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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)*

### **ANNOUNCEMENT**

#### **UPDATE ON PROGRESS OF THE CO-OPERATION PROJECTS WITH NORTH ANHUA GROUP CORPORATION AND ITS RELATED COMPANIES**

Reference is made to the disclosure in the Prospectus, regarding the two co-operation projects between the Group and CNA Anhua (Hertz) and Jin Tian Cheng, respectively. As disclosed in the Prospectus, the respective deadline for the completion of the construction of the two co-operation projects in accordance with the terms of the relevant agreements as set out in the section headed “Terms of the Co-operation Projects” of this announcement, including among others, the obtaining of the appropriate title certificates for the lands and the buildings of the Co-operation Projects was 30 June 2003.

Although progress has been made in respect of the Co-operation Projects and the Co-operation Projects are still on-going, as at the date of this announcement, the Co-operation Projects have not yet been completed in accordance with the terms of the agreements. Details of the present progress of the Co-operation Projects and the extent of the Co-operation Projects yet to be completed are set out in the section headed “Update on the progress of the Co-operation Projects” of this announcement.

The Board has reached an agreement in principle with the PRC partners of the Co-operation Projects to further extend the deadline for completion of the Co-operation Projects based on the terms of the Supplemental Agreements, particulars of which are set out in the section headed “Principal terms of the Supplemental Agreements” of this announcement. The Proposed Extension based on the terms of the Supplemental Agreements is subject to the approval of the Independent Shareholders. The Supplemental Agreements will be entered into upon obtaining the approval of the Independent Shareholders. The Independent Non-executive Directors will seek the advice of an independent financial adviser to be appointed in respect of the Proposed Extension based on the terms of the Supplemental Agreements and convene the Extraordinary General Meeting for the purpose of seeking the sanction of the Independent Shareholders as to, among others, (i) not to enforce the rights of the Group under the relevant agreements to claim against the PRC partners of the Co-operation Projects and against the Indemnifiers under the Deed of Indemnity and Guarantee as set out in the section

headed “Terms of the Co-operation Projects” of this announcement; (ii) further extend the deadline for completion of the Showroom Co-operation Project on the Haichang Land to until 31 December 2003 and the deadline for obtaining the appropriate title certificates for the lands and the buildings on the Cangshan Land to until 31 December 2004; and (iii) the terms of the Supplemental Agreements.

In spite of the proposal to seek the sanction of the Independent Shareholders not to enforce the Deed of Indemnity and Guarantee against the Indemnifiers in respect of the failure of the PRC partners to complete the Co-operation Projects in accordance with the terms of the relevant agreements by 30 June 2003, there is no intention to make any alteration to the terms of the Deed of Indemnity and Guarantee. Furthermore, the sanction of the Independent Shareholders not to enforce the Deed of Indemnity and Guarantee against the Indemnifiers at the Extraordinary General Meeting will not prejudice the right of the Company to enforce the Deed of Indemnity and Guarantee against the Indemnifiers in the future. The existing terms and the obligations of the Indemnifiers and the Guarantor under the Deed of Indemnity and Guarantee remain the same and will continue to be in full force and effect until either the PRC partners to the Co-operation Projects have performed their respective obligations under the agreements (including the Supplemental Agreements in the event the same are being approved by the Independent Shareholders) or the Indemnifiers and/or the Guarantor have satisfied their obligations under the Deed of Indemnity and Guarantee, whichever is earlier.

A circular setting out (i) details of the Co-operation Projects and the updated progress, including among others, the status of obtaining the appropriate title certificates for the lands and the buildings of the Co-operation Projects, and the principal terms of the Supplemental Agreements; (ii) the recommendation of the Independent Non-executive Directors and advice of the independent financial adviser to be appointed, in respect of the proposal not to enforce the rights of the Group under the relevant agreements to claim against the PRC partners of the Co-operation Projects and against the Indemnifiers under the Deed of Indemnity and Guarantee, whether or not to approve the Proposed Extension based on the terms of the Supplemental Agreements and the fairness and reasonableness of the terms of the Supplemental Agreement; and (iii) a notice for convening the Extraordinary General Meeting will be dispatched to the Shareholders as soon as practicable.

Reference is made to the disclosure in the Prospectus regarding the two co-operation projects between the Group and CNA Anhua (Hertz) and Jin Tian Cheng, respectively. As disclosed in the Prospectus, the respective deadline for the completion of the construction of the Co-operation Projects in accordance with the terms of the relevant agreements, including among others, the obtaining of the appropriate title certificates for the lands and the buildings for the Co-operation Projects was 30 June 2003.

