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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your 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, you should at once hand this circular to the purchaser(s) or to the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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)*

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

**Independent Financial Adviser to the Independent Board Committee**



#### **FIRST SHANGHAI CAPITAL LIMITED**

This circular, for which the directors (the “Directors”) of G.A. Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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; (2) there are no other matters the omission of which would make any statement in this circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

A letter from the independent board committee of the Company containing its recommendations to the independent shareholders of the Company is set out on page 13 of this circular and a letter from First Shanghai Capital Limited, the independent financial adviser to the independent shareholders of the Company, containing its advice and recommendations to the independent shareholders of the Company is set out on pages 14 to 20 of this circular.

A notice convening a extraordinary general meeting of the Company to be held at Unit 1206, 12th Floor, Nine Queen’s Road Central, Hong Kong on Wednesday, 21 January 2004 at 11:00 a.m. is set out on pages 21 to 23 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the office of the branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent shareholders from attending and voting at the meeting if they so wish.

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

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6 January 2004

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## CHARACTERISTICS

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**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance to given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcement in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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## DEFINITIONS

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*In this circular, unless otherwise defined, terms used herein shall have the following meaning:*

“Announcement”	the announcement made by the Company dated 9 December 2003 providing update on the progress of the Co-operation Projects;
“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 GEM 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, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange;

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## DEFINITIONS

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“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 held on Wednesday, 21 January 2004 at 11:00 a.m. for the purpose of considering, and if though fit, passing of the Resolutions;
“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 two agreements dated 7 December 2001 and 15 April 2002, respectively entered into amongst Xiamen BMW, Jin Tian Cheng and North Anhua. Details of the project co-operation agreement and the supplemental agreements are set out in the paragraphs headed “Update on the progress of the Co-operation Projects – The Fuzhou Service Centre Co-operation Project” of the letter from the Board in this circular;
“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;

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## DEFINITIONS

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“Indemnifiers”	Mr. Chan Hing Ka Anthony and Mr. Loh Kim Her, both of whom are executive Directors;
“Independent Board Committee”	the independent board committee comprising the Independent Non-executive Directors formed to advise on the Resolutions;
“Independent Financial Adviser”	First Shanghai Capital Limited, a deemed licensed corporation to conduct type 6 regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser appointed to advise the Independent Board Committee on the Resolutions;
“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;
“Latest Practicable Date”	2 January 2004, the latest practicable date before the printing of this circular for ascertaining certain information contained herein;
“management shareholders”	has the meaning ascribed thereto under 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 Fuzhou Service Centre Co-operation Project pursuant to the terms of the Supplemental Agreement;

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## DEFINITIONS

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“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;
“Resolutions”	the ordinary resolutions to be proposed at the Extraordinary General Meeting to approve (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) the further extension of the deadline for completion of the Fuzhou Service Centre Co-operation Project in accordance with the terms of the relevant agreements to until 31 December 2004; and (iii) the terms of the Supplemental Agreement and the entering into of the Supplemental Agreement, as set out in the notice of the Extraordinary General Meeting set out on pages 21 to 23 of this circular;
“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 the letter from the Board in this circular;
“substantial shareholders”	has the meaning ascribed thereto under the GEM Listing Rules;
“Supplemental Agreement”	the supplemental agreement proposed to be entered into amongst Xiamen BMW, Fuzhou BMW, Jin Tian Cheng and North Anhua 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 Agreement” of the letter from the Board in this circular;

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## DEFINITIONS

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“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;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC;
“S\$”	Singapore dollars, the lawful currency of Singapore; and
“US\$”	United States dollars, the lawful currency of the United States of America.

*In this circular, unless otherwise required by the context,*

*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.*



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## LETTER FROM THE BOARD

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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)*

*Executive Directors:*

CHAN Hing Ka, Anthony  
LOH Kim Her  
LOH Nee Peng  
XU Ming

*Non-executive Director:*

GOH Chee Wee (*Chairman*)

*Independent Non-executive Directors:*

LEE Kwok Yung  
LAM So Ying

*Registered Office:*

Century Yard, Cricket Square  
Hutchins Drive  
P.O. Box 2681GT  
George Town  
Grand Cayman  
British West Indies

