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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)

ANNOUNCEMENT

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE
PROVISION OF TRANSPORTATION AND LOGISTIC SERVICES IN RESPECT OF
VEHICLE PRODUCTS AND VEHICLE PARTS AND COMPONENTS**

On 26 April 2019, the Group Companies and the Connected Companies entered into the Agreements in relation to the provision of the Logistic Services to the Group by the JV Partner Group, details of which are summarised below:

- (i) GAC Toyota Logistics (as the service provider) and GAC Commercial Logistics (as the service recipient) entered into the Framework Agreement;
- (ii) GAC Toyota Logistics (as the service provider) and Hunan Shun Jie (as the service recipient) entered into the Framework Agreement;
- (iii) GAC Toyota Logistics (as the service provider) and GAC Hunan NYK (as the service recipient) entered into the New Agreement;
- (iv) Tong Fang Logistics (as the service provider) and GAC Toyota and GAC Toyota Sales (as the service recipients) entered into the Framework Agreement;
- (v) GAC Honda Logistics (as the service provider) and GAC CRR (as the service recipient) entered into the Framework Agreement; and
- (vi) GAC Honda Logistics (as the service provider) and GAC Honda (as the service recipient) entered into the Framework Agreement.

The terms of the Agreements are from 1 January 2019 to 31 December 2021.

The Connected Companies are the subsidiaries or associates of Toyota and/or Honda, while Toyota and Honda respectively hold 50% equity interests in the Group's principal joint ventures, GAC Toyota and GAC Honda. Therefore, the Connected Companies are connected persons of the Company at the subsidiary level and the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated based on the highest annual cap for the Logistic Services exceed 1%, and by virtue of Rule 14A.101 of the Listing Rules, since (i) the Board has approved the Agreements and the Transactions contemplated thereunder; and (ii) the independent non-executive Directors have confirmed that the terms of the Agreements are on normal commercial terms and are fair and reasonable and the Transactions are in the interests of the Company and its shareholders as a whole, the Agreements and the Transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempted from the independent shareholders' approval requirement under the Chapter 14A of the Listing Rules. The Company has applied to the Stock Exchange and the Stock Exchange has granted certain waivers in relation to the Transactions, exempting the Company from strict compliance with the annual caps requirement under Rule 14A.53 of the Listing Rules and the annual reporting requirement under Rule 14A.71(4) of the Listing Rules in respect of the Transactions, to the extent that the Company needs to set aggregate annual caps for the Transactions and disclose the total annual consideration of the Transactions in its annual reports.

BACKGROUND

Reference is made to (i) the listing document of the Company dated 18 June 2010, in which (among other things) details of the transactions regarding the Logistic Services provided to the Group by the JV Partner Group were disclosed; and (ii) the announcement of the Company dated 22 January 2016 in relation to (among other things) the written agreements entered into between the Group and the JV Partner Group regarding the Logistic Services. Since the relevant written agreements expired on 31 December 2018, and the Group intends to continue the transactions in relation to the provision of the Logistic Services with the JV Partner Group, the Group Companies and the Connected Companies entered into the Framework Agreements and the New Agreement on 26 April 2019.

THE TRANSACTIONS

(1) Framework Agreements

The following Group Companies and Connected Companies have respectively entered into the Framework Agreements in relation to the Logistic Services, the principal terms of which are summarised below:

Parties

- (i) GAC Toyota Logistics (as the service provider) and GAC Commercial Logistic (as the service recipient);
- (ii) GAC Toyota Logistics (as the service provider) and Hunan Shun Jie (as the service recipient);

- (iii) Tong Fang Logistics (as the service provider) and GAC Toyota and GAC Toyota Sales (as the service recipients);
- (iv) GAC Honda Logistics (as the service provider) and GAC CRR (as the service recipient); and
- (v) GAC Honda Logistics (as the service provider) and GAC Honda (as the service recipient).

Date

26 April 2019

Term

From 1 January 2019 to 31 December 2021. Upon expiration of the validity period, renewal is subject to the mutual agreement by both parties to the agreements.

Subject Matter

Provision of the Logistic Services to each service recipient by each service provider.

Pricing Policies

Each service provider and each service recipient have agreed that they shall enter into Individual Agreement(s) in relation to the provision of the Logistic Services within the validity period of the Framework Agreements based on the terms, conditions and principles of the Framework Agreements.