Although progress has been made in respect of the Co-operation Projects as set out in the section headed “Update on the progress of the Co-operation Projects” of this announcement and the Co-operation Projects are still on-going, as at the date of this announcement, the Co-operation Projects have not yet been completed in accordance with the terms of the agreements.

## TERMS OF THE CO-OPERATION PROJECTS

The following are summaries of the principal terms of the Co-operation Projects.

### ***The Showroom Co-operation Project***

On 23 March 2000, GAPL, a wholly owned subsidiary of the Company, entered into a co-operation agreement with CNA Anhua (Hertz) in relation to the Showroom Co-operation Project for the construction of three showrooms, service centres and related facilities in Guangdong Province, Xiamen and Beijing. The number of showrooms/service centres was reduced to two, Xiamen and Beijing as set out in the paragraph headed “Update on the progress of the Co-operation Projects – Abandonment of the service centre in Guangdong Province” of this announcement.

According to the co-operation agreement dated 23 March 2000,

- GAPL is responsible for providing the layout blueprint and financing the construction of the showrooms/service centres;
- CNA Anhua (Hertz) is responsible for:
  - (i) obtaining the title certificates of the lands and the buildings for the showroom/service centres in Guangdong Province, Xiamen and Beijing for a period of 50 years and to obtain the relevant permits for the construction of the showrooms/service centres before 30 June 2002 (the “Original Deadline”);
  - (ii) constructing and completing the construction of the showrooms/service centres before the Original Deadline provided that the parties may agree to a six months extension of the Original Deadline;
  - (iii) obtaining approval from the relevant governmental authorities to lease to GAPL or its subsidiaries the showrooms/service centres for a period of 50 years free of charge within 60 days after the completion of construction, that is, 30 June 2002.

An amount of RMB44,694,000<sup>1</sup> (the “Prepayment”) was paid by the Group to CNA Anhua (Hertz) to finance the construction cost of the sites as prepayment of the rental expenses for the use of the land and building on the sites.

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<sup>1</sup> According to the co-operation agreement dated 23 March 2000, it was agreed between the parties that the amount of RMB44,694,000 is equivalent to S\$7,640,000 (equivalent to approximately HK\$34 million). The amount of HK\$34 million as stated in the Prospectus is the Hong Kong dollars equivalent of the amount of S\$7,640,000, which is the amount recorded in the books of the Group as the amount paid by the Group for the Showroom Co-operation Project. The amount of S\$7,640,000 was set off by the Group against trade receivables due from North Anhua to the Group as at September 1999 arising out of sale of automobiles from the Group to North Anhua during the period of 1998 and 1999.

Under the co-operation agreement dated 23 March 2000,

- in the event CNA Anhua (Hertz) fails to obtain the appropriate certificates for the lands and the buildings and/or complete the construction of the showrooms/service centres by the Original Deadline, GAPL may terminate the co-operation agreement and CNA Anhua (Hertz) shall repay the Prepayment to GAPL in three equal installments of RMB14,898,000<sup>2</sup> each before 31 December 2002, 31 December 2003 and 31 December 2004 respectively;
- in the event CNA Anhua (Hertz) fails to obtain approval from the relevant governmental authorities to lease the showrooms/service centres to GAPL or its subsidiaries, CNA Anhua (Hertz) shall repay the Prepayment to GAPL and provide the land in Inner Mongolia to GAPL or its subsidiaries for use for 50 years or such period as GAPL or its subsidiaries is deprived of the right to use the lands on which the showrooms/services centres of the Showroom Co-operation Project are located, at a low rent.

By a supplemental agreement dated 15 April 2002, the Original Deadline was extended to 30 June 2003 (the “Extended Deadline”). In addition, the schedule for repayment of the Prepayment in the event CNA Anhua (Hertz) fails to obtain the land use rights certificate for the lands and/or complete the construction of the showroom/service centres by the Extended Deadline is revised to three equal installments of RMB14,898,000 each before 30 June 2003, 30 September 2003 and 31 December 2003 respectively.

### ***The Fuzhou Service Centre Co-operation Project***

On 10 August 2001, Xiamen BMW, a subsidiary of the Company and Jin Tian Cheng entered into a project co-operation agreement for the construction of a service and maintenance centre in Fuzhou, as supplemented by an agreement dated 7 December 2001 entered into amongst Xiamen BMW, Jin Tian Cheng and North Anhua. According to the co-operation agreement dated 10 August 2001 as supplemented by the agreement dated 7 December 2001,

- Jin Tian Cheng is responsible for,
  - (i) constructing the service centre in accordance with the requirements of Xiamen BMW on the Cangshan Land and obtaining the required permits under the laws of the PRC for the construction of the Fuzhou service centre; and
  - (ii) obtaining the appropriate title certificates for the Cangshan Land and the buildings thereon upon completion of the construction of the same,by 31 December 2002;
- Xiamen BMW is responsible for financing the construction of the Fuzhou service centre in the amount of RMB6,650,000 (the “Construction Fee”).

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<sup>2</sup> No Singapore dollar equivalent of the amount of RMB14,898,000 is provided in the co-operation agreement dated 23 March 2000. Accordingly, the amount stated in this announcement is the amount set out in the co-operation agreement.

Upon completion of the construction of the Fuzhou service centre on the Cangshan Land and the obtaining of the certificate of completion in respect of the buildings comprising the Fuzhou service centre, Xiamen BMW shall have the right to occupy the Fuzhou service centre for 20 years at a rent of RMB10,000 per month.

It was further agreed in the agreement dated 7 December 2001 that Jin Tian Cheng was to refund the amount of RMB12,000,000, being part of the RMB18,650,000 paid by Xiamen BMW under the co-operation agreement dated 10 August 2001, to Xiamen BMW by 31 October 2002, in one lump sum payment or in installments.

Under the agreement dated 7 December 2001, it is also provided that:

- in the event Jin Tian Cheng fails to perform its obligation under the agreement resulting in the non-completion of the Fuzhou service centre due to its default, Jin Tian Cheng shall repay to Xiamen BMW the Construction Fee together with interest thereon and an amount equivalent to 10% of the Construction Fee as penalty;
- in the event Jin Tian Cheng fails to complete the construction of the Fuzhou service centre by 31 December 2002 due to its default, Xiamen BMW may terminate the co-operation agreement and claim for damages in the aforementioned manner or agree to an extension of the deadline for completion of the obligations of Jin Tian Cheng in accordance with the terms of the agreement;
- in the event Xiamen BMW unilaterally terminates the Fuzhou Service Co-operation Centre Project after commencement of performance of the obligations under the agreements, Xiamen BMW shall pay to Jin Tian Cheng a penalty of RMB100,000 and Jin Tian Cheng shall refund the Construction Fee to Xiamen BMW after deducting therefrom the said penalty.

By a supplemental agreement dated 15 April 2002, the deadline for completion of the construction of the Fuzhou service centre, including the obtaining of the appropriate title certificates for the Cangshan Land and the buildings thereon and the certificate of completion in respect of the buildings was extended to until 30 June 2003.

The obligations of Jin Tian Cheng under the agreement dated 7 December 2001 and the supplemental agreement dated 15 April 2002 are guaranteed by North Anhua.

## **UPDATE ON THE PROGRESS OF THE CO-OPERATION PROJECTS**

The Board has reached an agreement in principle with the PRC partners of the Co-operation Projects to further extend the deadline for completion of the Co-operation Projects based on the terms of the Supplemental Agreements, particulars of which are set out in the section headed “Principal terms of the Supplemental Agreements” of this announcement. The Proposed Extension based on the terms of the Supplemental Agreements is subject to the approval of the Independent Shareholders. The Supplemental Agreements will be entered into upon obtaining the approval of the Independent Shareholders. The Independent Non-executive Directors will convene the Extraordinary General Meeting for the purpose of seeking the sanction of the Independent Shareholders as to, among others, (i) not to enforce the rights of the Group under the relevant agreements to claim against the PRC partners of the Co-operation Projects as set out in the section headed “Terms of the Co-operation Projects” and against the Indemnifiers under the Deed of Indemnity and Guarantee;

(ii) to further extend the deadline for completion of the Showroom Co-operation Project on the Haichang Land to until 31 December 2003 and obtaining the appropriate title certificates for the lands and the buildings on the Cangshan Land to until 31 December 2004; and (iii) the terms of the Supplemental Agreements.

Based on information available as at the date of this announcement, the Board wishes to provide Shareholders with an update on the progress of the Co-operation Projects, including among others, the status of obtaining the appropriate title certificates for the lands and the buildings for the Co-operation Projects and the principal terms of the Supplemental Agreement as set out below.