*Head Office:*

#02-01 Atland House  
200 Bukit Timah Road  
Singapore 229862

*Principal place of business  
in Hong Kong:*

Unit 1206, 12th Floor  
9 Queen's Road Central  
Hong Kong

6 January 2004

*To the Shareholders*

Dear Sir or Madam,

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

**INTRODUCTION**

On 9 December 2003, the Company made an announcement providing updated information on the status of the Co-operation Projects. It was stated in the Announcement that the Board has reached an agreement in principle with the PRC partners of the Co-operation Projects to further

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## LETTER FROM THE BOARD

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extend the deadline for completion of the Co-operation Projects. Since the publication of the Announcement, Xiamen BMW has on 31 December 2003 received the certificate of completion dated 29 November 2003 in respect of the buildings located on the Haichang Land. Accordingly, the Showroom Co-operation Project has been completed in accordance with the terms of the relevant agreements. The Proposed Extension will be in relation to the extension of the deadline for the completion of the Fuzhou Service Centre Co-operation Project and the Supplemental Agreement will be entered into for the extension of the deadline for the completion of the Fuzhou Service Centre Co-operation Project.

The Proposed Extension based on the terms of the Supplemental Agreement is subject to the approval of the Independent Shareholders. The Supplemental Agreement will be entered into upon obtaining the approval of the Independent Shareholders.

The purpose of this circular is to provide to the Shareholders with (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 for the Co-operation Projects and the principal terms of the Supplemental Agreement; (ii) the recommendation of the Independent Board Committee and the advice of the Independent Financial Adviser 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 Agreement and the fairness and reasonableness of the terms of the Supplemental Agreement; and (iii) a notice for convening the Extraordinary General Meeting. 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.

### BACKGROUND

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 the Showroom Co-operation Project has been completed in accordance with the terms of the relevant agreements, as set out in the section headed “Update on the progress of the Co-operation Projects” of this letter from the Board, the Fuzhou Service Centre Co-operation Project is still on-going. As at the Latest Practicable Date, the Fuzhou Service Centre Co-operation Project has not yet been completed in accordance with the terms of the relevant agreements.

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## LETTER FROM THE BOARD

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### 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 letter from the Board.

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 (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. 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 was the Hong Kong dollars equivalent of the amount of S\$7,640,000, which was 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.

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## LETTER FROM THE BOARD

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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 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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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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

Based on information available as at the Latest Practicable Date, 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.

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## LETTER FROM THE BOARD

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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 Project, 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 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 and the interior decoration of the showroom/service centre have been completed. 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 and the certificate of completion dated 29 November 2003 in respect of the buildings located on the Haichang Land was obtained by the Group on 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, upon the issue of the certificate of completion of the buildings on the Haichang Land, CNA Anhua (Hertz) has performed all its obligations under the relevant agreements in respect of the Haichang Land.

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## LETTER FROM THE BOARD

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### **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 pursuant to the terms of the agreements for the Showroom Co-operation Project. Under the terms of the agreements for the Showroom Co-operation Project, the Group is entitled to use the Beijing Land for a period of 50 years free of charge.

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 on 17 May 2002 as disclosed in the Prospectus) 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 Latest Practicable Date, 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.



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## LETTER FROM THE BOARD

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### **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 Latest Practicable Date, the Showroom Co-operation Project has been completed in accordance with the terms of the relevant agreements, whereas, the following aspects of the Fuzhou Service Centre Co-operation Project have yet to be completed in accordance with the terms of the relevant agreements:

- 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 Latest Practicable Date, 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.

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## LETTER FROM THE BOARD

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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. With the completion of the Showroom Co-operation Project, 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 Jin Tian Cheng and North Anhua, the PRC partners to the Fuzhou Service Centre Co-operation Projects have performed their respective obligations under the relevant agreements (including the Supplemental Agreement 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 Agreement, 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 Agreement and the completion of the Showroom Co-operation Agreement.

### PRINCIPAL TERMS OF THE SUPPLEMENTAL AGREEMENT

The Board has reached an agreement in principle with the PRC partners of the Fuzhou Service Centre Co-operation Project to further extend the deadline for completion of the Fuzhou Service Centre Co-operation Project to until 31 December 2004. Since the publication of the Announcement, Xiamen BMW has on 31 December 2003 obtained the certificate of completion dated 29 November 2003 in respect of the buildings located on the Haichang Land. Accordingly, the Showroom Co-operation Project has been completed in accordance with the terms of the relevant agreements. The Proposed Extension will be in relation to the extension of the deadline for the completion of the Fuzhou Service Centre Co-operation Project and the Supplemental Agreement will be entered into for the extension of the deadline for the completion of the Fuzhou Service Centre Co-operation Project.

