.3 million are secured by bank deposits of approximately HK\$8.1 million and jointly guaranteed by certain subsidiaries of the Group, a director of the Company and a substantial shareholder of the Company.

As at 31 October 2021, the Group's bank borrowings of approximately HK\$9.1 million are jointly guaranteed by Zhong Bao Group companies and a substantial shareholder of the Company and no security is involved.

As at 31 October 2021, the Group's bank borrowings of approximately HK\$12.2 million are jointly guaranteed by certain subsidiaries of the Group, Zhong Bao Group companies and a substantial shareholder of the Company and no security is involved.

As at 31 October 2021, the Group's other borrowings of approximately HK\$20.6 million are secured by the Group's deposits of approximately HK\$4.2 million and guaranteed by a subsidiary of the Group.

As at 31 October 2021, the Group's other borrowings of approximately HK\$16.3 million are secured by the Group's assets and jointly guaranteed by a Zhong Bao group company, a substantial shareholder of Zhong Bao group and a substantial shareholder of the Company.

As at 31 October 2021, the Group's other borrowings of approximately HK\$79.1 million are secured by the Group's assets and jointly guaranteed by a subsidiary of the Group, a Zhong Bao group company and a substantial shareholder of the Company.

As at 31 October 2021, the Group's other borrowings of approximately HK\$0.5 million are secured by the Group's assets and guaranteed by the Company.

As at 31 October 2021, the Group's bills payables of approximately HK\$11.9 million are secured by the Group's leasehold land and bank deposits of approximately HK\$3.6 million, and guaranteed by a subsidiary of the Group.

As at 31 October 2021, the Group's bills payables of approximately HK\$34.8 million are secured by the Group's leasehold land and bank deposits of approximately HK\$10.4 million and guaranteed by Zhong Bao group companies and a substantial shareholder of the Company.

As at 31 October 2021, the Group's bills payables of approximately HK\$23.5 million are secured by the Group's bank deposits of approximately HK\$11.3 million and jointly guaranteed by certain subsidiaries of the Group and Zhong Bao Group companies.

As at 31 October 2021, the Group's bills payables of approximately HK\$30.7 million are secured by the Group's assets and jointly guaranteed by Zhong Bao Group companies and a substantial shareholder of the Company.

As at 31 October 2021, the Group's bills payables of approximately HK\$52.0 million are secured by the Group's bank deposits of approximately HK\$15.6 million and jointly guaranteed by certain subsidiaries of the Group, Zhong Bao Group companies and a substantial shareholder of the Company.

As at 31 October 2021, the Group's lease liabilities of approximately HK\$2.1 million are secured by Group's assets and guaranteed by the Company.

As at 31 October 2021, the Group's lease liabilities of approximately HK\$2.8 million are secured by Group's assets and no guaranteed is involved.

Pledge of assets

As at 31 October 2021, certain motor vehicles and plant and machinery with net carrying amount of approximately HK\$7.7 million was pledged as collateral for the other borrowings of the Group.

As at 31 October 2021, certain motor vehicles with net carrying amount of approximately HK\$7.2 million was pledged as collateral for the lease liabilities of the Group.

As at 31 October 2021, buildings with net carrying amount of approximately HK\$24.7 million was pledged as collateral for the bank borrowings of the Group.

As at 31 October 2021, buildings with net carrying amount of approximately HK\$0.6 million was pledged as collateral for the bank borrowings of Xiamen Zhong Bao.

As at 31 October 2021, leasehold land with net carrying amounts of approximately HK\$76.8 million and HK\$2.7 million were pledged as collateral for the bank borrowings of the Group and Xiamen Zhong Bao, respectively.

As at 31 October 2021, the Group's bank deposits of approximately HK\$105.6 million and HK\$12.5 million were pledged in respect of borrowings facilities granted to the Group and providing securities to suppliers, respectively.