### ***The Showroom Co-operation Project***

#### **1. Abandonment of the service centre in Guangdong Province**

By a supplemental agreement dated 15 October 2002, GAPL and CNA Anhua (Hertz) have agreed not to pursue with the establishment of a service centre in Guangdong Province as part of the Showroom Co-operation Project as initially contemplated under the co-operation agreement dated 23 March 2000. Accordingly the Showroom Co-operation Project will comprise of the showrooms, service centres and related facilities on the Haichang Land and the Beijing Land. The Prepayment was originally allocated as to RMB10,487,000 (equivalent to approximately HK\$9.9 million) for each of the service centres in Guangdong Province and on the Haichang Land and as to RMB23,720,000 (equivalent to approximately 22.4 million) for the service centre on the Beijing Land. Cost in the amount of RMB10,487,000 (equivalent to approximately HK\$9.9 million) originally allocated for the service centre in Guangdong Province was reallocated to the service centre on the Haichang Land which was upgraded to meet the standard of service centres for BMW automobiles upon the abandonment of the service centre in Guangdong Province. As a result of the abandonment of the service centre in Guangdong Province and the reallocation of the cost, the Prepayment was allocated as to RMB20,974,000 (equivalent to approximately HK\$19.8 million) for the service centre on the Haichang Land and as to RMB23,720,000 (equivalent to approximately 22.4 million) for the service centre on the Beijing Land.

The present status of the showroom/service centre projects on the Haichang Land and the Beijing Land are set out in the sub-paragraphs headed “Grant of land use right certificate of the Haichang Land” and “Status of obtaining title certificate for the Beijing Land” below, respectively.

#### **2. Supplemental agreements for the Showroom Co-operation Project dated 12 and 16 September 2003, respectively (collectively “the Third and the Fourth Supplemental Agreements”)**

To clarify the intention of the Group and CNA Anhua (Hertz) regarding the obligation of CNA Anhua (Hertz) to obtain the title certificates of the lands and buildings for the showroom/service centres on the Haichang Land and the Beijing Land; and to ratify the fact that GAPL, being an entity incorporated outside the PRC is not permitted under the laws of the PRC to hold any lands and buildings in the PRC, the Third and the Fourth Supplemental Agreements were entered into on 12 and 16 September 2003, respectively.

Under the Third Supplemental Agreement, GAPL and CNA Anhua (Hertz) clarified and confirmed that the obligation of CNA Anhua (Hertz) in obtaining the title certificates of the lands and buildings for the showroom/service centres on the Haichang Land and the Beijing Land as intended by the parties is to either (a) obtain the relevant land use right or rental right in the name of CNA Anhua (Hertz); or (b) assist GAPL in obtaining the relevant land use right in the name of GAPL.

As GAPL, being an entity incorporated outside the PRC, is not permitted under the laws of the PRC to hold any lands and buildings in the PRC and given that Xiamen BMW has already obtained the land use right certificate of the Haichang Land in its name and has leased the Beijing Land from CNA Anhua (Hertz), the Fourth Supplemental Agreement was entered into on 16 September 2003. Under the Fourth Supplemental Agreement, it is acknowledged that Xiamen BMW, a wholly owned subsidiary of GAPL and a sino-foreign co-operative joint venture established in the PRC, shall replace GAPL as a party to the agreements of the Showroom Co-operation Project. Details of the right of Xiamen BMW in respect of the Haichang Land and the Beijing Land are set out in the sub-paragraphs headed “Grant of land use right certificate of the Haichang Land” and “Status of obtaining title certificate for the Beijing Land” below, respectively.

The obligations of CNA Anhua (Hertz) under the relevant agreements to the Showroom Co-operation Project remain unchanged after the entering into of the Third and the Fourth Supplemental Agreements. There is no further obligation on the part of the Group to make further payment as a result of the entering into of the Third and the Fourth Supplemental Agreements. In the circumstances, the Directors are of the view that since the Third and the Fourth Agreements clarified the terms of the agreements for the Showroom Co-operation Agreement, they are in the interests of the Group as a whole.

### **3. Grant of land use right certificate of the Haichang Land**

On 18 December 2002, the land use right certificate in respect of the Haichang Land has been issued in the name of Xiamen BMW. The land cost for the Haichang Land has been paid out of the Prepayment.

Construction of the showroom/service centre on the Haichang Land has been completed except for the interior decoration. Accordingly, an application for the certificate of completion in respect of the buildings located on the Haichang Land has been made to the relevant PRC governmental authorities. The Directors expect to obtain the certificate of completion from the relevant government authorities in the PRC by 31 December 2003.

The PRC legal adviser of the Company has advised that Xiamen BMW has obtained the land use right in respect of the Haichang Land. In accordance with the terms of the agreements for the Showroom Co-operation Project as supplemented by the Third and the Fourth Supplemental Agreements, subject to the grant of the certificate of completion by the relevant authorities, CNA Anhua (Hertz) will have performed all its obligations under the relevant agreements in respect of the Haichang Land.