The Proposed Extension based on the terms of the Supplemental Agreement is subject to approval of the Independent Shareholders. The Supplemental Agreement will be entered into upon obtaining the approval of the Independent Shareholders.

It is proposed under the Supplemental Agreement that:

- the rights and obligations of Xiamen BMW 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.

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## LETTER FROM THE BOARD

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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 Xiamen BMW under the relevant agreements for the Fuzhou Service Centre Co-operation Project.

Except provided for in the Supplemental Agreement, all other terms of the agreements for the Fuzhou Service Centre Co-operation Project in so far as such terms have not been performed or fulfilled as at the date of the entering of the Supplemental Agreement remain in full force and effect. The entering into of the Supplemental Agreement will not release Jin Tian Cheng and North Anhua, the PRC partners to the Fuzhou Service Centre Co-operation Project, from any of their unfulfilled obligations under the agreements for the Fuzhou Service Centre Co-operation Project.

In spite of the delay in the completion of the service centre on the Haichang Land and the Canshang Land, the Group will not suffer any significant financial loss because the two service centres only serve as an after sales support centre for providing after sales and maintenance services for the Group's car sales operation. Furthermore, the existing service located in Xiamen is sufficient for the present purpose.

Taking into account that the Showroom Co-operation Project has been completed in accordance with the terms of the relevant agreements, and the underlying rationales for the terms of the Supplemental Agreement as set out above, the Directors are of the view that an extension of the deadline for completion of the Fuzhou Service Centre Co-operation Project is more beneficial to the Group compared to claiming against the PRC partners under the relevant agreements of the Fuzhou Service Centre Co-operation Project. 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 Agreement, and instead pursue its claims against Jin Tian Cheng and North Anhua, the PRC partners to be Fuzhou Service Centre Co-operation Project, 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 one to be constructed under the Fuzhou Service Centre Co-operation Project. Accordingly, the Directors are of the view that the Proposed Extension based on the terms of the Supplemental Agreement is in the interest of the Company and the Shareholders as a whole.

### EXTRAORDINARY GENERAL MEETING

A notice convening the Extraordinary General Meeting of the Company to be held at Unit 1206, 12th Floor, Nine Queen's Road Central Hong Kong on Wednesday, 21 January 2004 at 11:00 a.m. and a form of proxy for use at the Extraordinary General Meeting is therein enclosed.

Whether or not the Shareholders intend to be present at the Extraordinary General Meeting, they are requested to complete the form of proxy and return it to the office of the branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding of the Extraordinary General Meeting. Completion and delivery of the form of proxy will not prevent the Shareholders from attending, and voting at the Extraordinary General Meeting if they so wish.

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## LETTER FROM THE BOARD

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### GENERAL

An Independent Board Committee comprising Mr. Lee Kwok Yung and Ms. Lam So Ying, both of whom are independent non-executive Directors have been formed to advise the Independent Shareholders of the Resolutions. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and to provide a recommendation to the Independent Shareholders whether or not to vote for the Resolutions at the Extraordinary General Meeting.

Your attention is drawn to the recommendations of the Independent Board Committee set out in its letter on page 13 of this circular and the letter from the Independent Financial Adviser set out on pages 14 to 20 of this circular.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)*

6 January 2004

*To the Independent Shareholders*

Dear Sir or Madam,

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

We have been appointed as the Independent Board Committee to advise you in connection with the ordinary resolutions to be proposed at the Extraordinary General Meeting to approve (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) the further extension of the deadline for completion of the Fuzhou Service Centre Co-operation Centre Project in accordance with the terms of the relevant agreements to until 31 December 2004; and (iii) the terms of the Supplemental Agreement and the entering into of the Supplemental Agreement. Details of the Co-operation Projects, the present progress of the Co-operation Projects and the terms of the Supplemental Agreement are set out in a circular to be issued by the Company dated 6 January 2004 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having taken into account the principal factors and reasons considered by the Independent Financial Adviser and its advice in relation thereto as set out on pages 14 to 20 of the Circular, we are of the opinion that the proposal not to claim against the PRC partners of the Co-operation Projects and against the Indemnifiers under the Deed of Indemnity and Guarantee is not prejudicial to the interest of the Shareholders as a whole; the granting of the Proposed Extension is in the interest of the Company and the Shareholders as a whole and that the terms of the Supplemental Agreement are fair and reasonable so far as the Shareholders are concerned. We therefore recommend that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