Contingent liabilities and guarantees

As at 31 October 2021, the Group had the following contingent liabilities and guarantees in the ordinary course of business:

Guarantees for bank loans to Zhong Bao Group	RMB141.6 million (equivalent to approximately HK\$172.3 million)
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Saved as disclosed above, no member of the Group is engaged in any litigation or claims known to the Directors to be pending or threatened materially against any members of the Group.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, any bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on the Latest Practicable Date.

WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the present internal resources and available bank loan facilities of the Group, and the effect of the entering into of the Guarantee Agreement in the absence of any unforeseen circumstances, the Group has sufficient working capital for at least the next twelve months from the date of publication of this circular.

FINANCIAL EFFECT

The entering into of the Guarantee Agreement and the provision of the Facilities Guarantees will not have any immediate adverse effect on the Group's earnings, assets and liabilities. However, Xiamen BMW, as guarantor, will be responsible to make repayment of banking facilities with interests and charges amounting to approximately RMB101.0 million (equivalent to approximately HK\$122.9 million) in case Xiamen Zhong Bao defaults in making payments under the relevant banking facilities.

In the event that Xiamen Zhong Bao were to default in making payments under the relevant banking facilities, the Company's liabilities would be increased by approximately RMB101.0 million (equivalent to approximately HK\$122.9 million) being the amount guaranteed under the New Facilities Guarantee Agreements, and the same amount will be charged to the Group's income statement.

In assessing Xiamen Zhong Bao's credit risk, the Board not only takes into consideration the long history of cooperation between the Group and Xiamen Zhong Bao starting from 2003, the Board also performs a financial assessment on Xiamen Zhong Bao's asset, quality, leverage and liquidity ratios.

In particular, the Board examines the following matters related to Xiamen Zhong Bao as part of its assessment on the credit risk of Xiamen Zhong Bao annually:

- (i) the turnover of inventory and the level of obsolete stock of Xiamen Zhong Bao;

- (ii) an ageing analysis of Xiamen Zhong Bao's debtors;
- (iii) the carrying amount of assets of Xiamen Zhong Bao;
- (iv) an estimation of the value of the plant and equipment of Xiamen Zhong Bao;
- (v) the gearing ratio of Xiamen Zhong Bao to meet its short-term obligations as well as its long term liabilities;
- (vi) the past history of Xiamen Zhong Bao's ability to repay its bank loans; and
- (vii) the ability of Xiamen Zhong Bao in maintaining an adequate cash flow in its day-to-day operations and an adequate reserve of banking facilities.

In addition to the above financial assessment, from time to time the Board compares the available financial information of Xiamen Zhong Bao with other publicly available information. The Board also makes qualitative assessment on Zhong Bao's operations based on observations of its operations and discussions with its management and staff. Based on the above, the Board is of the view that the credit risk of Xiamen Zhong Bao is low.

After considering the previous financial and operational performance of Xiamen Zhong Bao and that Xiamen Zhong Bao has never been noted for any default in repayment to the banks, the Directors are of the view that the provision of the Facilities Guarantees will not have any material negative financial effects on the earnings, assets and liabilities of the Group, unless the Company is required to settle the obligations under the Guarantee Agreement. It is expected that the (i) working capital (i.e. the net current assets and liabilities) of the Group will not decrease; (ii) the gearing ratio expressed as a percentage of total borrowings, including bills payables, short term and long term bank borrowings will not increase; and (iii) there will be no cash flow impact. On the contrary it is also expected that the cash inflow from operating activities and earnings of the Group will increase as the Group continues to provide technical and management services and carry out car servicing activities.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change to the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up.

FINANCIAL AND TRADING PROSPECTS

The outbreak of novel coronavirus (COVID-19) epidemic since January 2020 has affected the economy around the world. The PRC government has implemented various measures including the extension of the lunar new year holiday, various stay-home orders across all cities, and restriction on business resumption during February and March 2020. These measures and restriction have adversely affected the performance of the Group in the first quarter of 2020. Starting in the second quarter of 2020, the COVID-19 measures in the PRC were eased. The rebound in general consumption has led to an increase in revenue from the sales of motor vehicles.