#### **4. Status of obtaining title certificate for the Beijing Land**

The Beijing Land was leased to CNA Anhua (Hertz) by an independent third party not connected with the directors, chief executives, substantial shareholders or management shareholders of the Company or its subsidiaries or their respective associates, pursuant to a lease agreement dated 29 November 2000 for a term of 50 years from 1 January 2001 to 31 December 2050. CNA Anhua (Hertz) then leased the Beijing Land to the Group.

As stated in the Prospectus and the Annual Report, the development of the showroom/service centre on the Beijing Land was completed in December 2001. The Group has been providing technical service to its sub-licensees at the showroom/service centre on the Beijing Land since January 2002.

The PRC legal adviser of the Company has advised that Xiamen BMW has obtained the right to rent the Beijing Land from CNA Anhua (Hertz). In accordance with the terms of the agreements for the Showroom Co-operation Project as supplemented by the Third and the Fourth Supplemental Agreements, CNA Anhua (Hertz) has performed all its obligations under the relevant agreements in respect of the Beijing Land.

#### ***The Fuzhou Service Centre Co-operation Project***

##### **1. Repayment of the amount of approximately RMB12 million**

In relation to the repayment of the amount of approximately RMB12 million as referred to in the agreement dated 7 December 2001 entered into amongst Xiamen BMW, Jin Tian Cheng and North Anhua as mentioned above, the Group has received approximately HK\$7.4 million (equivalent to approximately RMB7.8 million), representing approximately 67% of the approximately HK\$11 million (equivalent to approximately RMB12 million) due, from Jin Tian Cheng (taking into account the approximately HK\$3.3 million (equivalent to approximately RMB3.5 million) received from Jin Tian Cheng by 31 May 2002) and has received the whole of the amount of approximately HK\$11 million (equivalent to approximately RMB12 million) by 31 December 2002.

##### **2. Establishment of Fuzhou BMW**

On 10 January 2003, Fuzhou BMW was established as a wholly foreign owned enterprise for a term from 10 January 2003 to 23 November 2032. The registered capital of Fuzhou BMW is USD3,000,000 (equivalent to approximately HK\$23.4 million). As at the date of this announcement, an amount of US\$1,052,000 (equivalent to approximately HK\$8.2 million) has been contributed to the capital of Fuzhou BMW. The remaining balance of the registered capital is to be paid within two years from the date of the business licence. Fuzhou BMW is wholly owned by GAPL. Its business scope is servicing and maintenance of automobiles. Fuzhou BMW will occupy and operate the service centre on the Cangshan Land upon completion of construction of the service centre.



### **3. Submission of layout plan for the Fuzhou centre to the Beijing office of BMW AG for approval and status of obtaining title certificate for the Cangshan Land**

As stated in the Interim Report, the Group has submitted the layout plan of the Fuzhou service centre to the Beijing office of BMW AG for approval. Construction of the Fuzhou service centre which will be in accordance with BMW standard will commence after approval of the layout plan by the Beijing office of BMW AG. Given that the Group, instead of the Jin Tian Cheng, is an authorized dealer of BMW AG, only the Group is in a position to present the layout plan to BMW AG for approval.

On 21 February 2003, the Fuzhou City Planning Bureau has approved the Cangshan Land as the location for the construction of the automobile servicing and maintenance centre project of Fuzhou BMW. As stated in the Interim Report, the Group will commence the process for application for the title certificates for the Cangshan Land which is owned by Cangshan Science Park. Jin Tian Cheng will assist the Group in its application in obtaining the appropriate title certificates for the Cangshan Land. According to the agreements for the Fuzhou Service Centre Co-operation Project, Jin Tian Cheng has the responsibility to obtain the required construction permits from the relevant PRC authorities before commencement of construction of the service centre on the Cangshan Land.

As at the date of this announcement, the following aspects of the Co-operation Projects have not yet been completed in accordance with the terms of the relevant agreements:

The Showroom Co-operation Project:

- the certificate of completion in respect of the buildings located on the Haichang Land has not been granted by the relevant PRC authorities.

The Fuzhou Service Centre Co-operation Project:

- approval of the layout plan for the Fuzhou service centre by the Beijing office of BMW AG has yet to be obtained;
- the Group has yet to commence the application for the title certificates in respect of the Cangshan Land with the assistance of Jin Tian Cheng; and
- Jin Tian Cheng has yet to apply for and obtain the required construction permit from the PRC authorities for commencement of the construction of the Fuzhou service centre on the Cangshan Land.

### **THE INDEMNITY AND GUARANTEE ARRANGEMENT**

As disclosed in the Prospectus, the Indemnifiers have pursuant to the Deed of Indemnity and Guarantee agreed to indemnify the Group in respect of failure of the PRC partners to perform their respective obligations under the Co-operation Projects in accordance with the terms of the agreements. The obligations of the Indemnifiers under the Deed of Indemnity and Guarantee are guaranteed by the Guarantor. As at the date of this announcement, the Deed of Indemnity and Guarantee remains in force and the securities provided by the Indemnifiers and the Guarantor to secure their obligations under the Deed of Indemnity and Guarantee remain in the custody of the escrow agent.

