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GUANGZHOU AUTOMOBILE GROUP CO., LTD.

廣州汽車集團股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2238)

**CONNECTED TRANSACTION
INVESTMENT IN AN ASSOCIATED COMPANY BY
CONTROLLING SHAREHOLDER**

Reference is made to the announcement of the Company dated 29 October 2021 in relation to the Board's decision not to participate in the Capital Injection of the Target Company (an associated company of the Company) in accordance with the Non-competition Undertaking and its consent to the participation in the Capital Injection by GAIG (the controlling shareholder of the Company).

THE SUBSCRIPTION AGREEMENT

On 21 January 2022, the Target Company entered into the Subscription Agreement with GAIG and the Other Investors, pursuant to which GAIG agreed to subscribe for 17,258,940 Warrants at a total exercise price of approximately US\$55,125,054 (equivalent to approximately HK\$429,353,020). If such Warrants are exercised in full, 17,258,940 Series A Preferred Shares will be issued by the Target Company to GAIG.

As at the date of this announcement, the Group indirectly holds 35% equity interest in the Target Company. Upon completion of the Capital Injection, GAIG will hold approximately 12.90% equity interest in the Target Company, and the Company's indirect equity interest in the Target Company will be diluted from 35% to approximately 26.15% accordingly. Upon completion of the Capital Injection, the Target Company will remain as an associated company of the Group, and the composition of the board of directors of the Target Company will remain unchanged with three out of the seven members of the board of directors being appointed by the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, GAIG is the controlling shareholder of the Company and therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the non-participation in the Capital Injection and transfer of such opportunity to GAIG, which will

result in the dilution of the Company's equity interest in the Target Company, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) are more than 0.1% but all are less than 5%, according to Rule 14A.76(2)(a) of the Listing Rules, such transaction is subject to the reporting and announcement requirements, but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 29 October 2021 in relation to the Board's decision not to participate in the Capital Injection of the Target Company (an associated company of the Company) in accordance with the Non-competition Undertaking and its consent to the participation in the Capital Injection by GAIG (the controlling shareholder of the Company).

As disclosed in the Announcement, the Board had received a written notice from GAIG issued in accordance with the Non-competition Undertaking stating that it was interested in participating in the Capital Injection. Since the Target Company is principally engaged in online car-hailing mobile transportation business, GAIG's participation in the Capital Injection would result in its direct or indirect investment in the restricted business under the Non-competition Undertaking. In light that the mobile transportation market still needs time for cultivation and growth, and at the same time, the Target Company needs external financing at different stages of its development in order to achieve synergy of resources and sustainable and stable development, the Board (including all the independent non-executive Directors) believes that participation in the Capital Injection would not be in the interests of the Company and the shareholders of the Company as a whole, and therefore had resolved not to participate in the Capital Injection and to consent to GAIG's participation in the Capital Injection.

THE SUBSCRIPTION AGREEMENT

In order to increase its investment in technology research and development and further expand its business, the Target Company proposes the Capital Injection by way of the issue of Series A Preferred Shares or Warrants to GAIG and the Other Investors. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Other Investors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

On 21 January 2022, the Target Company entered into the Subscription Agreement with GAIG and the Other Investors, pursuant to which GAIG agreed to subscribe for 17,258,940 Warrants at a total exercise price of approximately US\$55,125,054 (equivalent to approximately HK\$429,353,020), payable in the following manner:

- (1) GAIG shall first pay a lock-in amount of RMB349,999,994.70 to the foreign-invested enterprise designated by the Target Company. The Target Company shall issue a notice to all investors for closing upon the satisfaction or waiver (as the case may be) of all the conditions precedent to closing under the Subscription Agreement.
- (2) GAIG shall use all reasonable endeavours to obtain all necessary approvals, registrations or filings in respect of the Capital Injection from or with the relevant PRC government authorities no later than 12 months after the closing date or such longer period as may be agreed by the Target Company, and shall exercise its Warrants in full upon obtaining all the aforesaid approvals, and pay the US\$ equivalent of RMB349,999,994.70 to the Target Company in full within 10 working days after having received the return of the lock-in amount. Upon payment of the aforesaid amount, GAIG shall be deemed to have paid the total exercise price (i.e. approximately US\$55,125,054) in full, regardless of any difference between the amount paid and the total exercise price.