The payment received by each service provider from each service recipient for the Logistic Services will be based on the contractual prices which are determined with reference to (i) the prevailing market prices for the same or similar type of services provided by independent third parties; and (ii) the volume of the Logistic Services required by each service recipient (such as the quantity, volume and frequency of vehicles to be transported). Each Group Company shall compare the prices for the provision of the same or similar type of services by independent third parties in respect of the Logistic Services from time to time to ensure that the price received by each service provider for the Logistic Services shall be the prevailing market price.

To ensure that products or services are obtained at the most favorable price, prior to selecting the service providers for the Logistic Services, the Group will consider at least two market prices of contemporaneous transactions for the same services to ensure that the price will remain reasonable and competitive and that the price paid by the Group to the JV Partner Group will not be higher than that paid to independent third parties. In addition, when determining the relevant prices, the Group will also take into account the profit margin that can be achieved to ensure that the prices will be set at a level which enables the Group to generate a profit margin within the industry standard or even better.

In view of the above, the Framework Agreements were entered into between the Group and the JV Partner Group on normal commercial terms that are fair and reasonable, and no less favourable to the Group than those provided by independent third parties to the Group in respect of the Logistic Services.

(2) New Agreement

The following Group Company and Connected Company have entered into the New Agreement in relation to the Logistic Services, the principal terms of which are summarised below:

Parties

GAC Toyota Logistics (as the service provider) and GAC Hunan NYK (as the service recipient)

Date

26 April 2019

Term

From 1 January 2019 to 31 December 2021. Upon expiration of the validity period, renewal is subject to the mutual agreement by both parties to the agreement.

Subject Matter

Provision of the Logistic Services to the service recipient by the service provider.

Pricing Policies

Both parties to the New Agreement have agreed that, they shall enter into Individual Agreement(s) in relation to the provision of the Logistic Services within the validity period of the New Agreement based on the terms, conditions and principles of the New Agreement. The terms of the Individual Agreements (including the terms of calculation and payment of service fees) shall be determined based on normal commercial terms and the independent interests of each party, and the transaction terms shall be no less favourable than those provided by independent third parties to the service recipient for receiving the same type of services.

The service fees will be based on the contractual prices which are determined with reference to (i) the prevailing market prices for the same or similar type of services provided by independent third parties; and (ii) the volume of the Logistic Services required by the service recipient. The parties to the New Agreement shall compare the prices for the provision of the same or similar type of services by independent third parties in respect of the Logistic Services from time to time to ensure that the price received by the service recipient for the Logistic Services shall be the prevailing market price.

To ensure that products or services are obtained at the most favorable price, prior to selecting the service providers for the Logistic Services, the Group will consider at least two market prices of contemporaneous transactions for the same services to ensure that the price will remain reasonable and competitive, and that the price paid by the Group to the JV Partner Group will not be higher than that paid to independent third parties. In addition, when determining the relevant price, the Group will also take into account the profit margin that can be achieved to ensure that the prices will be set at a level which enables the Group to generate a profit margin within the industry standard or even better.

In view of the above, the New Agreement was entered into on normal commercial terms that are fair and reasonable, and no less favourable to the Group than those provided by independent third parties to the Group in respect of the Logistic Services.

The Group will pay the consideration of the Transactions with its internal funds.

HISTORICAL TRANSACTION AMOUNTS

The following table shows the historical transaction amounts of the Group's continuing connected transactions in respect of the Logistic Services for the three financial years ended 31 December 2018.

Unit: 0'000

For the year ended 31 December		
2016 <i>(audited)</i>	2017 <i>(audited)</i>	2018 <i>(audited)</i>
RMB121,722 (representing approximately HK\$141,862)	RMB127,090 (representing approximately HK\$148,118)	RMB174,567 (representing approximately HK\$203,451)

ANNUAL CAP AND BASIS OF DETERMINATION

For the three years ending 31 December 2021, the proposed annual caps of the Group's transactions contemplated under the Agreements are as follows:

Unit: 0'000

For the year ending 31 December		
2019	2020	2021
RMB253,115 (representing approximately HK\$294,996)	RMB291,887 (representing approximately HK\$340,183)	RMB324,565 (representing approximately HK\$378,268)