Yours faithfully,  
**LEE Kwok Yung**

*Member of the Independent  
Board Committee*

Yours faithfully,  
**LAM So Ying**

*Member of the Independent  
Board Committee*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter to the Independent Board Committee from the Independent Financial Adviser 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, the Proposed Extension based on the terms of the Supplemental Agreement and the fairness and reasonableness of the terms of the Supplemental Agreement prepared for the purpose of incorporation in this circular.*



**FIRST SHANGHAI CAPITAL LIMITED**

19th Floor  
Wing On House  
71 Des Voeux Road Central  
Hong Kong

6 January 2004

*To the Independent Board Committee*

Dear Sir and Madam,

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

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee 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, the Proposed Extension based on the terms of the Supplemental Agreement and the fairness and reasonableness of the terms of the Supplemental Agreement. Unless the context otherwise requires, terms used in this letter have the same meanings as defined in the circular (the “Circular”) dated 6 January 2004 to the Shareholders of which this letter forms a part.

In summary, the Board announced that the Company 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. Since the publication of the Announcement, Xiamen BMW has on 31 December 2003 obtained the certificate of completion dated 29 November 2003 in respect of the buildings located on the Haichang Land. Accordingly, the Showroom Co-operation Project has been completed in accordance with the terms of the relevant agreements. The Proposed Extension

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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will be in relation to the extension of the deadline for the completion of the Fuzhou Service Centre Co-operation Project and the Supplemental Agreement will be entered into for the extension of the deadline for the completion of the Fuzhou Service Centre Co-operation Project. Except provided for in the Supplemental Agreement, all other terms of the agreements for the Fuzhou Service Centre Co-operation Project in so far as such terms have not been performed or fulfilled as at the date of the entering of the Supplemental Agreement would remain in full force and effect. The entering into of the Supplemental Agreement will not release Jin Tian Cheng and North Anhua, the PRC partners to the Fuzhou Service Center Co-operation Project, from such unfulfilled obligations under the agreements for the Fuzhou Service Centre Co-operation Projects.

The Proposed Extension and the entering into of the Supplemental Agreement are subject to the approval of the Independent Shareholders. Resolutions will be proposed at the Extraordinary General Meeting to approve (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; (ii) further extend the deadline for completion of the Fuzhou Service Centre Co-operation Project in accordance with the terms of the relevant agreements to until 31 December 2004; and (iii) the terms of the Supplemental Agreement and the entering into of the Supplemental Agreement. For further details of the Proposed Extension and the terms of the Supplemental Agreement, please refer to the section headed “Letter from the Board” in the Circular.

We, First Shanghai Capital Limited, are appointed as the independent financial adviser to give an opinion to the Independent Board Committee as to whether the Proposed Extension is in the interest of the Company and the Shareholders as a whole and that the terms of the Supplemental Agreement are fair and reasonable so far as the Shareholders are concerned.

In formulating our opinion and recommendations, we have relied on the accuracy of the information and representations provided to us by the Directors, and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the date hereof. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and have been advised by the Directors that no material facts have been omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted an independent investigation into the business, affairs and prospects of the Group or any of its associates.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations relating to 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, the Proposed Extension based on the terms of the Supplemental Agreement and the fairness and reasonableness of the terms of the Supplemental Agreement, we have taken into consideration, among other things, the following principal factors and reasons:

#### Principal operations and business objectives of the Group

According to the Prospectus, the Group is principally engaged in (i) the distribution of passenger vehicles, in particular, BMW, Toyota and Mercedes-Benz passenger vehicles to resellers in Hong Kong and the PRC whose sales targets are end customers in the PRC, (ii) provision of marketing and technical assistance to North Anhua, a reseller and business alliance of the Group in the PRC, (iii) provision of after-sales service such as motor vehicles repair and maintenance services in the PRC, and (iv) trading of auto parts and accessories in Hong Kong and the PRC.