In spite of the proposal to seek the sanction of the Independent Shareholders not to enforce the Deed of Indemnity and Guarantee against the Indemnifiers in respect of the failure of the PRC partners to complete the Co-operation Projects in accordance with the terms of the relevant agreements by 30 June 2003, there is no intention to make any change to the Deed of Indemnity and Guarantee. Furthermore, the sanction of the Independent Shareholders not to enforce the Deed of Indemnity and Guarantee against the Indemnifiers at the Extraordinary General meeting will not prejudice the right of the Company to enforce the Deed of Indemnity and Guarantee in the future. The existing terms and the obligations of the Indemnifiers and the Guarantor under the Deed of Indemnity and Guarantee remain the same and will continue to be in full force and effect until either the PRC partners to the Co-operation Projects have performed their respective obligations under the agreements (including the Supplemental Agreements in the event the same are being approved by the Independent Shareholders) or the Indemnifiers and/or the Guarantor have satisfied their obligations under the Deed of Indemnity and Guarantee, whichever is earlier.

Upon entering into of the Supplemental Agreements, a deed of confirmation dated (the “Deed of Confirmation”) will be executed by the Indemnifiers and the Guarantor in favour of the Group, pursuant to which the Indemnifiers and the Guarantor will confirm and acknowledge that their obligations under the Deed of Indemnity and Guarantee remain in full force and effect notwithstanding the entering into of the Third and the Fourth Supplemental Agreements and the Supplemental Agreements.

## **PRINCIPAL TERMS OF THE SUPPLEMENTAL AGREEMENTS**

The Board has reached an agreement in principle with the PRC partners of the Co-operation Projects to further extend the deadline for completion of the Co-operation Projects. The Proposed Extension based on the terms of the Supplemental Agreements is subject to approval of the Independent Shareholders. The Supplemental Agreements will be entered into upon obtaining the approval of the Independent Shareholders.

Except provided for in the Supplemental Agreements, all other terms of the agreements for the Co-operation Projects in so far as such terms have not been performed or fulfilled as at the date of the entering of the Supplemental Agreements remain in full force and effect. The entering into of the Supplemental Agreements will not release the PRC partners from such unfulfilled obligations under the agreements for the Co-operation Projects.

It is proposed under the supplemental agreement for the Showroom Co-operation Project that:

- the deadline for obtaining the building completion certificate in respect of the buildings on the Haichang Land will be extended to 31 December 2003; and
- in the event Xiamen BMW could not obtain the building completion certificate by 31 December 2003, Xiamen BMW may terminate the co-operation agreement and CNA Anhua (Hertz) shall repay to Xiamen BMW an amount of RMB19,360,981.60 (equivalent to approximately HK\$18.3 million) before 31 March 2004.

As Xiamen BMW has already obtained the land use right certificate in respect of the Haichang Land and the right to lease and has occupied the Beijing Land, CNA Anhua (Hertz) has performed its obligations under the relevant agreements for the Showroom Co-operation Project except for assisting Xiamen BMW in obtaining the building completion certificate in respect of the buildings on the Haichang Land which is currently being processed by the relevant PRC authorities. The Directors are of the view that in the event that Xiamen BMW fails to obtain the building completion certificate by 31 December 2003, the Group would not be able to occupy buildings and will have suffered loss in the amount of RMB19,360,981.60 (equivalent to approximately HK\$18.3 million). The amount of RMB19,360,981.60 represents the portion of the Prepayment in the amount of RMB20,974,000 (equivalent to approximately HK\$19.8 million) allocated for the showroom/service centre less acquisition cost paid to the authorities for the Haichang Land in the amount of RMB1,613,018.40 (equivalent to approximately HK\$1.5 million). Since the land use right certificate of the Haichang Land was issued in the name of Xiamen BMW, the Group still has the right to use the Haichang Land although it cannot occupy the showroom/service centre in the event no building completion certificate is issued in respect of the same.

It is proposed under the supplemental agreement for the Fuzhou Service Centre Co-operation Project that:

- the rights and obligations of GAPL under the relevant agreements for the Fuzhou Service Centre Co-operation Project shall be assigned and novated to Fuzhou BMW and the land use rights of Cangshan Land shall be obtained by Fuzhou BMW; and
- the deadline for completion of the Fuzhou Service Centre Co-operation Project will be extended to 31 December 2004.

Since the approval for construction of the service centre on the Cangshan Land was granted by the authorities to Fuzhou BMW, the Directors consider that it is only logical for Fuzhou BMW to take up the rights and obligations of GAPL under the relevant agreements for the Fuzhou Service Centre Co-operation Project.

Taking into account the extent of the Co-operation Projects which have been completed and the underlying rationales for the terms of the Supplemental Agreements as set out above, the Directors are of the view that an extension of the deadline for completion of the Co-operation Projects are more beneficial to the Group compared to claiming against the PRC partners under the relevant agreements of the Co-operation Projects. This is because the new showroom/service centres will further enhance the business of Group, particularly the distribution of imported cars and provision of after-sales services and technical service. If the Group does not agree to the Proposed Extension in terms of the Supplemental Agreements, and instead pursue its claims against the PRC partners, more time and cost will be spent by the Group to find other suitable locations and to construct new showroom/service centres in place of the ones constructed and to be constructed under the Co-operation Projects. Accordingly, the Directors are of the view that the Proposed Extension based on the terms of the Supplemental Agreements are in the interest of the Company and the Shareholders as a whole.

## GENERAL

A circular setting out (i) details of the Co-operation Projects and the update progress, including among others, the status of obtaining the appropriate title certificates for the lands and the buildings for the Co-operation Projects and the principal terms of the Supplemental Agreements; (ii) the recommendation of the Independent Non-executive Directors and advice of the independent financial adviser to be appointed in respect of the proposal not to enforce the rights of the Group under the relevant agreements to claim against the PRC partners of the Co-operation Projects and against the Indemnifiers under the Deed of Indemnity, whether or not to approve the Proposed Extension based on the terms of the Supplemental Agreements and the fairness and reasonableness of the terms of the Supplemental Agreements; and (iii) a notice for convening the Extraordinary General Meeting will be dispatched to the Shareholders as soon as practicable. The executive Directors, North Anhua and their connected persons and their respective associates will abstain from voting on the resolutions to be proposed at the Extraordinary General Meeting.

**In the meantime, holders of shares of the Company and investors should exercise caution in dealing in the shares of the Company.**

## DEFINITIONS

“Annual Report”	the annual report of the Company dated 25 March 2003 for the year ended 31 December 2002;
“associates”	has the meaning ascribed thereto under the GEM Listing Rules;
“Beijing Land”	the land located at Beijing Chaoyang District No. 39 North 4th Ring East Road which is leased to CNA Anhua (Hertz) by an independent third party not connected with the directors, chief executives, substantial shareholders or management shareholders of the Company or its subsidiaries or their respective associates, pursuant to a lease agreement dated 29 November 2000 for a term of 50 years from 1 January 2001 to 31 December 2050;
“BMW AG”	Bayerische Motoren Werke Aktiengesellschaft, a Germany-based company that engages in the design, manufacturing and sale of motor vehicles under the brand name of BMW or where the context so requires, its subsidiaries, associated or affiliated companies;
“Board”	the board of Directors;
“Cangshan Land”	the land located at Fujian Province, Fuzhou City, Cangshan Science Park on which the Fuzhou Service Centre Co-operation Project is located;
“CNA Anhua (Hertz)”	中汽安華赫茲汽車服務有限公司 (China National Automotive Anhua Hertz Services Centre Co., Ltd), a company established in the PRC and a wholly owned subsidiary of North Anhua;

“connected persons”	has the meaning ascribed thereto in the Listing Rules;
“Co-operation Projects”	the Showroom Co-operation Project and the Fuzhou Service Centre Co-operation Project;
“Company”	G.A. Holdings Limited (carrying on business in Hong Kong under the trading name of German Automobiles International Limited), a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Growth Enterprise Market of the Stock Exchange;
“Deed of Indemnity and Guarantee”	the deed of indemnity and guarantee dated 5 June 2002 given by the Indemnifiers in favour of the Group and the underwriters named therein and guaranteed by the Guarantor;
“Directors”	the directors of the Company;
“Extraordinary General Meeting”	the extraordinary general meeting to be convened for the approval of resolutions (i) not to enforce the rights of the Group under the relevant agreements to claim against the PRC partners of the Co-operation Projects and against the Indemnifiers under the Deed of Indemnity and Guarantee; and (ii) further extend the deadline for completion of the Showroom Co-operation Project on the Haichang Land to until 31 December 2003 and the deadline for obtaining the appropriate title certificates for the lands and the buildings on the Cangshan Land to until 31 December 2004; and (iii) the terms of the Supplemental Agreements;
“Fuzhou BMW”	福州寶馬汽車服務有限公司 (Fuzhou BMW Automobiles Service Co., Ltd.), a wholly foreign owned enterprise established in the PRC by GAPL;
“Fuzhou Service Centre Co-operation Project”	the co-operation project to construct a maintenance and service centre in Fuzhou pursuant to the project co-operation agreement dated 10 August 2001 entered into between Xiamen BMW and Jin Tian Cheng as supplemented by the four agreements dated 7 December 2001 and 15 April 2002 and 12 and 16 September 2003, respectively entered into amongst Xiamen BMW, Jin Tian Cheng and North Anhua;
“GAPL”	German Automobiles Pte Limited, a wholly owned subsidiary of the Company;
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited;
“Group”	the Company and its subsidiaries;