The above proposed annual caps were determined after taken into account (i) the transaction amounts of the Logistic Services provided by the Connected Companies to the Group for the three financial years ended 31 December 2018; (ii) the prices of the Logistic Services provided by the Connected Companies; and (iii) the estimated demand for the Logistic Services by the Group in the next three years.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS

The Group conducts automobile-related services which include the logistic services of transporting vehicles, engines, and parts and components. The Group, together with its joint venture partners, have established a sound and comprehensive logistic network for the manufacturing enterprises of the Group to provide logistic services, including the provision of land and sea transportation and distribution of vehicles or vehicle parts and components for the Group's manufacturing enterprises located in different areas. The Group strives for reasonable and competitive prices for the logistic services so that the manufacture and sales of the Group are able to record a profit margin that is within the industry standard or even better.

The Directors (including the independent non-executive Directors) consider that the Agreements and the Transactions contemplated thereunder were entered into in the ordinary and usual course of business of the Group as well as on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The Connected Companies are the subsidiaries or associates of Toyota and/or Honda, while Toyota and Honda respectively hold 50% equity interests in the Group's principal joint ventures, GAC Toyota and GAC Honda. Therefore, the Connected Companies are connected persons of the Company at the subsidiary level and the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated based on the highest annual cap for the Logistic Services exceed 1%, and by virtue of Rule 14A.101 of the Listing Rules, since (i) the Board has approved the Agreements and the Transactions contemplated thereunder; and (ii) the independent non-executive Directors have confirmed that the terms of the Agreements are on normal commercial terms and are fair and reasonable and the Transactions are in the interests of the Company and its shareholders as a whole, the Agreements and the Transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempted from the independent shareholders' approval requirement under the Chapter 14A of the Listing Rules. The Company has applied to the Stock Exchange and the Stock Exchange has granted certain waivers in relation to the Transactions, exempting the Company from strict compliance with the annual caps requirement under Rule 14A.53 of the Listing Rules and the annual reporting requirement under Rule 14A.71(4) of the Listing Rules in respect of the Transactions, to the extent that the Company needs to set aggregate annual caps for the Transactions and disclose the total annual consideration of the Transactions in its annual reports.

None of the Directors had a material interest in the Transactions and was required to abstain from voting at the relevant Board meeting.

GENERAL INFORMATION

The principal businesses of the Group include the manufacture and sales of passenger vehicles, commercial vehicles, engines and auto parts, including research and development, manufacturing, sales and after-sales services of passenger vehicles, commercial vehicles, motorcycles, engines and other auto parts, the import and export of automobile-related products, automobile leasing, logistic services, automobile disassembling and automobile credit, insurance, insurance brokerage services and equity interest investment.

The principal businesses of GAC Commercial Logistics are trading of vehicles, sales and trading of vehicle parts and components and steel as well as after-sales services of vehicles.

The principal businesses of GAC CRR are the recycling and processing of renewable resources as well as information consultation and lease of premises.

The principal businesses of Hunan Shun Jie are the provision of logistic and storage services in respect of vehicles and vehicle parts and components.

The principal businesses of GAC Hunan NYK are the provision of logistic and storage services in respect of vehicles and vehicle parts and components.

The principal businesses of GAC Toyota are the manufacture and sales of vehicles and vehicle parts and components.

The principal businesses of GAC Toyota Sales are the sales and provision of after-sales services of vehicles.

The principal businesses of GAC Honda are the manufacture and sales of vehicles and vehicle parts and components.

The principal businesses of Tong Fang Logistics are the provision of logistic services in respect of vehicles and vehicle parts and components.

The principal businesses of GAC Toyota Logistics are transportation of vehicles as well as imported vehicles.

The principal businesses of GAC Honda Logistics are the provision of logistic services in respect of the manufacture of vehicles.

The principal businesses of Toyota are research and development, manufacture and sales of vehicles and vehicle parts and components as well as ancillary business.