Since the PRC's accession into the WTO at the end of 2001, the PRC's auto market has undergone significant changes. The PRC government was committed to open the domestic market to foreign investors by gradual deregulation of the auto industry. The Directors have advised that the auto industry participants share the view that there will be promising growth in the PRC auto market in the coming years.

The Group, as a distributor of imported motor vehicles, has taken the advantage of such changes and has achieved a remarkable result for the year 2002. For the year ended 31 December 2002, the Group's turnover increased from approximately S\$57.3 million (equivalent to approximately HK\$253.5 million) in the previous year to approximately S\$101.9 million (equivalent to approximately HK\$450.9 million), representing a significant growth of approximately 77.8% over the year.

Since the date of establishment, the Group has engaged in distribution of imported motor vehicles and provision of after-sales services such as motor vehicles repair and maintenance services in the PRC. As disclosed in the Prospectus, to complement the Group's motor vehicles distribution business, the Group has diversified into car rental business in the PRC. In August 2001, the Group was appointed by Hertz International Ltd. as the principal licensee for five major cities in the PRC. The Group further appointed three sub-licensees in the PRC to operate the car rental business under the name of Hertz. The sub-licensees launched the car rental business in January 2002. The Group also provides marketing consulting and technical expertise to the sub-licensees in return for an annual management income.

As stated in the Prospectus, the mission of the Group is to become a leading authorized distributor of luxury passenger vehicles and a leading promoter of the Hertz system car rental services in the PRC through focusing on maintaining and developing the passenger vehicles distribution agent network by ensuring reliable supply of passenger vehicles as well as providing quality value-added pre-sales and after-sales services, and adding on that, promoting the car rental services of its sub-licensees operated under the Hertz system. In light of the mission of the Group and the means adopted to



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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achieve the mission, we are of the view that the construction of showrooms, service centres and related facilities under the Co-operation Projects is important for the Group to achieve its business objectives, one of which is to operate service centres and to provide after-sale services as mentioned in the Prospectus.

### **Progress of the Co-operation Projects**

As at the Latest Practicable Date, the progress of the Co-operation Projects are summarised as follows:

#### *(i) The Showroom Co-operation Project*

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 and the interior decoration of the showroom/service centre have been completed. A certificate of completion dated 29 November 2003 in respect of the buildings located on the Haichang Land was obtained by the Group on 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, upon the issue of the certificate of completion of the buildings on the Haichang Land, CNA Anhua (Hertz) has performed all its obligations under the relevant agreements in respect of the Haichang Land.

#### *(ii) The Fuzhou Service Centre Co-operation Project*

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. Fuzhou BMW will occupy and operate the service centre on the Cangshan Land upon completion of construction of the service centre. 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.

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. 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, the following aspects of the Fuzhou Service Centre Co-operation Project have not yet been completed in accordance with the terms of the relevant agreements:

- 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.

Taking into account that the Showroom Co-operation Project has been completed in accordance with the terms of the relevant agreements, and the underlying rationales for the terms of the Supplemental Agreement, the Directors are of the view that, and we concur with the Directors view that, an extension of the deadline for completion of the Fuzhou Service Centre Co-operation Project is more beneficial to the Group compared to claiming against Jin Tian Cheng and North Anhua, the PRC partners to the Fuzhou Service Centre Co-operation Project. This is because the new showroom/service centre 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 Agreement, and instead pursue its claims against Jin Tian Cheng and North Anhua, the PRC partners to the Fuzhou Service Centre Co-operation Project, 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 one to be constructed under the Fuzhou Service Centre Co-operation Project. It would delay the Group's implementation of the business objectives as mentioned in the paragraph headed "Principal factors and reasons considered - Principal operations and business objectives of the Group" above.

