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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)

MAJOR TRANSACTION – FACILITIES GUARANTEES UNDER THE GUARANTEE AGREEMENT

The Board announces that on 7 June 2021 the Company's subsidiaries, Xiamen BMW, Quanzhou Fubao and Fujian Xingbao entered into the Guarantee Agreement with FZZB and NDZB whereby Xiamen BMW, Quanzhou Fubao and Fujian Xingbao have conditionally agreed to guarantee FZZB and NDZB's banking facilities incurred or may be incurred in their ordinary course of business up to a maximum aggregate amount of RMB51.0 million (equivalent to approximately HK\$62.2 million) during the period from 1 August 2021 to 31 July 2023.

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% but is/are less than 75%, the Guarantee Agreement constitutes a major transaction of the Company and will be subject to announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

The Board would like to seek the approval from the Shareholders at the EGM on the Guarantee Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further details of the Guarantee Agreement and a notice of the EGM will be dispatched to the Shareholders for the Shareholders' information on or before 6 July 2021.

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

On 7 June 2021 after trading hours, the Company's subsidiaries, Xiamen BMW, Quanzhou Fubao and Fujian Xingbao entered into the Guarantee Agreement with FZZB and NDZB, whereby Xiamen BMW, Quanzhou Fubao and Fujian Xingbao have conditionally agreed to guarantee FZZB and NDZB's banking facilities incurred or may be incurred in their ordinary course of business up to a maximum aggregate amount of RMB51.0 million (equivalent to approximately HK\$62.2 million) in favour of BOCOM(FZ) and BOCOM(ND) from 1 August 2021 to 31 July 2023.

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

THE GUARANTEE AGREEMENT

Parties

- (a) Xiamen BMW;
- (b) Quanzhou Fubao;
- (c) Fujian Xingbao;
- (d) FZZB; and
- (e) NDZB.

Date

7 June 2021

Period

Two years from 1 August 2021 to 31 July 2023

Guarantee amount

The guarantee amount, totalling approximately RMB51,000,000 (equivalent to approximately HK\$62,169,000), has been arrived at based on the estimated maximum aggregate principal amounts of banking facilities of RMB49,600,000 and possible interests and charges in any event of default payment that may be incurred by FZZB and NDZB under the Facilities Agreements in the ordinary course of their business and guaranteed by Xiamen BMW, Quanzhou Fubao and Fujian Xingbao.

Please refer to the paragraphs under the heading "The background and the reasons for and benefits of the Guarantee Agreement" and under the sub-heading "The estimated maximum exposure and liabilities of the Facilities Guarantees" below in this announcement for further details.

Fees, charges and security

Under the Guarantee Agreement, FZZB will pay an annual fee in the total sum of RMB1,200,000 to Xiamen BMW, Quanzhou Fubao and Fujian Xingbao, and NDZB will pay an annual fee in the total sum of RMB300,000 to Xiamen BMW, Quanzhou Fubao and Fujian Xingbao. Xiamen BMW, Quanzhou Fubao and Fujian Xingbao will receive fees totalling RMB1,500,000 per annum.

Other than the above, no other fees, charges or security of any kind is required from any party to the Guarantee Agreement.

Conditions

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

THE BACKGROUND TO THE GUARANTEE AGREEMENT

2019 Guarantee Agreement

The Company's subsidiaries, Xiamen BMW and GAPL, have entered into a guarantee agreement dated 12 November 2019 ("**2019 Guarantee Agreement**") whereby Xiamen BMW and GAPL have guaranteed Xiamen Zhong Bao's banking facilities in its ordinary course of business up to a maximum aggregate amount of RMB120.0 million (equivalent to approximately HK\$133.3 million) in favour of BOC and CMS Bank.

Details in relation to the 2019 Guarantee Agreement are set out in the circular of the Company dated 12 December 2019 ("**2019 Circular**"). Defined terms and expressions under the sub-heading "2019 Guarantee Agreement" shall bear the same meanings as used in the 2019 Circular.

The Group's business model

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

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 been entered into between the Group and Zhong Bao Group since 2003. Currently, Zhong Bao Group (including Xiamen Zhong Bao) is the only partner cooperating with the Group under the technical and cooperation agreement. 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.