The total exercise price of the Warrants was determined after arm's length negotiation between GAIG and the Target Group after having conducted horizontal comparison with other companies engaged in the mobile transportation business, and with reference to the valuation of the 12.90% equity interest in the Target Company as at 31 July 2021 per the appraisal by an independent valuer using market approach and on the basis of the 12.90% shareholding held by GAIG in the enlarged issued share capital of the Target Company upon the completion of the Capital Injection, which amounted to approximately RMB350 million.

If such 17,258,940 Warrants are exercised in full, 17,258,940 Series A Preferred Shares will be issued by the Target Company to GAIG.

As at the date of this announcement, the Group indirectly holds 35% equity interest in the Target Company. Upon completion of the Capital Injection, GAIG will hold approximately 12.90% equity interest in the Target Company, and the Company's indirect equity interest in the Target Company will be diluted from 35% to approximately 26.15% accordingly. Upon completion of the Capital Injection, the Target Company will remain as an associated company of the Group, and the dilution of shareholding will not result in any profit or loss to be recorded in the Group's financial statements. The composition of the board of directors of the Target Company will remain unchanged with three out of the seven members of the board of directors being appointed by the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Although the existing shareholders (including China Lounge Investments) of the Target Company were given the pre-emptive right to participate in the Capital Injection, the Directors (including the independent non-executive Directors) believe that, since the mobile transportation market still needs time for cultivation and growth, and at the same time, the Target Company needs external financing at different stages of its development in order to achieve synergy of resources and sustainable and stable development, the Group's non-participation in the Capital Injection and consent to the Capital Injection by GAIG into the Target Company is fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the Cayman Islands with limited liability in April 2019, with an initial capital injection of RMB1 billion, of which the Company contributed RMB350 million through China Lounge Investments, a wholly-owned subsidiary of the Company. The Target Company is principally engaged in the online car-hailing mobile transportation business. In June 2019, "ON TIME" (如祺出行), a mobile transportation platform established by the Target Company, was officially launched in Guangzhou, with an aim to gradually achieve the business vision of "creating a panoramic ecosystem of intelligent networking and shared mobility" with the Guangdong-Hong Kong-Macao Greater Bay Area as the core region. At present, its operation services have commenced in Guangzhou, Foshan, Zhuhai, Shenzhen, Dongguan and other cities in the PRC.

The shareholding structures of the Target Company as at the date of this announcement and immediately after the completion of the Capital Injection (assuming that all Warrants are exercised in full and there is no other change in the shareholding of the Target Company prior to the completion of the Capital Injection) are set out below:

Shareholders	As at the date of this announcement		Immediately after the completion of the Capital Injection (assuming that all Warrants are exercised in full and there is no other change in the shareholding of the Target Company prior to the completion of the Capital Injection)	
	<i>Number of shares</i>	<i>Percentage of shareholding</i>	<i>Number of shares</i>	<i>Percentage of shareholding</i>
Ordinary Shares				
China Lounge Investments	35,000,000	35.0%	35,000,000	26.15%
Other Investors	65,000,000	65.0%	65,000,000	48.57%
Series A Preferred Shares				
GAIG	-	-	17,258,940	12.90%
Other Investors	-	-	16,580,317	12.39%
Total	100,000,000	100%	133,839,257	100%

Based on the audited accounts of the Target Company prepared in accordance with the generally accepted accounting principles in the PRC, the net asset value of the Target Company as at 31 December 2020 was approximately RMB516 million. The key financial information of the Target Company is set out below:

	From 30 April 2019 to 31 December 2019 (audited) (RMB'0,000)	For the year ended 31 December 2020 (audited) (RMB'0,000)
Net loss before taxation	(13,193.27)	(29,878.92)
Net loss after taxation	(13,193.27)	(29,878.92)