The Group currently operates one service centre at Xiamen (the "Existing Xiamen Centre"), which is operated by Xiamen BMW. This service centre has been providing after-sales services such as repair and maintenance services and has been operating at a loss since its establishment. The Haichang service centre and the Fuzhou service centre, which will meet the standard required of service centres for BMW motor vehicles, will provide high quality repair and maintenance services for newly designed high-end passenger cars. The Directors have confirmed that the Existing Xiamen Centre is sufficient for the present purpose. However, in line with the Group's mission to become a leading authorized distributor of luxury passenger vehicles, the Haichang service centre and the Fuzhou service centre are constructed in alignment with the business objectives and development plan of the Group. The Directors are of the opinion that the Group is not expected to suffer any significant financial loss due to the delay in completion of the Haichang service centre and Fuzhou service centre as they merely provide after sales and maintenance services for the Group's car sales operation. In light of the foregoing, we concur with the Directors' view that the Proposed Extension based on the terms of the Supplemental Agreement is in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Principal terms of the Supplemental Agreement

It is proposed under the Supplemental Agreement that:

- the rights and obligations of Xiamen BMW 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 the 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 Xiamen BMW under the relevant agreements for the Fuzhou Service Centre Co-operation Project.

Except provided for in the Supplemental Agreement, all other terms of the agreements for the Fuzhou Service Centre Co-operation Project in so far as such terms have not been performed or fulfilled as at the date of the entering of the Supplemental Agreement remain in full force and effect. The entering into of the Supplemental Agreement will not release Jin Tian Cheng and North Anhua, the PRC partners to the Fuzhou Service Centre Co-operation Project, from such unfulfilled obligations under the agreements for the Fuzhou Service Centre Co-operation Project. We are of the view that the terms of the Supplemental Agreement, which is primarily an extension of deadline, are fair and reasonable so far as Shareholders are concerned.

### Alternative remedies available to the Company

As mentioned in the section headed “Letter from the Board” of the Circular, 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 relevant agreements. The obligations of the Indemnifiers under the Deed of Indemnity and Guarantee are guaranteed by the Guarantor. As at the Latest Practicable Date, 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.

As confirmed by the Directors, 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. With the completion of the Showroom Co-operation Project, the existing terms and the obligations of the Indemnifiers and the Guarantor under the Deed of Indemnity and Guarantee

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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remain the same and will continue to be in full force and effect until Jin Tian Cheng and North Anhua, the PRC partners to the Fuzhou Service Centre Co-operation Project, have performed their obligations under the relevant agreements for the Fuzhou Service Centre Co-operation Project (including the Supplemental Agreement 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 Agreement, a 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 Agreement and the completion of the Showroom Co-operation Project.

In conclusion, the rights of the Group under the Deed of Indemnity and Guarantee would remain the same after the entering into of the Supplemental Agreement.

### **No additional financial obligations**

The terms of the Supplemental Agreement do not impose additional financial obligations on the part of the Group.

### **RECOMMENDATION**

Having considered the above principal factors, we are of the opinion that 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 is not prejudicial to the interest of the Shareholders as a whole; the granting of the Proposed Extension is in the interests of the Company and the Shareholders as a whole and that the terms of the Supplemental Agreement are fair and reasonable so far as the Shareholders are concerned. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

Yours faithfully,  
For and on behalf of  
**First Shanghai Capital Limited**  
**Helen Zee**                      **Byron Tan**  
*Managing Director*      *Executive Director*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)*

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of G.A. Holdings Limited (“Company”) will be held at Unit 1206, 12th Floor, Nine Queen’s Road Central, Hong Kong on Wednesday, 21 January 2004 at 11:00 a.m., for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