During the year ended 31 December 2020, Zhong Bao Group was one of the Group's top five customers, contributing more than 7.3% of the Group's total revenue for that year. 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.

The financing arrangements under the technical and cooperation agreement include making advance payments and providing facility guarantees as financing support to the distribution agent for the purchase of motor vehicles. Such provision of facility guarantees is also related to the Group's ordinary and usual course of business.

The Reasons for and benefits of the 2019 Guarantee Agreement

The provision of the facilities guarantees under the 2019 Guarantee Agreement will help secure and has helped secure the Group's source of technical service fee income and other businesses from Zhong Bao Group. The Group has been in this business cooperation to provide corporate guarantees for the aforesaid purpose to this business partner and similar corporate guarantees have been granted to the same banks.

No fees, charges or securities (save for the pledge of the Non-Business Operation Property as referred to in the 2019 Circular) of any kind are required under the 2019 Guarantee Agreement.

The Board considers that the 2019 Guarantee Agreement will promote and maintain and has promoted and maintained the business relationship with Xiamen Zhong Bao.

Credit risks assessment

As part of the Board's assessment of the credit risks associated with the facilities guarantee agreements in connection with the 2019 Guarantee Agreement, the Board, among other things, reviews annually (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 ("**Credit Risks Assessment**").

To the best knowledge of the Company, Xiamen Zhong Bao has never defaulted in repayment.

THE REASONS FOR AND BENEFITS OF THE GUARANTEE AGREEMENT

The Guarantee Agreement

Unlike the 2019 Guarantee Agreement, under the Guarantee Agreement, the Company's subsidiaries, that is, Xiamen BMW, Quanzhou Fubao, Fujian Xingbao, are entitled to receive fees totalling RMB1,500,000 per annum.

The Group's entitlement to fees under the Guarantee Agreement has been agreed between the parties to the Guarantee Agreement after arm's length negotiations and was determined with reference to, among others, (i) the terms of the Guarantee Agreement, (ii) the estimated risk exposure in providing the such guarantee, including the fact that there was no default on the repayments of the facilities guarantees under the 2019 Guarantee Agreement as mentioned above; and (iii) the fee level of certain market precedents.

In addition to the above mentioned fees, the Board, having regard to the Group's business model from as early as 2002, considers that the provision of the facilities guarantees under the Guarantee Agreement will help secure the Group's source of technical service fee income and other businesses from Zhong Bao Group.

Further, the Board will, in line with its practice in relation to the 2019 Guarantee Agreement, carry out Credit Risks Assessment in relation to the risks associated with the facilities guarantees under the Guarantee Agreement.

To the best knowledge of the Company, FZZB and NDZB have never defaulted in repayment.

In light of the above, the Board is of the view that the Credit Risks Assessment is sufficient to assess FZZB and NDZB's credit risks and the credit risks in respect of FZZB and NDZB are low.

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 thereunder are in the interests of the Company and the Shareholders as a whole.

The estimated maximum exposure and liabilities of the Facilities Guarantees

The total estimated maximum exposure for Facilities X and Facilities Y is approximately RMB51,000,000 (equivalent to approximately HK\$62,169,000) based on the following assumptions and calculations:

(a) Assumptions

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

- (1) The maximum amounts borrowed under Facilities X and Facilities Y are drawn by FZZB and NDZB respectively on the first day when the relevant facilities agreements are entered into.
- (2) The Group assumes the duty to pay off the default facilities and the liabilities and repay all of the principals in their entirety or in the capped amount immediately.

The interest rates of Facilities X and Facilities Y will be the prevailing market bank loan rate in the PRC. The forecasted maximum market bank loan rate for 2021 is approximately 6.0% and the actual bank loan rate used in the facilities in 2021 was approximately 5.2%.

(b) Calculation

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

	Facilities X		Facilities Y
Principal (A)	RMB39,600,000	(Note 1)	RMB10,000,000
Facility period	1 year		1 year
Maximum loan interest (B)	N/A		RMB600,000 (Note 2)
Guarantee period	4 years		5 years
Maximum penalty (C)	N/A		RMB300,000 (Note 3)
Facility fee (D)	N/A		RMB30,000 (Note 4)
			Total of Facilities X and Facilities Y
	Facilities X	Facilities Y	
Total Principal (A)	N/A	RMB10,000,000	RMB10,000,000
Other liabilities (B+C+D)	N/A	RMB930,000	RMB930,000
Estimated maximum exposure	RMB39,600,000	RMB10,930,000	RMB50,530,000

Notes:

- (1) The total liability under the Facilities X Guarantee Agreement in respect of Facilities X is capped at RMB39,600,000 while the total principal sum under Facilities X is RMB47,140,000.