During the year ended 31 December 2020, the consolidated revenue increased by 1.3% from HK\$2,235,333,000 for the year ended 31 December 2019 to HK\$2,264,306,000 for the year ended 31 December 2020. The profit from operations for the year ended 31 December 2020 was HK\$114,061,000, representing a 20.6% increase compared to HK\$94,542,000 in 2019. The increase in the profit from operations was mainly due to (i) decrease in employee benefits expenses; and (ii) a write-off in property, plant and equipment amounted to HK\$8,858,000 for the year ended 31 December 2019 while nil for the year ended 31 December 2020; and (iii) decrease in legal and professional fee by HK\$5,058,000 for the year ended 31 December 2020.

In 2021, the PRC economy continues to recover from the impact of COVID-19. However, car sales in the third quarter declined amid the semiconductor shortage that is affecting automotive production worldwide. It is expected the supply of automobiles will continue to be tight in the fourth quarter going into 2022 due to the chip shortage.

2021 will continue to be a year of uncertainties due to the COVID-19 pandemic, geopolitical conflicts as well as the supply disruption caused by the global shortage of automobile chips. 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.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

DISCLOSURE OF INTERESTS**Interest of Directors**

As at the Latest Practicable Date, the interests or short position of Directors in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which are notified to the Company and the Stock Exchange pursuant to 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 5.48 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in Shares

Name	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Luo Wan Ju	Personal interest	8,000,000	1.68%
Ma Hang Kon, Louis	Personal interest	500,000	0.10%
Xue Guo Qiang	Personal interest	19,484,000	4.09%
Zhang Xi	Personal interest	500,000	0.10%

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

Substantial Shareholders

As at Latest Practicable Date, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of

the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO, or which represents 5% or more of the issued share capital of the Company 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 corporation (<i>Note 1</i>)	107,780,320	22.63%
Loh & Loh Construction Group Ltd.	Beneficial owner (<i>Note 1</i>)	45,284,000	9.51%
Big Reap Investment Limited	Beneficial owner (<i>Note 1</i>)	32,676,320	6.86%
Galligan Holdings Limited	Beneficial owner (<i>Note 2</i>)	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 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 Latest Practicable Date, the Directors are not aware of any other person or corporation having an interests 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 which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the issued share capital of the Company.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the controlling shareholders of the Company had any interest in a business which competes or may compete with the business of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company which does not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive Directors, namely, Mr. Zhou Ming (chairman), Mr. Yuen Kin Pheng and Ms. Guan Xin. 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 process, risk management and the internal control procedures of the Group; and (c) to liaise with the external auditor at least twice a year and provide advice and comments thereon to the board of Directors.

Mr. Zhou Ming

Mr. Zhou Ming (周明) ("Mr. Zhou"), aged 48, graduated from China University of Political Science and Law (中國政法大學) and holds a master degree in law from Peking University Law School (北京大學法學院). Mr. Zhou joined Global Law Office (Beijing) in 2001 and was admitted as a partner in 2007. He was appointed as an independent non-executive Director of the Company in November 2015.

Mr. Yuen Kin Pheng

Mr. Yuen Kin Pheng (阮健平) ("Mr. Yuen"), aged 71, currently the advisor to Spirit Aero Systems, a large aero structures manufacturer in the United States of America. Throughout his career, he held various senior executive leadership positions in Fortune 500 companies as well as major listed companies in Singapore, covering businesses in the Asia Pacific region. His executive positions included chief executive officer, president and vice president, spanning across various industries such as aerospace and aviation, HVAC (heating, ventilation and air conditioning), diesel engines, home appliances and building materials. Mr. Yuen has a distinguished career with the Republic of Singapore Air force with a number of diverse positions in operations, planning and administration. He left the service to pursue a second career in business after 18 years with the rank of Lieutenant Colonel. Mr. Yuen holds a bachelor's degree (First-Class Honors) in business administration and a master of business administration from the National University of Singapore and completed the advanced management program from the Wharton School of Business at the University of Pennsylvania, United States of America. He was appointed as an independent non-executive Director of the Company on 23 March 2017.