“Guarantor”	Loh & Loh Construction Group Ltd., the guarantor to the obligations of the Indemnifiers under the Deed of Indemnity and Guarantee;
“Haichang Land”	the land located at Fujian Province Xiamen City Haichang Development Zone Hi-tech Zone, which is owned by Xiamen BMW for a term of 50 years from 8 August 2002 to 7 August 2052;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Indemnifiers”	Mr. Chan Hing Ka Anthony and Mr. Loh Kim Her, both of whom are executive Directors;
“Independent Non-executive Directors”	Mr. Lee Kwok Yung and Ms. Lam So Ying, both of whom are independent non-executive Directors;
“Independent Shareholders”	Shareholders other than the executive Directors, North Anhua and their connected persons and their respective associates;
“Interim Report”	the interim report of the Company dated 12 August 2003 for the six months ended 30 June 2003;
“Jin Tian Cheng”	北京金天成科貿發展有限公司 (Jin Tian Cheng Development Co., Ltd.), a company established in the PRC and is owned as to 10% by North Anhua and the remaining interest is owned by independent third parties not connected with the Directors, chief executive, substantial shareholders or management shareholders of any member of the Group;
“Management shareholders”	has the meaning ascribed thereto in the GEM Listing Rules;
“North Anhua”	北方安華集團公司 (North Anhua Group Corporation), a state owned company established in the PRC;
“PRC”	The People’s Republic of China;
“PRC partners”	CNA Anhua (Hertz), North Anhua and Jin Tian Cheng;
“Proposed Extension”	the proposed extension of the deadline for completion of the Co-operation Projects pursuant to the terms of the Supplemental Agreements;
“Prospectus”	the prospectus issued by the Company dated 10 June 2002 in connected with the placing of the shares of the Company and the listing of the shares on the GEM;
“Shareholder(s)”	holder(s) of shares of HK\$0.10 each in the capital of the Company;

“Showroom Co-operation Project”	the co-operation project to construct showrooms, service centres and other related facilities on the Haichang Land and the Beijing Land pursuant to a project development co-operation agreement dated 23 March 2000 entered into between GAPL and CNA Anhua (Hertz) as supplemented by four supplemental agreements dated 15 April and 15 October 2002, respectively, and the Third and the Fourth Supplemental Agreements. Details of the project development co-operation agreement and the four supplemental agreements are set out in the paragraphs headed “Terms of the Co-operation Projects - The Showroom Co-operation Project” and “Update on the progress of the Co-operation Projects - The Showroom Co-operation Project” of this announcement;
“Substantial shareholders”	has the meaning ascribed thereto in the GEM Listing Rules;
“Supplemental Agreements”	the two supplemental agreements proposed to be entered into respectively between the Group and the PRC partners in relation to the Proposed Extension, upon being approved by the Independent Shareholders, the principal terms of which are set out in the section headed “Principal terms of the Supplemental Agreements” of this announcement;
“Xiamen BMW”	廈門寶馬汽車維修有限公司 (Xiamen BMW Automobiles Service Co., Ltd.), a sino-foreign co-operative joint venture established in the PRC between GAPL and 廈門經濟特區運輸總公司 (Xiamen Economic Special Zone Transportation Corporation), the registered capital of which is entirely contributed by the Group; and
“US\$”	United States dollars, the lawful currency of the United States of America.

*For the purpose of this announcement,*

*HK\$1.00= RMB1.06*

*HK\$1.00 = S\$0.226*

*US\$1.00 = HK\$7.80*

*The conversion rate is for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at the aforementioned or any other rates.*

By Order of the Board  
**G. A. Holdings Limited**  
**Chan Hing Ka Anthony**  
*Managing Director*

Hong Kong 9 December 2003

*This announcement, for which the directors of the Company collectively and individually accept all responsibility, includes particulars given in compliance with the GEM Listing Rules of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the “Latest Company Announcements” page on the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the day of its posting.*