- (2) Assuming the maximum market bank loan rate is approximately 6.0%.
- (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.
- (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.

DETAILS OF THE FACILITIES AGREEMENTS

The principal terms of (1) the Facilities X Agreements entered into or to be entered into between FZZB as borrower and BOCOM(FZ) as lender and (2) the Facilities Y Agreements entered into or to be entered into between NDZB as borrower and BOCOM(ND) as lender are set out below. The Company will review the Facilities Agreements to be provided by the relevant bank before approving the same to ensure they contain the same principal terms, and in case of any discrepancy, the Company will ensure that FZZB or NDZB will discuss and negotiate with the relevant bank before a Facilities Agreement is entered into.

The Facilities X Agreements

Parties

- (a) FZZB
- (b) BOCOM(FZ)

Proposed Principal Terms

- (1) FZZB may borrow up to a maximum aggregated credit amount of RMB47.1 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 BOCOM(FZ).
- (3) The usage period of the maximum aggregated credit amount is one year.
- (4) The credit facilities under Facilities X are revolving facilities and can be reused during the usage period once repaid.
- (5) 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 BOCOM(FZ) shall be determined in the contracts to be agreed between FZZB and BOCOM(FZ).

- (6) BOCOM(FZ), at any time it chooses to, has the rights to investigate into the use of the credit limit as specified in the Facilities X Agreements. Under certain circumstances, BOCOM(FZ) may also adjust the loan period of Facilities X.
- (7) BOCOM(FZ) may require FZZB to provide additional guarantee other than the one to be provided by the Group.
- (8) If FZZB fails to fulfil its obligations under the relevant Facilities X Agreement, BOCOM(FZ) may terminate the use of the credit limit under the same.

The Facilities Y Agreements

Parties

- (a) NDZB
- (b) BOCOM(ND)

Principal Terms

- (1) NDZB may borrow up to a maximum aggregated credit amount of RMB10.0 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 BOCOM(ND).
- (3) The usage period of the maximum aggregated credit amount is one year.
- (4) The credit facilities under Facilities Y are revolving facilities and can be reused during the usage period once repaid.
- (5) 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 BOCOM(ND) shall be determined in the contracts to be agreed between NDZB and BOCOM(ND).
- (6) BOCOM(ND), at any time it chooses to, has the rights to investigate into the use of the credit limit as specified in the Facilities Y Agreements. Under certain circumstances, BOCOM(ND) may also adjust the loan period of Facilities Y.
- (7) BOCOM(ND) may require NDZB to provide additional guarantee other than the one to be provided by the Group.

- (8) If NDZB fails to fulfil its obligations under the relevant Facilities Y Agreement, BOCOM(ND) may terminate the use of the credit limit under the same.

INFORMATION OF THE PARTIES

Xiamen BMW, Quanzhou Fubao, Fujian Xingbao and the Company

Xiamen BMW, an indirect 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. Xiamen BMW is wholly-owned by GAPL, a direct wholly-owned subsidiary of the Company.

Quanzhou Fubao, a wholly-owned subsidiary of Xiamen BMW, is principally engaged in the sales of automobiles and provision of repair and maintenance services for high-end automobiles.

Fujian Xingbao, a wholly-owned subsidiary of GAPL, is principally engaged in the provision of repair and maintenance services for high-end automobiles.

The Company is an investment holding company. The Group is principally engaged in the sales of automobiles, provision of car-related technical services, servicing of automobiles, sales of auto parts and provision of car rental services.

FZZB and NDZB

FZZB is a wholly-owned subsidiary of Xiamen Zhong Bao, and is principally engaged in the business of sales of automobiles in the PRC.