#### **ORDINARY RESOLUTIONS**

1. **“THAT**

- (a) German Automobiles Pte Limited (“GAPL”) and 廈門寶馬汽車維修有限公司 (Xiamen BMW Automobiles Service Co., Ltd.) (“Xiamen BMW”), both of which are subsidiaries of the Company, without waiving any of its future right to claim against the PRC partners (as defined below) in respect of any breach of the agreements for the Co-operation Projects (as defined below) by any of them, not to enforce its rights to claim against 中汽安華赫茲汽車服務有限公司 (China National Automotive Anhua Hertz Services Centre Co., Ltd) (“CNA Anhua (Hertz)”), 北京金天成科貿發展有限公司 (Jin Tian Cheng Development Co., Ltd.) (“Jin Tian Cheng”) and 北方安華集團公司 (North Anhua Group Corporation) (“North Anhua”, together with CNA Anhua (Hertz) and Jin Tian Cheng, the “PRC partners”), all of which are parties to (i) the co-operation project to construct showrooms, service centres and other related facilities on the land located at Fujian Province Xiamen City Haichang Development Zone Hi-tech Zone (the “Haichang Land”) and the land located at Beijing Chaoyang District No. 39 North 4th Ring East Road 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 and 12 and 16 September 2003, respectively (the “Showroom Project Co-operation Project”); and (ii) the co-operation project to construct a maintenance and service centre on the land located at Fujian Province, Fuzhou City, Cangshan Science Park (the “Cangshan Land”) pursuant to the project co-operation agreement dated 10 August 2001 entered into between Xiamen BMW and Jin Tian Cheng as supplemented by the two agreements dated 7 December 2001 and 15 April 2002, respectively entered into amongst Xiamen BMW, Jin Tian Cheng and North Anhua (the “Fuzhou Service Centre Co-operation Project”, together with the Showroom Co-operation Project, the “Co-operation Projects”) in relation to the failure of the PRC partners to complete the Co-operation Projects in accordance with the terms of the agreements for the Co-operation Projects by 30 June 2003;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (b) conditional upon the passing of Resolution Number 1(a) which forms part of this notice of extraordinary general meeting, without waiving any of the future right of the Company and its subsidiaries (together the “Group”) under the Deed of Indemnity and Guarantee (as defined hereinafter), not to enforce its rights to claim against Mr. Chan Hing Ka Anthony and Mr. Loh Kim Her (collectively the Indemnifiers”), both of whom are directors of the Company and Loh and Loh Constructions Group Ltd. (the “Guarantor”) pursuant to a 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 (the “Deed of Indemnity and Guarantee”).”
2. “**THAT** conditional upon the passing of Resolutions Number 1(a) and (b) which form part of this notice of extraordinary general meeting, the further extension of the deadline for completion of the Fuzhou Service Centre Co-operation Centre Project in accordance with the terms of the relevant agreements to until 31 December 2004, be and is hereby approved.”
3. “**THAT** conditional upon the passing of Resolution Number 2 which forms part of this notice of extraordinary general meeting, the supplemental agreement to the agreements of the Fuzhou Service Centre Co-operation Project (the “Supplemental Agreement”) (a copy of which is produced and marked “A” and signed by the chairman for identification purposes) be and is hereby approved and that any one of the directors of the Company be and is hereby authorized to take all such actions as are required to give effect to the Supplemental Agreement.”

By order of the Board  
**Shum Kai Wing**  
*Company Secretary*

Hong Kong, 6 January 2004

*Registered office:*  
Century Yard, Cricket Square  
Hutchins Drive  
P.O. Box 2681GT  
George Town  
Grand Cayman  
British West Indies

*Principal place of business  
in Hong Kong:*  
Unit 1206, 12th Floor  
9 Queen’s Road Central  
Hong Kong

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. Any shareholder entitled to attend and vote at the above meeting may appoint one or more than one proxies to attend and to vote in his stead. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any Share, any one such person may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect of the joint holding.
3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be delivered to the office of the share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof.



# 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)

### Form of proxy for use at the Extraordinary General Meeting or any adjournment thereof

I/We<sup>1</sup> \_\_\_\_\_  
of \_\_\_\_\_  
being holder(s) of \_\_\_\_\_<sup>2</sup> shares of HK\$0.10 each in the capital of G.A. Holdings Limited (the "Company"),  
HEREBY APPOINT the Chairman of the meeting<sup>3</sup> or \_\_\_\_\_  
of \_\_\_\_\_  
as my/our proxy to act for me/us at the Extraordinary General Meeting (or at any adjournment thereof) of the Company, to be held at Unit 1206, 12th Floor, Nine Queen's Road Central, Hong Kong on Wednesday, 21 January 2004 at 11:00 a.m. and in particular (but without limitation) at such meeting (or any adjournment thereof) to vote for me/us and in my/ our name(s) in respect of the resolutions set out in the notice concerning the said meeting as indicated below, or, if no such indication is given, as my/our proxy thinks fit.