Ms. Guan Xin

Ms. Guan Xin (關新) ("Ms. Guan"), aged 45, is currently the general manager of a company providing management, training and consultancy services in the PRC. She has extensive experience in other major industries including finance, renewable energy, telecommunication and public accounting. Ms. Guan graduated from the Guanghua School of Management of Peking University with a master degree in professional accounting and is a certified public accountant in the PRC. She was appointed as an independent non-executive Director of the Company in July 2016.

LITIGATION

The Company was not engaged in any litigation or arbitration or claims of material importance, and no such litigation or arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company, as at the Latest Practicable Date.

No member of the Group is engaged in any litigation or claims of material importance known to the directors to be pending or threatened against any members of the Group.

INTERESTS IN ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangements subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion and advice contained in this circular:

Name	Qualification
Grant Thornton Hong Kong Limited ("Grant Thornton")	Certified Public Accountants

Grant Thornton has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and/or its letter and/or its advice and/or references to its name and qualification in the form and context in which they respectively appear.

As at the Latest Practicable Date, Grant Thornton:

- (a) was not interested, either directly or indirectly, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up; and
- (b) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

MATERIAL CONTRACTS

No material contracts (not being contracts entered into in the ordinary course of business carried out by the Group) have been entered into by any members of the Group within the two years immediately preceding the date of this circular.

DOCUMENTS ON DISPLAY

Copies of the following documents are available on the website of the Company at www.ga-holdings.com.hk and on the website of the Stock Exchange at www.hkexnews.hk from the date of this circular up to and including Friday, 17 December 2021:

- (a) the memorandum of association and articles of association of the Company;
- (b) New Facilities A Guarantee Agreement;
- (c) New Facilities B Guarantee Agreement;
- (d) New Facilities A Pledge Agreement;
- (e) Guarantee Agreement;
- (f) the written consent referred to in the paragraph headed “Qualification and Consent of Expert”;
- (g) the annual reports of the Company for the financial years ended 31 December 2018, 2019 and 2020; and
- (h) this circular.

GENERAL INFORMATION

- (a) The company secretary of the Company is Mr. Ma Hang Kon, Louis, who is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Chartered Governance Institute.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (c) The head office of the Company is at 51 Goldhill Plaza, #15-05, Singapore 308900.
- (d) The principal place of business of the Company in Hong Kong is at Unit 1203, 12th Floor, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong.
- (e) The Company’s share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.
- (g) Mr. Choy Choong Yew, an executive Director, also acts as the Managing Director and compliance officer of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “EGM”) of the shareholders of G.A. Holdings Limited (the “Company”) will be held at 4:00 p.m., on Monday, 20 December 2021, at Unit 1203, 12th Floor, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong for the following purposes. Unless otherwise indicated, capitalised terms used in this notice and the following resolution shall have the same meanings as those defined in the circular of the Company dated 3 December 2021 of which the notice convening the EGM forms part.

To consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions.

ORDINARY RESOLUTION

“THAT

- (a) the Guarantee Agreement entered into among Xiamen BMW, GAPL and Xiamen Zhong Bao, a copy has been produced at this meeting marked “A” and initialled by the chairman of the EGM for the purpose of identification, its terms and the transactions contemplated thereunder are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorised on behalf of the Company to do all such things and sign, seal, execute, perfect and deliver all such documents as he/she may in his/her discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the Guarantee Agreement and the transactions contemplated thereunder, including but not limited to the New Facilities Guarantee Agreements.”

Yours faithfully,
By order of the Board
G.A. Holdings Limited
Luo Wan Ju
Chairman

Hong Kong, 3 December 2021

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered office:

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

Principal place of business in Hong Kong:

Unit 1203, 12th Floor, Eton Tower
No. 8 Hysan Avenue
Causeway Bay, Hong Kong

Head office in Singapore:

51 Goldhill Plaza
#15-05
Singapore 308900

Notes:

1. Any member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or, if he holds two or more Shares, more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person.
3. If two or more persons are joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names stand in the principal or branch register of members of the Company in respect of the joint holding.