NDZB is a non-wholly owned subsidiary of Xiamen Zhong Bao, and is principally engaged in the business of sales of automobiles and provision of repair and maintenance services in the PRC.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, FZZB and NDZB and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Lenders to the Facilities

BOCOM(FZ) and BOCOM(ND), respectively lenders to Facilities X and Facilities Y, are branch companies of Bank of Communications Limited, a company established in the PRC. Bank of Communications Limited is principally engaged in banking and other related financial services.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, BOCOM(FZ) and BOCOM(ND) are third parties independent of the Company and its connected persons.

GEM LISTING RULES IMPLICATIONS

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The Board would like to seek the approval from the Shareholders at the EGM on the Guarantee Agreement and the transactions contemplated thereunder.

A circular containing further details of the Guarantee Agreement and a notice of the EGM will be dispatched to the Shareholders as soon as practicable for the Shareholders' information on or before 6 July 2021.

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 of the Company.

DEFINITIONS

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

“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)
“BOCOM(FZ)”	Bank of Communications Limited Fujian Branch (交通銀行股份有限公司福建省分行)
“BOCOM(ND)”	Bank of Communications Limited Ningde Branch (交通銀行股份有限公司寧德分行)
“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 to consider and if thought fit, to approve the Guarantee Agreement and the transactions contemplated thereunder
“Facilities Agreements”	“Facilities X Agreements” and “Facilities Y Agreements”
“Facilities X Agreements”	the agreements entered into or to be entered into by FZZB with BOCOM(FZ) which set out the terms of the facility agreements in respect of Facilities X
“Facilities X Guarantee Agreement”	the facilities guarantee agreement to be entered into between Xiamen BMW, Quanzhou Fubao and Fujian Xingbao with BOCOM(FZ) in respect of Facilities X
“Facilities Y Agreements”	the agreements entered into or to be entered between NDZB with BOCOM(ND) which set out the terms of the facility agreements in respect of Facilities Y
“Facilities Y Guarantee Agreement”	the facilities guarantee agreement to be entered into between Xiamen BMW, Quanzhou Fubao and Fujian Xingbao with BOCOM(ND) in respect of Facilities Y
“Facilities X”	facilities including but not limited to a series of loans, notes, guarantees and letters of credit entered into or to be entered into between FZZB with BOCOM(FZ)
“Facilities Y”	facilities including but not limited to a series of loans, notes, guarantees and letters of credit entered into or to be entered into between NDZB with BOCOM(ND)
“Facilities Guarantees”	the Facilities X Guarantee Agreement and the Facilities Y Guarantee Agreement
“Fujian Xingbao”	Fujian Xingbao Automobiles Sales and Service Co., Ltd.* (福建星寶汽車銷售服務有限公司), a company established in the PRC with limited liability
“FZZB”	Fuzhou Zhongbao Automobiles Sales and Service Co., Ltd.* (福州中寶汽車銷售服務有限公司), a company established in the PRC with limited liability
“GAPL”	German Automobiles Pte Ltd, a company incorporated in the Republic of Singapore with limited liability and the holding company of Xiamen BMW and Fujian Xingbao

“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 7 June 2021 entered into by Xiamen BMW, Quanzhou Fubao and Fujian Xingbao on the one hand and FZZB and NDZB on the other
“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
“NDZB”	Ningde Zhong Bao Automobiles Sales and Service Co., Ltd.* (寧德中寶汽車銷售服務有限公司), a company established in the PRC with limited liability
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Quanzhou Fubao”	Quanzhou Fubao Automobiles Sales and Service Co., Ltd.* (泉州福寶汽車銷售服務有限公司), a company established in the PRC with limited liability
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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,
“Zhong Bao Group”	Xiamen Zhong Bao and its related companies

By Order of the Board
G.A. Holdings Limited
Luo Wan Ju
Chairman

Hong Kong, 7 June 2021

As at the date of this announcement, the Board comprises Mr. Luo Wan Ju, Mr. Choy Choong Yew, Mr. Zhang Xi and Mr. Ma Hang Kon, Louis and Mr. Xue Guo Qiang, being the executive Directors; Mr. Lin Ju Zheng, being the non-executive Director; and Mr. Zhou Ming, Mr. Yuen Kin Pheng and Ms. Guan Xin, being the independent non-executive Directors.

This announcement, 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 Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page on the GEM website at www.hkgem.com for at least 7 days from the day of its posting and on the website of the Company at www.ga-holdings.com.hk.

* For identification purpose only