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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)

DISCLOSEABLE TRANSACTION

DEEMED DISPOSAL OF EQUITY INTEREST IN GAC AION

THE CAPITAL INJECTION AGREEMENTS

From 30 September to 20 October 2022, GAC AION (a non-wholly owned subsidiary of the Company) entered into a Capital Injection Agreement with each of the Independent Subscribers in relation to the issue and allotment of an aggregate of approximately 1.383 billion shares to such Independent Subscribers at an aggregate consideration of approximately RMB18.294 billion. Following the completion of the Subscription, the Company remains to hold directly and indirectly approximately 76.89% of equity interest in GAC AION, which will still be a subsidiary of the Company.

LISTING RULES IMPLICATIONS

The issue and allotment of shares by GAC AION to the Independent Subscribers will result in a reduction of approximately 16.56% of the equity interest directly and indirectly held by the Company therein, which, as a result, constitutes a deemed disposal under Rule 14.29 of the Listing Rules.

As the highest of the relevant percentage ratios under Rule 14.07 of the Listing Rules for the Deemed Disposal is more than 5% but less than 25%, accordingly, the Deemed Disposal constitutes a discloseable transaction for the Company under the Listing Rules, and is subject to the reporting and announcement requirements, but exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

From 30 September to 20 October 2022, GAC AION (a non-wholly owned subsidiary of the Company) entered into a Capital Injection Agreement with each of the Independent Subscribers in relation to the issue and allotment of an aggregate of approximately 1.383 billion shares to such Independent Subscribers at an aggregate consideration of approximately RMB18.294 billion.

PRINCIPAL TERMS OF THE CAPITAL INJECTION AGREEMENTS

Date

During the period from 30 September to 20 October 2022

Parties

- (1) GAC AION (as issuer)
- (2) (For the purpose of each of the Capital Injection Agreements) an Independent Subscriber (as subscriber)

Subscription of shares

GAC AION agreed to issue and allot (and the Independent Subscribers agreed to subscribe for) a total of approximately 1,382,764,900 shares, representing approximately 17.72% of the enlarged total issued shares of GAC AION after such issue and allotment.

Consideration

The aggregate consideration for the Subscription was approximately RMB18.294 billion.

In respect of the Subscription, GAC AION engaged Guozhonglian Asset Valuation and Land and Real Estate Appraisal Co., Ltd.* (國眾聯資產評估土地房地產估價有限公司), a valuation institution qualified in securities and futures business, to appraise the value of GAC AION's entire equity interest with the Appraisal Benchmark Date of 31 May 2022. All the filing procedures for the appraisal of state-owned assets have also been completed. On this basis, GAC AION publicly selected the Independent Subscribers by flotation at Guangzhou Enterprises Mergers and Acquisitions Service, and finalized the subscribers and the consideration for Subscription by way of competitive negotiations, thereby determining a universal subscription price of RMB13.23 per share.

Conditions Precedent

The Subscription is subject to the fulfillment of all following conditions precedent:

- (a) GAC AION has obtained all the necessary relevant approvals and filing documents for the Subscription;
- (b) the transaction documents in respect of the Subscription having been signed by each of the Independent Subscribers, GAC AION and its existing shareholders;
- (c) within the period from the signing dates of the Capital Injection Agreements to the dates of a completion satisfaction letter in relation to payment conditions precedent from GAC AION issued in accordance with the relevant terms of the Capital Injection Agreements, the representations and warranties of GAC AION in the Capital Injection Agreements being true, correct, complete and not materially misleading in all material respects; and
- (d) there being no material adverse change in the operating position of GAC AION from the signing dates of the Capital Injection Agreements to the dates of a completion satisfaction letter in relation to payment conditions precedent from GAC AION issued in accordance with the relevant terms of the Capital Injection Agreements.

Profit and Loss Sharing

The parties of each of the Capital Injection Agreements agree not to adjust the terms of the transaction and capital injection price agreed under the Capital Injection Agreements as a result of the profit or loss incurred within GAC AION from the Appraisal Benchmark Date to the registration completion date of the Subscription (the “**Transition Period**”). During the Transition Period, the operating results or losses resulting from changes in the assets, debts and liabilities of GAC AION shall be enjoyed and borne in accordance with the laws by all shareholders of GAC AION after the capital injection based on their respective shareholdings in GAC AION after the Subscription.

As at 20 October 2022, all Independent Subscribers have transferred their respective subscription monies payable to the bank account designated by GAC AION.