The principal businesses of Honda are research and development, manufacture and sales of vehicles and vehicle parts and components as well as ancillary business.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have meanings as follows:

“Agreements”	the New Agreement and the Framework Agreements
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Guangzhou Automobile Group Co., Ltd., a joint stock limited company incorporated in the PRC
“Connected Companies”	GAC Toyota Logistics, Tong Fang Logistics and GAC Honda Logistics

“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Framework Agreement(s)”	the framework agreement(s) dated 26 April 2019 entered into by the Group Companies and the Connected Companies in relation to the Logistic Services
“GAC Commercial Logistics”	Guangzhou GAC Commercial Logistics Co., Ltd.* (廣州廣汽商貿物流有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“GAC CRR”	Guangzhou GAC Commercial Renewable Resources Co., Ltd.* (廣州廣汽商貿再生資源有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“GAC Honda”	GAC Honda Automobile Co., Ltd.* (廣汽本田汽車有限公司) (formerly known as Guangzhou Honda Automobile Co. Ltd. (廣州本田汽車有限公司)), a company incorporated in the PRC and a joint venture which the Company and Honda respectively hold its 50% equity interests
“GAC Honda Logistics”	GAC Honda Logistics Co., Ltd.* (廣汽本田物流有限公司), a company incorporated under the laws of the PRC in which Honda and the Company indirectly own 51% and 49% equity interests respectively, being an associate of Honda
“GAC Hunan NYK”	Guangzhou Automobile Hunan NYK Logistics Co. Ltd.* (湖南廣汽商貿日郵物流有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“GAC Toyota”	GAC Toyota Motor Co., Ltd.* (廣汽豐田汽車有限公司) (formerly known as Guangzhou Toyota Automobile Co. Ltd (廣州豐田汽車有限公司)), a company incorporated under the laws of the PRC and a joint venture which the Company and Toyota respectively hold its 50% equity interests
“GAC Toyota Logistics”	GAC Toyota Logistics Co., Ltd.* (廣汽豐田物流有限公司), a company incorporated under the laws of the PRC in which Toyota and the Company indirectly own 45% and 46% equity interest respectively, being an associate of Toyota

“GAC Toyota Sales”	GAC Toyota Automobile Sales Co., Ltd.* (廣汽豐田汽車銷售有限公司), a company incorporated under the laws of PRC which the Company indirectly holds its 50% equity interests
“Group”	the Company and its subsidiaries and principal joint ventures (including GAC Toyota and GAC Honda)
“Group Companies”	GAC Commercial Logistics, Hunan Shun Jie, GAC Hunan NYK, GAC Toyota, GAC Toyota Sales, GAC CRR and GAC Honda
“Honda”	Honda Motor Co., Ltd.* (本田技研工業株式會社), a company incorporated under the laws of Japan and a joint venture partner of the Company in GAC Honda
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan Shun Jie”	Hunan Shun Jie Logistics Co., Ltd.* (湖南順捷物流有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Individual Agreements”	the individual agreements to be entered into by the service providers and the service recipients within the validity period of the Agreements in accordance with the terms, conditions and principles thereunder for the provision of the Logistic Services
“joint venture”	a joint venture company which is subject to direct or indirect joint control, resulting in none of the participating parties having unilateral control over the economic activities of that joint venture
“JV Partner Group ”	the joint venture partners of the principal jointly ventures (including GAC Toyota and GAC Honda) of the Group, their subsidiaries and associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Logistic Services”	the provision of transportation and logistic services for vehicle products and vehicle parts and components, among which the service provider(s), as directed by the service recipient(s), orders vehicle products and/or vehicle parts and components from manufacturers in various parts of the PRC, and transports them to the designated places after collection

“New Agreement”	the new framework agreement dated 26 April 2019 entered into by GAC Toyota Logistics and GAC Hunan NYK in relation to the Logistic Services
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tong Fang Logistics”	Tong Fang Global (Tianjin) Logistics Co., Ltd.* (同方環球(天津)物流有限公司), a company incorporated under the laws of the PRC in which Toyota and the Company own 40% and 25% equity interests respectively, being an associate of Toyota
“Toyota”	Toyota Motor Co., Ltd.* (豐田汽車有限公司), a company incorporated under the laws of Japan and a joint venture partner of the Company in GAC Toyota
“Transactions”	the transactions contemplated under the Agreements
“%”	percentage

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

* *For identification purpose only*

Note: In this announcement, conversion of RMB into HK\$ is based on the exchange rate of HK\$1.00 to RMB0.85803. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts in RMB or HK\$ were or may have been exchanged at this or any other rates or at all.

Guangzhou, the PRC, 26 April 2019

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 Yan Zhuangli, Chen Maoshan, Chen Jun, Ding Hongxiang and Han Ying and the independent non-executive directors of the Company are Fu Yuwu, Lan Hailin, Leung Lincheong and Wang Susheng.