LISTING RULES IMPLICATIONS

As at the date of this announcement, GAIG is the controlling shareholder of the Company and therefore a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the non-participation in the Capital Injection and transfer of such opportunity to GAIG, which will result in the dilution of the Company's equity interest in the Target Company, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable

percentage ratios (as defined in the Listing Rules) are more than 0.1% but all are less than 5%, according to Rule 14A.76(2)(a) of the Listing Rules, such transaction is subject to the reporting and announcement requirements, but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As disclosed in the Announcement, since Mr. Zeng Qinghong (an executive Director), Mr. Feng Xingya (an executive Director), Mr. Chen Xiaomu (a non-executive Director) and Mr. Chen Maoshan (a non-executive Director) are also directors of GAIG, they had abstained from voting on the resolutions of the relevant matter at the meeting of the Board. Save as disclosed above, none of the Directors had material interests in the matter and was required to abstain from voting at the relevant meeting of the Board.

GENERAL INFORMATION

The principal businesses of the Group include the research and development and the manufacturing of vehicles and motorcycles, automobile parts and components, commercial services, financial services, and mobile transportation services, which form a complete closed-loop automobile industry chain. As at the date of this announcement, GAIG holds approximately 52.56% equity interest in the Company and is the controlling shareholder of the Company.

GAIG, through the Company, is mainly engaged in investment in the research and development, manufacturing and marketing of automobile, motorcycle and components, automobile service trade and other relevant industries; investment in automobile finance and other financial sectors; and investment in self-owned land development projects and related real estate projects and property management. The ultimate beneficial owner of the GAIG is the State-owned Assets Supervision and Administration Commission of Guangzhou Municipal Government.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Announcement”	the announcement of the Company dated 29 October 2021 in relation to the Capital Injection
“associated company”	entity over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights of such entity
“Board”	the board of directors of the Company
“Capital Injection”	the injection of capital into the Target Company pursuant to the Subscription Agreement

“China Lounge Investments”	China Lounge Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Company”	Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, the issued H shares of which are listed on the Stock Exchange
“connected person”	has the meaning as ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“GAIG”	Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司), a state-owned enterprise incorporated in October 2000 under PRC law and the controlling shareholder of the Company
“Group”	the Company, its subsidiaries and their respective jointly-controlled entities
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Non-competition Undertaking”	the non-competition undertaking entered into by GAIG on 17 May 2010
“Ordinary Shares”	the ordinary shares issued by the Target Company
“Other Investors”	investors other than GAIG who will subscribe for the agreed amounts of the Series A Preferred Shares or the Warrants to be issued by the Target Company in accordance with the terms and conditions of the Subscription Agreement
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Series A Preferred Shares”	the series A preferred shares to be issued by the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the agreement dated 21 January 2022 entered into between, among others, the Target Company, GAIG and the Other Investors for the subscription of Series A Preferred Shares or Warrants
“subsidiary(ies)”	has the meaning as ascribed to it under the Listing Rules
“Target Company”	Chenqi Technology Limited, a company incorporated in the Cayman Islands with limited liability in April 2019, which is indirectly held as to 35% by the Company as at the date of this announcement and is an associated company of the Company
“US\$”	United States dollar, the lawful currency of the United States of America
“Warrants”	the warrants to be issued by the Target Company to GAIG and certain Other Investors to subscribe for Series A Preferred Shares in accordance with the terms and conditions of the Subscription Agreement
“%”	per cent

By order of the Board
Guangzhou Automobile Group Co., Ltd.
ZENG Qinghong
Chairman

Guangzhou, the PRC, 24 January 2022

As at the date of this announcement, the executive directors of the Company are ZENG Qinghong and FENG Xingya, the non-executive directors of the Company are CHEN Xiaomu, CHEN Maoshan, DING Hongxiang, GUAN Dayuan and LIU Zhijun, and the independent non-executive directors of the Company are ZHAO Fuquan, XIAO Shengfang, WONG Hakkun and SONG Tiebo.