USE OF PROCEEDS FROM THE SUBSCRIPTION

The proceeds from the Subscription will be mainly used for the development of new products of GAC AION, the research and development and industrialization construction of new generation batteries and electric automobile, and the research and development and industrialization layout of core technologies such as intelligent driving, intelligent cockpit, energy ecology and production capacity expansion.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Subscription will facilitate GAC AION in having the advantages of upstream and downstream strategic industrial resources in the field of new energy vehicles; improve the stability of GAC AION's industrial and supply chains in terms of energy ecosystem, battery materials and automotive chips; provide sufficient financial support to the research and development of core technologies including the development of GAC AION's new products, new-generation batteries, the research and development and industrialization construction and layout of electric automobile, intelligent driving, intelligent cockpit, and production capacity assurance; and greatly improve the comprehensive competitiveness of GAC AION for future development.

The directors of the Company consider that terms of the Subscription are fair and reasonable and in the interests of the Company and its shareholders as a whole.

FINANCIAL EFFECTS OF THE SUBSCRIPTION ON THE GROUP

GAC AION remains a subsidiary of the Company after completion of the Subscription, and GAC AION's financial results will continue to be consolidated into the financial statements of the Group. It is estimated that the Group will not record any gain or loss from the Subscription.

INFORMATION ON THE RELEVANT PARTIES

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.

GAC AION is a non-wholly owned subsidiary of the Company and is principally engaged in the manufacture and sale of vehicles.

According to the latest audited accounts prepared based on China Accounting Standards, the net asset value of GAC AION as at 31 May 2022 was approximately RMB19,702,207,261.93.

According to the latest audited accounts prepared based on China Accounting Standards, the total sales volume of GAC AION was approximately 60,000 units and approximately 120,200 units in 2020 and 2021, with operating revenues of approximately RMB7,610,000,000 and RMB 17,265,220,000 respectively; the net profit before and after tax was a loss of approximately RMB 898,978,100, RMB687,580,100 and a loss of approximately RMB1,230,535,200 and RMB 1,388,584,100 respectively. In addition, according to the latest unaudited half-year financial information, the sales volume of GAC AION was 100,200 units from January to June 2022, with operating revenue of approximately RMB14,787,310,000 and achieving a momentous development.

Independent Subscribers

The Subscription includes a total of 53 Independent Subscribers, including funds, limited companies and limited partnerships under such financial, asset management and investment institutions which invest in sectors and industries such as energy charging ecology, critical battery resources, chip design and manufacturing, and vehicle-road collaboration technology with intelligent driving. Upon completion of the Subscription, save for one of the Independent Subscribers which holds approximately 1.45% of the equity interest in GAC AION, the other Independent Subscribers hold no more than 1% equity interest in GAC AION respectively.

To the best of its directors' knowledge and belief, having made all reasonable enquiry, the Company confirms that the Independent Subscribers and their ultimate beneficial owners (where applicable) are third parties independent of the Company and its connected persons.

IMPACT OF THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF GAC AION

The following table sets out the shareholding structure of GAC AION before and after the Subscription:

Shareholders	Before the Subscription		After the Subscription	
	Number of Shares (in ten thousand)	Approximate percentage (%)	Number of Shares (in ten thousand)	Approximate percentage (%)
The Company	600,000.00	93.45	600,000.00	76.89
Independent Subscribers	0.00	0.00	138,276.49	17.72
Other Shareholders	42,062.34	6.55	42,062.34	5.39
Total	642,062.34	100.00	780,338.84	100.00

LISTING RULES IMPLICATIONS

The issue and allotment of shares by GAC AION to the Independent Subscribers will result in a reduction of approximately 16.56% of the equity interest directly and indirectly held by the Company therein, which, as a result, constitutes a deemed disposal under Rule 14.29 of the Listing Rules.

As the highest of the relevant percentage ratios under Rule 14.07 of the Listing Rules for the Deemed Disposal is more than 5% but less than 25%, accordingly, the Deemed Disposal constitutes a discloseable transaction for the Company under the Listing Rules, and is subject to the reporting and announcement requirements, but exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Appraisal Benchmark Date”	31 May 2022
“Capital Injection Agreement”	The Capital Injection Agreements entered into between GAC AION and each of the Independent Subscribers respectively from 30 September to 20 October 2022 in relation to the Subscription, the terms of which are substantially the same except for the number of subscription shares and the subscription amount by each of the Independent Subscribers
“Company”	Guangzhou Automobile Group Co., Ltd.
“Deemed Disposal”	a reduction of approximately 16.56% of the equity interest directly and indirectly held by the Company in GAC AION as a result of the Subscription
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Subscriber(s)”	the Subscriber(s) under the Subscription
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription”	the subscription by the Independent Subscribers for shares issued and allotted by GAC AION
“GAC AION”	GAC AION New Energy Automobile Co., Ltd.* (廣汽埃安新能源汽車有限公司) (formerly known as Guangzhou Automobile New Energy Automobile Co., Ltd.* (廣汽新能源汽車有限公司)), a limited liability company incorporated in July 2017 with limited liability under the laws of PRC
“0%”	per cent.

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

Guangzhou, the PRC, 20 October 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.

**For identification purpose only*