		For <sup>4</sup>	Against <sup>4</sup>
1.	<p><b>"THAT</b></p> <p>(a) German Automobiles Pte Limited ("GAPL") and 廈門寶馬汽車維修有限公司 (Xiamen BMW Automobiles Service Co., Ltd.) ("Xiamen BMW"), both of which are subsidiaries of the Company, without waiving any of its future right to claim against the PRC partners (as defined below) in respect of any breach of the agreements for the Co-operation Projects (as defined below) by any of them, not to enforce its rights to claim against 中汽安華赫茲汽車服務有限公司 (China National Automotive Anhua Hertz Services Centre Co., Ltd) ("CNA Anhua (Hertz)"), 北京金天成科貿發展有限公司 (Jin Tian Cheng Development Co., Ltd.) ("Jin Tian Cheng") and 北方安華集團公司 (North Anhua Group Corporation) ("North Anhua", together with CNA Anhua (Hertz) and Jin Tian Cheng, the "PRC partners"), all of which are parties to (i) the co-operation project to construct showrooms, service centres and other related facilities on the land located at Fujian Province Xiamen City Haichang Development Zone Hi-tech Zone (the "Haichang Land") and the land located at Beijing Chaoyang District No. 39 North 4th Ring East Road 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 and 12 and 16 September 2003, respectively (the "Showroom Project Co-operation Project"); and (ii) the co-operation project to construct a maintenance and service centre on the land located at Fujian Province, Fuzhou City, Cangshan Science Park (the "Cangshan Land") pursuant to the project co-operation agreement dated 10 August 2001 entered into between Xiamen BMW and Jin Tian Cheng as supplemented by the two agreements dated 7 December 2001 and 15 April 2002, respectively entered into amongst Xiamen BMW, Jin Tian Cheng and North Anhua (the "Fuzhou Service Centre Co-operation Project", together with the Showroom Co-operation Project, the "Co-operation Projects") in relation to the failure of the PRC partners to complete the Co-operation Projects in accordance with the terms of the agreements for the Co-operation Projects by 30 June 2003;</p> <p>(b) conditional upon the passing of Resolution Number 1(a) which forms part of this notice of extraordinary general meeting, without waiving any of the future right of the Company and its subsidiaries (together the "Group") under the Deed of Indemnity and Guarantee (as defined hereinafter) not to enforce its rights to claim against Mr. Chan Hing Ka Anthony and Mr. Loh Kim Her (collectively the Indemnifiers"), both of whom are directors of the Company and Loh and Loh Constructions Group Ltd. (the "Guarantor") pursuant to a 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 (the "Deed of Indemnity and Guarantee")."</p>		
2.	<p><b>"THAT</b> conditional upon the passing of Resolutions Number 1(a) and (b) which form part of this notice of extraordinary general meeting, the further extension of the deadline for completion of the Fuzhou Service Centre Co-operation Centre Project in accordance with the terms of the relevant agreements to until 31 December 2004, be and is hereby approved."</p>		
3.	<p><b>"THAT</b> conditional upon the passing of Resolution Number 2 which forms part of this notice of extraordinary general meeting, the supplemental agreement to the agreements of the Fuzhou Service Centre Co-operation Project (the "Supplemental Agreement") (copy of which is produced and marked "A" and signed by the chairman for identification purposes) be and is hereby approved and that any one of the directors of the Company be and is hereby authorized to take all such actions as are required to give effect to the Supplemental Agreements."</p>		

Signature<sup>5</sup> \_\_\_\_\_

Dated \_\_\_\_\_

#### Notes:

- Full name(s) and address(es) to be inserted in BLOCK CAPITALS.
- Please insert the number of shares registered in your name(s) to which the proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all those shares in the Company registered in your name(s).
- If any proxy other than the Chairman of the Meeting is preferred, strike out the words "the Chairman of the meeting" and insert the name and address of the proxy desired in the space provided. ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALLED BY THE PERSON(S) WHO SIGN(S) IT.
- IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, TICK IN THE BOX MARKED "FOR" THE RELEVANT RESOLUTION. IF YOU WISH TO VOTE AGAINST A RESOLUTION, TICK IN THE BOX MARKED "AGAINST" THE RELEVANT RESOLUTION. Failure to tick either box will entitle your proxy to cast your vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the meeting other than that referred to in the notice convening the meeting.
- Any shareholder entitled to attend and vote at the above meeting may appoint one or more than one proxies to attend and to vote in his stead. A proxy need not be a shareholder of the Company.
- Where there are joint registered holders of any Share, any one such person may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect of the joint holding.
- In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be delivered to the office of the share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof.