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DONGFENG MOTOR GROUP COMPANY LIMITED*

東風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: 489)

ANNOUNCEMENT

**(1) UNDERTAKING IN RELATION TO COMBINATION OF PSA AND FCA
(2) PSA SHARE REPURCHASE AGREEMENT
(3) STRATEGIC COOPERATION AGREEMENT
AND
(4) RESUMPTION OF TRADING**

This announcement is made by the Board of Directors of the Company pursuant to Rule 13.09 of the Listing Rules and Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Company is pleased to announce that on 16 December 2019 (China time), the Board of Directors has approved to cause its representatives in PSA Board to vote in favour of the execution of the Combination Agreement at the PSA Board meeting on 17 December 2019 (French time), and approved the execution of the PSA Share Repurchase Agreement and the Strategic Cooperation Agreement. The Combination Agreement has been signed between PSA and FCA on 17 December 2019 (French time), pursuant to which PSA and FCA will effect a strategic combination of their businesses through a combination transaction involving a cross-border merger of PSA into FCA, with the resulting company created by the consummation of the cross-border merger being referred to as the New Company. Under the Combination Agreement, the Company and DMHK conditionally issued an undertaking letter to PSA on 17 December 2019 (French time), pursuant to which the Company and DMHK undertake, among others, to vote or cause to be voted all shares owned or controlled by it or as to which it has the power to vote in favor of any decision in furtherance of the approval of the Combination and other transactions contemplated by the Combination Agreement that is submitted to the shareholders of PSA. The above-mentioned undertaking issued by the Company and DMHK is subject to approval of the shareholders of the Company.

On 17 December 2019 (French time), DMHK, a wholly-owned subsidiary of the Company, entered into the PSA Share Repurchase Agreement with PSA, pursuant to which PSA agrees to repurchase and DMHK agrees to sell the 30,700,000 shares of PSA held by DMHK ("**Repurchase Share(s)**"), and the purchase price per Repurchase Share offered by PSA shall be equal to the highest closing trading price of the PSA share on the regulated market of Euronext in Paris over the five consecutive trading days commencing with (and including) the trading day following the date on which DMHK notify PSA by email of the decision to

proceed with the sale of the Repurchase Shares ("**Repurchase Transaction**") to PSA. DMHK is also entitled to sell all or part of the 30,700,000 shares of PSA to one or several third parties, in one or several transactions, at any price between 17 December 2019 (French time) and the Sale Long Stop Date (defined as below).

On 17 December 2019 (French time), the Company and PSA have entered into the Strategic Cooperation Agreement, pursuant to which the parties have agreed on the consolidation and expansion of the strategic partnership and some specific arrangements regarding DPCA including financial assistance to DPCA, a Jointly-Controlled Entity owned as to 50% by each of Company and PSA (through its subsidiaries).

At the request of the Company, trading in its shares has been halted with effect from 9:00 a.m. on 18 December 2019 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the shares in the Company with effect from 9:00 a.m. on 19 December 2019.

INTRODUCTION

The Company is pleased to announce that on 16 December 2019 (China time), the Board of Directors has approved to cause its representatives in PSA Board to vote in favour of the execution of the Combination Agreement at the PSA Board meeting on 17 December 2019 (French time), and approved the execution of the PSA Share Repurchase Agreement and the Strategic Cooperation Agreement. The Combination Agreement has been signed between PSA and FCA on 17 December 2019 (French time), pursuant to which the PSA and FCA will effect a strategic combination of their businesses through a combination transaction involving a cross-border merger of PSA into FCA, with the resulting company created by the consummation of the cross-border merger being referred to as the New Company. Under the Combination Agreement, the Company and DMHK conditionally issued an undertaking letter to PSA on 17 December 2019 (French time), pursuant to which the Company and DMHK undertake, among others, to vote or cause to be voted all shares owned or controlled by it or as to which it has the power to vote in favor of any decision in furtherance of the approval of the Combination and other transactions contemplated by the Combination Agreement that is submitted to the shareholders of PSA. The above-mentioned undertaking issued by the Company and DMHK is subject to approval of the shareholders of the Company.

On 17 December 2019 (French time), DMHK, a wholly-owned subsidiary of the Company, entered into the PSA Share Repurchase Agreement with PSA, pursuant to which PSA agrees to repurchase and DMHK agrees to sell the 30,700,000 shares of PSA held by DMHK ("**Repurchase Share(s)**"), and the purchase price per Repurchase Share offered by PSA shall be equal to the highest closing trading price of the PSA share on the regulated market of Euronext in Paris over the five consecutive trading days commencing with (and including) the trading day following the date on which DMHK notify PSA by email of the decision to proceed with the sale of the Repurchase Shares ("**Repurchase Transaction**") to PSA. DMHK is also entitled to sell all or part of the 30,700,000 shares of PSA to one or several third parties, in one or several transactions, at any price between 17 December 2019 (French time) and the Sale Long Stop Date (defined as below).

On 17 December 2019 (French time), the Company and PSA have entered into the Strategic Cooperation Agreement, pursuant to which the parties have agreed on the consolidation and expanding of the strategic partnership and some specific arrangements regarding DPCA including financial assistance to DPCA, a Jointly-Controlled Entity owned as to 50% by each of Company and PSA (through its subsidiaries).

I. UNDERTAKING IN RELATION TO COMBINATION OF PSA AND FCA

A. Introduction of the Combination Agreement

Reference was made to the joint press release announced by PSA and FCA dated 18 December 2019, announcing the ongoing combination of the businesses of PSA and FCA by way of merger (the “**Combination**”).

The Company currently indirectly holds 110,622,220 shares of PSA representing approximately 12.23% of the issued share capital of PSA, and holds two positions in PSA Board. On 16 December 2019 (China time), the Board of Directors of the Company has approved to cause its representatives in PSA Board to vote in favour of the execution of the Combination Agreement at the PSA Board meeting on 17 December 2019 (French time). The Combination Agreement was signed between PSA and FCA on 17 December 2019 (French time). After the Combination, the legal entity of PSA will be cancelled, and all the credit, debts and contracts of PSA will be inherited by the New Company.

The principal terms of the Combination Agreement are set out below:

Date:	17 December 2019 (French time)
Parties:	(1) PSA (2) FCA
Subject Matter:	<p>Under the Combination Agreement, PSA and FCA desire to effect a strategic combination of their businesses through a combination transaction involving a cross-border merger of PSA into FCA, with the resulting company as from the consummation of the cross-border merger being referred to as the New Company. FCA and PSA shall cause the shares of the New Company to be approved for listing on the Euronext Paris, the New York Stock Exchange and the <i>Mercato Telematico Azionario</i> managed by the Borsa Italiana S.p.A. prior to the closing of the Combination.</p> <p>Pursuant to the Combination Agreement, PSA and FCA agree that each issued and outstanding ordinary share, par value €1.00 per share, of PSA shall be exchanged for 1.742 common shares, par value €0.01, of the New Company in the Combination. PSA and FCA also agreed on the governing, management and additional matters regarding the New Company.</p>
Term:	The Combination Agreement can be terminated by mutual consent of PSA and FCA or either PSA or FCA upon the conditions provided in the Combination Agreement prior to the closing of the Combination.
Pricing:	Each issued and outstanding ordinary share, par value €1.00 per share, of PSA shall be exchanged for 1.742 common shares, par value €0.01, of the New Company. The Company is expected to still hold 79,922,220 shares in PSA after the closing of the PSA share repurchase contemplated under the PSA Share Repurchase

	<p>Agreement, which can be exchanged for 139,224,507 shares of the New Company, representing approximately 4.5% of the total issued share capital of the New Company.</p> <p>To the best knowledge of the Company, the exchange ratio was determined after arm's length negotiations between PSA and FCA after considering the historical market capitalization of the two companies, the transaction structure as well as the future synergies of the combination.</p>
Conditions Precedent:	The Combination contemplated under the Combination Agreement is subject to a series of conditions precedent which include but not limited to that PSA Requisite Vote shall have been obtained at the PSA shareholders' meeting.
Closing:	The closing of the Combination shall take place after satisfaction or (to the extent permitted by applicable law) waiver of the conditions set forth in the Combination Agreement.

B. The Undertaking given by DFG/ DMHK

Under the Combination Agreement, certain key shareholders of PSA are expected to enter into a letter agreement with PSA respectively setting forth certain undertakings by each such shareholder in connection with the Combination and the governance of the New Company. On 17 December 2019 (French time), the Company and DMHK have entered into the Undertaking Letter (the "**DFG/ DMHK Undertaking**") which is subject to the approval by the shareholders of the Company.

The principal terms of the DFG/ DMHK Undertaking are set out below:

Date:	17 December 2019 (French time)
Parties:	<p>(1) the Company</p> <p>(2) DMHK</p> <p>(3) PSA</p>
Existing shareholder's agreement:	<p>The Company and DMHK shall continue to comply with the terms of the shareholders' agreement entered into between the reference shareholders of PSA on April 28, 2014 (as may be amended from time to time by the parties thereto) (the "2014 PSA SHA") until the closing of the Combination.</p> <p>The Company and DMHK irrevocably agrees that, as an exception to the 2014 PSA SHA, EPF/FFP shall be authorized to acquire up to 5% of the outstanding PSA Shares prior to the closing of the Combination.</p>

	<p>The Company and DMHK irrevocably agrees that the 2014 PSA SHA shall be terminated automatically with effect on and as of the closing of the Combination.</p>
Support of the Combination:	<p>The Company and DMHK jointly and severally undertake to, and cause its representative(s) to:</p> <p>(i) appear in person or by proxy at each and every meeting of the shareholders of PSA at which any of the Transactions is proposed for approval and cause all shares owned or controlled by Company and DMHK or as to which the Company and DMHK have the power to vote to be counted as present in accordance with any procedures applicable to such meeting whether for purposes of determining the presence of a quorum or otherwise;</p> <p>(ii) vote or cause to be voted all shares owned or controlled by Company and DMHK or as to which Company and DMHK have the power to vote in favour of any decision in furtherance of the approval of the transactions that is submitted to the shareholders;</p> <p>(iii) vote (or cause to be voted) against (a) any other transaction, proposal, agreement or action made in opposition to or which is inconsistent with the transactions, including any Acquisition Proposal that is submitted to the shareholders of PSA, and (b) any other action, agreement or transaction that is intended to, that would be reasonably expected to, or the effect of which would be reasonably expected to, impede, delay, discourage or adversely affect the transactions or the performance by the Company and DMHK of their obligations under the DFG/ DMHK Undertaking; provided that, in each case, the Company and DMHK may seek guidance from the CEO of PSA on whether the Company and DMHK are required to vote (or cause to be voted) against any such transaction, proposal, agreement or action in accordance with this provision; and</p> <p>(iv) vote in favour of the adoption of any relevant governance document (<i>e.g.</i>, articles of association and board internal rules) of the New Company and any decision submitted to the governance bodies or shareholders of FCA which, in each case, implement the governance set forth in the Combination Agreement.</p>
Transfer of Securities:	<p><i>1. Standstill</i></p> <p>The Company and DMHK jointly and severally undertake to, and cause its representative(s) to:</p> <p>From 17 December 2019 (French time) until the seventh anniversary of the closing of the Combination, not to acquire, and to cause its Affiliated Entities not to acquire, PSA shares, FCA shares or the New Company shares, directly or indirectly, alone or in concert with any other person, if as a result of such acquisition its aggregate shareholding in the New Company,</p>

	<p>taken together with the shareholding of its Affiliated Entities, calculated on the basis of the outstanding number of the New Company shares, becomes or would become higher than 6.1%; provided that any repurchase and/or cancellation of PSA shares or FCA shares, prior to the closing of the Combination, or shares of the New Company, after the closing of the Combination, shall be disregarded in calculating the number of outstanding shares of the New Company for purposes of this sentence. The Company and DMHK undertakes not to, directly or indirectly, solicit proxies for general meetings of shareholders of any of the Companies and/or the New Company and agrees to keep its shares in the registered form and to notify the relevant company promptly of any modification of its shareholding and number of voting rights.</p> <p>After the closing of the Combination, the Company and DMHK acknowledges that they may be released from the standstill obligation with respect to the New Company's shares with the consent of the board of the New Company. In the event any other reference shareholder bound by a Reference Shareholders Undertaking is released from its standstill obligation, the Company and DMHK shall automatically be released to the same extent from its standstill obligation under this DFG/DMHK Undertaking.</p> <p>After the closing of the Combination, the New Company agrees to release the Company and DMHK from their standstill obligation, as provided in the standstill provision, in the event (a) the board of the New Company recommends a transaction in which a person or group would acquire 50% or more of the New Company shares (including a merger of the New Company with or into another entity unless the shareholders of the New Company immediately prior to the merger are entitled to receive more than the majority of the ordinary share capital and voting rights in the surviving entity of the merger), or (b) a person or group not acting in concert with the Company and DMHK formally files an offer to acquire 50% or more of the outstanding New Company shares by means of a tender or exchange offer.</p> <p>2. Lock-up</p> <p>The Company, DMHK and their Affiliated Entities are authorised to transfer 30,700,000 PSA shares pursuant to the PSA Share Repurchase Agreement entered into on 17 December 2019 (French time) between PSA and DMHK.</p> <p>The Company and DMHK shall be free to transfer (for the avoidance of doubt including during the lock-up period) any PSA securities or any securities of the New Company to any of its Affiliated Entities, provided that the transferee agrees to be bound by the same obligations as those imposed on the Company and DMHK. The Company and DMHK shall procure that the transferee must transfer back to the Company and DMHK (or to another Affiliated Entity of the Company and DMHK), all such</p>
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	<p>PSA securities or the securities of the New Company, should the transferee cease to be an Affiliated Entity of the Company and DMHK.</p> <p>Subject to the above paragraphs, between 17 December 2019 (French time) and until the earlier of (i) the closing of the Combination or (ii) the expiration or termination of the DFG/ DMHK Undertaking in accordance with the terms hereof, the Company and DMHK shall not, and shall cause its Affiliated Entities not to, transfer shares or any voting right or power in any shares or other securities giving access, immediately or in the future, to the capital of PSA; provided that the foregoing shall not prevent the conversion of such securities into the right to receive the merger consideration as contemplated by the Combination Agreement. Any attempted transfer of shares or any interest therein in violation of the provisions hereunder shall be null and void.</p>
No acting in concert:	<p>Company and DMHK undertakes not to act in concert with any other shareholder vis-à-vis PSA and the New Company (other than with Affiliated Entities of the Company and DMHK); provided that the Company and DMHK (and their Affiliated Entities) may act in concert with each other.</p>
Assignment of the Company and DMHK undertakings:	<p>The Company and DMHK acknowledge that the rights and obligations of PSA arising from this Undertaking will transfer to the New Company by operation of law as a result of the Combination. For the avoidance of doubt, the Company and DMHK agree to be bound by the terms of the Undertaking vis-à-vis the New Company which will have all rights to enforce such obligations from and after the closing of the Combination.</p> <p>As a condition to the undertakings of the Company and DMHK, PSA undertakes to cause FCA/ the New Company to reiterate the DFG/ DMHK Undertaking on the closing of the Combination in a form such that the rights and obligations of PSA shall be assumed by, and will become enforceable by and against, the New Company.</p>
PSA undertakings:	<p>PSA agrees that it shall not, without the prior approval of PSA's supervisory board: (A) amend the Combination Agreement in a manner that, with respect to the Company and DMHK, adversely modifies (i) the governance of the New Company (including the composition of its governance bodies and the attributions of the latter), (ii) the long stop date, (iii) economic terms of the Combination or (iv) any rights attaching to the shares of the New Company to be received by PSA shareholders at the closing of the Combination, (B) make or forego a claim in respect of, or waive any rights under, the Combination Agreement, or (C) grant any authorization contemplated by the Combination to deviate from covenants thereunder which, in each of cases (B) and (C)</p>

	adversely affects any of the items referred to in the support of the Combination section in the DFG/ DMHK Undertaking.
Term:	<p>The commitments of the Company and DMHK set forth in the DFG/ DMHK Undertaking shall terminate:</p> <p>(i) If PSA or The New Company materially breaches its obligations hereunder and such breach, if susceptible of being cured, is not cured within thirty days following notification; or</p> <p>(ii) If the economic terms of the Combination, the long stop date of the Combination Agreement, any rights attaching to the New Company shares to be received by PSA shareholders at the closing of the Combination or the governance rights of the Company and DMHK are adversely affected as a result of an amendment or waiver of the rights of the under the Combination Agreement (unless such amendment or waiver has been approved by the supervisory board of PSA and the representative(s) of the Company and DMHK thereon did not vote against such amendment or waiver, it being specified for the avoidance of doubt that a negative vote by a representative of the Company and DMHK thereon shall not be considered as a breach of this DFG/DMHK Undertaking).</p> <p>In addition, the provisions of the DFG/ DMHK Undertaking shall expire and be of no further effect or force upon:</p> <p>(i) the date on which the Combination Agreement is terminated before closing of the Combination; or</p> <p>(ii) in the event the closing of the Combination occurs under the Combination Agreement, upon the seventh anniversary following the closing of the Combination.</p>

On 17 December 2019 (French time), DFM and PSA entered into an undertaking letter (the "**DFM Undertaking**"), pursuant to which, DFM undertakes to, and to cause its representative(s) to, take all actions to ensure that a meeting of the shareholders of DFG ("**DFG Shareholders Meeting**") is called and held, or a written shareholders' resolution of DFG is obtained, on or before April 30, 2020, in respect of the transactions contemplated under the DFG/DMHK Undertakings and the PSA Share Repurchase Agreement, and to vote the shares of DFG held or controlled directly or indirectly by it or as to which it has the power to vote at the DFG Shareholders Meeting or in respect of such written shareholders' resolution (as the case may be) in favor of both (x) the performance by DFG of the DFG/DMHK Undertakings and (y) the consummation by DMHK of the sale of PSA share under the PSA Share Repurchase Agreement.

Closing of the Combination is conditional upon the satisfaction of the conditions set out in the above section headed "Conditions Precedent". Accordingly, the Combination may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

II. THE PSA SHARE REPURCHASE AGREEMENT

DMHK currently directly holds 110,622,220 shares of PSA, representing approximately 12.23% of the issued share capital of PSA as of the date of this Announcement.

In light of the Combination, DMHK and PSA have agreed that PSA would repurchase from DMHK, and DMHK would sell, an aggregate of 30,700,000 shares of PSA. DMHK is also entitled to sell all or part of the 30,700,000 shares of PSA to one or several third parties, in one or several transactions, at any price between 17 December 2019 (French time) and the Sale Long Stop Date (defined as below).

The principal terms of the PSA Share Repurchase Agreement are set out below:

Date:	17 December 2019 (French time)
Parties:	(1) DMHK, a wholly-owned subsidiary of the Company; (2) PSA
Subject Matter:	<p>DMHK shall notify PSA by email, subject to certain restrictions, at any time between 17 December 2019 (French time) and the earlier of the date ("Sale Long Stop Date") which is ten trading days prior to (i) December 31, 2020 and (ii) the date on which the Combination shall be completed, of the DMHK's decision to proceed with the sale of the 30,700,000 shares of PSA held by DMHK ("Sale Notice"). For the avoidance of doubt, the Sale Notice shall be deemed to have been sent on the last date on which it may be sent if it has not been sent on or before such date. PSA shall notify DMHK by email of the date on which the Combination shall be completed at least twenty trading days prior thereto unless the Sale Notice has been delivered by DMHK prior to such date. The Sale Notice shall be irrevocable, unconditional and may not be withdrawn by DMHK.</p> <p>DMHK is also entitled to sell all or part of the Repurchase Shares to one or several third parties, in one or several transactions, at any price between 17 December 2019 (French time) and the Sale Long Stop Date. If DMHK has not sold all of the Repurchase Shares by the date which is one trading day prior to the Sale Long Stop Date, DMHK shall on such date deliver notice to PSA to such effect specifying the number of Repurchase Shares that have not been sold by such date (the "Unsold Repurchase Shares"), and DMHK shall sell, transfer and deliver to the PSA and PSA shall purchase the Unsold Repurchase Shares from DMHK in accordance with the PSA Share Repurchase Agreement. In such case, the Sale Notice shall be deemed (i) to relate to the Unsold Repurchased Shares only and (ii) to have been sent on the Sale Long Stop Date if it has not been sent on or before such date.</p> <p>The abovementioned sale of PSA shares to PSA or other third parties (as the case may be) will be referred to as PSA Share Sale Transaction below.</p>
Pricing:	The purchase price per Repurchase Share offered by PSA shall be equal to the highest closing trading price of the PSA share on

	<p>the regulated market of Euronext in Paris over the five consecutive trading days commencing with (and including) the trading day following the date on which the Sale Notice is sent to PSA ("Reference Period"); provided that such price shall not exceed thirty euros (30€). ("Repurchase Price").</p> <p>If the DFG Shareholders Approval has not been obtained prior to the date of the Sale Notice and any distribution of any kind (ordinary dividend, interim dividend, distribution of reserves, premium or retained earnings, whether in cash or in kind) is effectively paid by PSA to DMHK during the period from the date of the Sale Notice to the Settlement Date (as defined below), the Repurchase Price shall be adjusted downward by the amount of such distribution per PSA share effectively paid by PSA to the DMHK.</p> <p>DMHK is entitled to sell all or part of the Repurchase Shares to one or several third parties, in one or several transactions, at any price between 17 December 2019 (French time) and the Sale Long Stop Date.</p>
Lock-up:	PSA and DMHK shall not, directly or indirectly, acquire or sell (or agree to acquire or sell), by any means whatsoever, any PSA shares or other securities in a manner that that affects, or is reasonably likely to affect, the trading price of the PSA shares during the Reference Period.
Closing:	The completion of the Repurchase Transaction shall occur on the date which is three trading days following (and excluding) the later of (i) the last day of the Reference Period, (ii) the date on which the DFG Shareholders approval is obtained, or on such other date as may be agreed in written by PSA and DMHK (the " Settlement Date ").

The Company believes it is in the best interests of the Company and its shareholders as a whole to dispose part of the PSA shares held by the Company for monetization. The current mechanism could achieve a sale price without discount to the market price, a flexibility to sell and without any limitation potentially caused by the liquidity level of PSA shares. The Board will consider the uses of the net proceeds received under the PSA Share Sale Transaction based on the situation and specific needs of the Company, and may use such net proceeds to meet the demands for the development of any new business opportunities.

III. STRATEGIC COOPERATION AGREEMENT

Reference was made to the Framework Agreement of Strategic Cooperation entered into between the Company and PSA on 26 March 2014 (French time) in relation to the industrial cooperation between the Company and PSA (the "**2014 Framework Agreement of Strategic Cooperation**", whose details are set out in the circular of the Company dated 16 April 2014), as well as other relevant agreements in relation to the strategic cooperation between the Company and PSA.

In light of the Combination, to restate and adjust the strategic cooperation content of the Company and PSA (or the New Company after the Combination) according to the past cooperation experience and future cooperation direction, and to consolidate and expand the strategic partnership, the Company and PSA further entered into the Strategic Cooperation Agreement on 17 December 2019 (French time).

The principal terms of the Strategic Cooperation Agreement are set out below:

Date:	17 December 2019 (French time)
Parties:	(1) the Company; (2) PSA
Subject Matter:	(1) PSA and DFG agree that unless otherwise agreed by PSA and DFG to terminate the 2014 Framework Agreement of Strategic Cooperation and certain other cooperation agreements, the relevant agreements shall continue in effect, including after the implementation of the Combination, except as adjusted by this Strategic Cooperation Agreement, pursuant to which the New Company will by law inherit and become a party to all agreements of PSA. (2) To maintain and reinforce the existing strategic partnership, which will continue to be managed through Global Strategic Partnership Committee established by DFG and PSA in 2014, the major arrangements includes but not limited to Global Strategic Partnership Committee staffing, meetings and Company's participation. (3) To further expand the global strategic partnership, which involves, among others, exclusive/priority business/brand cooperation rights, technology cooperation, extending the joint venture term of DPCA to 2037, introducing brand, synergy and sharing of resource, and introducing new brands and new vehicles to DPCA as well as certain support including financial assistance to DPCA.

The Strategic Cooperation Agreement generally provides a basis on which the Company and PSA will continue discussions on their strategic partnership in order to finalise the terms and conditions thereof. Accordingly, if the initiatives contemplated under the Strategic Cooperation Agreement proceed, the Company and PSA will enter into further agreements to set out the terms and conditions under which such initiatives will be implemented.

IV. FINANCIAL EFFECT OF THE DISPOSAL OF PSA SHARES UNDER PSA SHARE REPURCHASE AGREEMENT AND COMBINATION AGREEMENT

The Company currently indirectly holds 110,622,220 shares of PSA, representing approximately 12.23% of the issued share capital of PSA. The book value of the 110,622,220 shares of the PSA on the consolidated financial statements of the Company as of 30 June 2019 is approximately RMB 15.3 billion.

Upon completion of the PSA Share Sale Transaction, the Company will indirectly hold 79,922,220 share of PSA through DMHK, representing 9.14% of the issued share capital of PSA (assuming PSA repurchases all the 30,700,000 PSA shares and cancel the same). The Company will record a gain or loss (as the case may be), being the difference between (i) the net proceeds of the PSA Share Sale Transaction equivalent to 30,700,000 PSA shares multiplied by the Repurchase Price and/or any other price if part or all of the Repurchase Shares are sold to third parties; and (ii) Net book value of the 30,700,000 PSA shares immediately before the sale.

Upon the completion of the Combination, the Company will indirectly hold 139,224,507 shares of the New Company through DMHK, representing approximately 4.5% of the issued share capital of the New Company. The Company will record a gain or loss (as the case may be) after the completion of the Combination, being the difference between (i) Net book value of the 79,922,220 shares of PSA held by DMHK immediately before the completion of the Combination; and (ii) the fair value of the 139,224,507 shares of the New Company held by DMHK.

The PSA Share Sale Transaction and Disposal Transaction will have no material impact on the Company.

V. REASONS FOR AND BENEFITS FROM THE TRANSACTIONS

Taking into the consideration of the below listed factors, the Company believes there is strong industrial logic to a merger between PSA and FCA, and the Company will become a shareholder in a stronger and better positioned company. The value of the Company's shareholding in the New Company is expected to benefit from the synergies generated by the Combination, including but not limited to:

- (a) Critical mass is a key competitive advantage in the automotive industry and the Combination represents a rare and unique opportunity to create a new global leader in the sector.
- (b) The New Company will be the fourth largest original equipment manufacturer (the "OEM") by volume and the third largest OEM by revenue.
- (c) The Combination is estimated to generate approximately €3.7 billion in annual run rate synergies from joint research and development, procurement and others.
- (d) The Combination will also unite PSA's and FCA's respective brand strengths across the various product segments.
- (e) The New Company will also have strong combined balance sheet and high level of liquidity which will provide financial flexibility with an expected investment grade credit rating.

In addition, the Company is also expected to benefit from higher trading liquidity in the New Company given the increased market visibility, increased free float and larger market capitalisation of the New Company.

The Company believes the merger also brings additional benefits for its operation in China in terms of its partnership with the New Company, including but not limited to prioritised business in the PRC/favorable brand cooperation rights, technology, research and development, purchasing, manufacturing, market development cooperation, extending the joint venture term of DPCA to 2037 and introducing new brands and new vehicles in the PRC to DPCA.

In terms of the PSA Share Repurchase Agreement, the Company also has the opportunity to monetize 30,700,000 shares out of its current 110,622,220 shares at a price without discount to the market price, a flexibility to sell and without any limitation potentially caused by the

liquidity level of PSA shares. Such sale agreement would allow the Company to benefit from PSA's current share price and potential upside, which at the moment has almost tripled since the Company's entry into the capital of PSA in 2014, realizing a significant capital gain for the Company.

VI. OPINION OF THE BOARD

None of the Directors of the Company has any material interests in the transactions contemplated under the Combination Agreement and the PSA Share Repurchase Agreement, thus none of the Directors shall abstain from voting on the relevant resolutions.

Taking into account the factors mentioned above, the Directors (including the independent non-executive Directors) consider that the terms of the Combination Agreement and Share Repurchase Agreement are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Company, and it is in the best interests of the Company and its shareholders as a whole to vote in favour of the execution of the Combination Agreement and the PSA Share Repurchase Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors) also consider that it is in the best interests of the Company and its shareholders as a whole to enter into the Strategic Cooperation Agreement.

VII. INFORMATION RELATING TO THE COMPANY AND DMHK

The Company is principally engaged in the manufacture of commercial vehicles (including trucks and buses), passenger vehicles (including basic passenger cars, MPVs and SUVs), engines and other auto parts. The Company is also engaged in other automotive-related businesses including vehicle and vehicle manufacturing equipment import/export businesses and the manufacture of vehicle manufacturing equipment, finance businesses, insurance agency businesses and used car businesses.

DMHK, a wholly-owned subsidiary of the Company, is a special purpose entity established in March 2014 by the Company for the purpose of investment in PSA.

VIII. INFORMATION RELATING TO PSA AND FCA

PSA is the connected person of the Company at the subsidiary level and is principally engaged in manufacturing automobiles and light commercial vehicles, and is listed on NYSE-Euronext Paris. PSA designs unique automotive experiences and delivers mobility solutions to meet the customer expectations. PSA, which employs 210,000 people, has five car brands, Peugeot, Citroën, DS, Opel and Vauxhall and provides a wide array of mobility and smart services under the Free2Move brand. An early innovator in the field of autonomous and connected cars, PSA is also involved in financing activities through Banque PSA Finance and in automotive equipment via Faurecia.

The net asset value of PSA as at 31 December 2018 and 30 June 2019 is EUR 19,594 million (audited) and EUR 20,778 million (unaudited), respectively. The consolidated net profit / (loss) (before and after taxation) of PSA for the two years ended 31 December 2018 and 31 December 2017 are as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017

	in million, euros (audited)	in million, euros (audited)
Net profit / (loss) before tax	3,910	3,046
Net profit / (loss) after tax	3,295	2,347

To the best knowledge of the Company, FCA is an Independent Third Party and is a global automaker that designs, engineers, manufactures and sells vehicles in a portfolio of exciting brands, including Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Fiat Professional, Jeep®, Lancia, Ram and Maserati. It also sells parts and services under the Mopar name and operates in the components and production systems sectors under the Comau and Teksid brands. FCA employs nearly 200,000 people around the globe.

The net asset value of FCA as at 31 December 2018 and 30 June 2019 is EUR 24,903 million (audited) and EUR 27,257 million (unaudited), respectively. The consolidated net profit / (loss) (before and after taxation) of PSA for the two years ended 31 December 2018 and 31 December 2017 are as follows:

	For the year ended 31 December 2018 in million, euros (audited)	For the year ended 31 December 2017 in million, euros (audited)
Net profit / (loss) before tax	4,108	5,879
Net profit / (loss) after tax	3,632	3,510

IX. LISTING RULES IMPLICATION

A. Implication under Chapter 14A of the Listing Rules

The PSA Share Sale Transaction contemplated under the PSA Share Repurchase Agreement constitutes disposal of PSA shares held by the Company.

The transactions contemplated under the Combination Agreement constitute disposal of PSA shares held by the Company ("**Disposal Transaction**") and acquisition of shares of the New Company ("**Acquisition Transaction**").

Each of the Company and PSA (through its subsidiaries) holds 50% equity interest in DPCA. For the sole purpose of listing and applying the Listing Rules, the Stock Exchange has required, as one of the conditions to the listing of the Company, that DPCA, being a Jointly-controlled Entity of the Company, should in general be regulated in a manner consistent with the regulation of subsidiaries of the Company for the purpose of applying the Listing Rules.

Accordingly, PSA, being an associate of a substantial shareholder of DPCA, is a connected person of the Company at the subsidiary level. Hence, the Disposal Transaction, Acquisition Transaction, PSA Share Repurchase Agreement entered into between DMHK (a wholly subsidiary of the Company) and PSA, the Strategic Cooperation Agreement entered into between the Company and PSA and the transactions contemplated thereunder constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

The highest applicable percentage ratio (as defined in the Listing Rules) for the Disposal Transaction, aggregated with the applicable ratio for the PSA Share Sale Transaction according to Rule 14A.81 of the Listing Rules, is expected to exceed 25% but be less than 75%, and the highest applicable percentage ratio (as defined in the Listing Rules) for the Acquisition Transaction is expected to exceed 25% but be less than 75%. Given that PSA is a connected person of the Company at the subsidiary level as defined under Chapter 14A of the Listing Rules and in light of the opinion of the Directors of the Company (including the independent non-executive Directors) disclosed above, the Disposal Transaction, Acquisition Transaction and the PSA Share Repurchase Agreement and transactions contemplated thereunder are exempt from the circular, independent financial advice and shareholders' approval requirements according to Rule 14A.101 of the Listing Rules.

The Strategic Cooperation Agreement generally provides a basis on which the Company and PSA will continue discussions on their strategic partnership in order to finalise the terms and conditions thereof. Accordingly, if the initiatives contemplated under the Strategic Cooperation Agreement proceed, the Company and PSA will enter into further agreements to set out the terms and conditions under which such initiatives will be implemented. In such cases, the Company will comply with any applicable requirements under the Listing Rules in relation to such agreements to be entered into. The financial assistance under the Strategic Cooperation Agreement is provided by PSA to DPCA which constitutes a connected transaction of the Company. Since such financial assistance is provided by PSA to DPCA on normal commercial terms and is not secured by the assets of the Company or any of its subsidiaries, the financial assistance under the Strategic Cooperation Agreement is fully exempt from shareholders' approval and all disclosure requirements.

B. Implication under Chapter 14 of the Listing Rules

Given that the highest applicable percentage ratio (as defined in the Listing Rules) for the Disposal Transaction, aggregated with the applicable ratio for the PSA Share Sale Transaction according to Rule 14.22 of the Listing Rules, is expected to exceed 25% but be less than 75%, the transaction contemplated thereunder constitute major transaction and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Given the highest applicable percentage ratio (as defined in the Listing Rules) for the Acquisition Transaction, is expected to exceed 25% but be less than 75%, the transaction contemplated thereunder constitute major transaction and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

X. GENERAL

As the Company requires additional time to prepare for the circular, the Company expects to dispatch a circular to the Shareholders containing information of the Combination Agreement and PSA Share Repurchase Agreement around the middle of March 2020.

XI. RESUMPTION OF TRADING

At the request of the Company, trading in its shares has been halted with effect from 9:00 a.m. on 18 December 2019 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the shares in the Company with effect from 9:00 a.m. on 19 December 2019.

XII. DEFINITIONS

"Acquisition Proposal"	with respect to FCA or PSA, as applicable, means any offer or proposal for, or any indication of interest in, (i) any combination, sale, transfer, tender offer, share exchange, merger, consolidation, or similar transaction involving all or a substantial portion of the shares or assets of FCA, PSA or any of their respective material Subsidiaries, (ii) an acquisition or purchase by any third party of the voting securities of, or equity interest in, FCA, PSA or any of their respective material Subsidiaries or significant investees, and (iii) any other transaction that would reasonably be expected to prevent, impair or delay the consummation of the Combination or any of the other Transactions.
"Affiliated Entities"	any person directly or indirectly controlled by the relevant person and "control" shall mean the direct or indirect holding of more than 50% of the share capital and voting rights of the relevant person
"Combination Agreement"	The combination agreement entered into between PSA and FCA on 17 December 2019 (French time), under which the PSA and FCA desire to effect a strategic combination of their businesses through a combination transaction involving a cross-border merger of PSA into FCA
"Company" or "DFG"	Dongfeng Motor Group Company Limited (東風汽車集團股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and the H shares of which are listed on the Stock Exchange
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
DFM	Dongfeng Motor Corporation (東風汽車集團有限公司), the controlling shareholder of the Company, holding approximately 66.86% equity interest in the total issued share capital of the Company, a state-owned enterprise established under the laws of the PRC
"Director(s)"	the director(s) of the Company
"DMHK"	Dongfeng Motor (Hong Kong) International Co., Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"DPCA"	means Dongfeng Peugeot Citroën Automobile Company Ltd, a Jointly-controlled Entity owned as to 50% by each of the Company and PSA (through its subsidiary)
"EPF/FFP"	Établissements Peugeot Frères and FFP, two of the shareholders of PSA
"FCA"	FIAT CHRYSLER AUTOMOBILES N.V., a Dutch public limited liability company, listed on the New York Stock

	Exchange and the MTA managed by the Italian Stock Exchange
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"H Shares"	overseas listed foreign shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each
"Independent Third Party(ies)"	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
"Jointly-controlled Entity"	means a Joint Venture Company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity. A joint venture party's investments in its Jointly-controlled Entities can be accounted for by proportionate consolidation, which involves recognizing a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements of the joint venture party on a line-by-line basis. When the profit sharing ratio is different to the joint venture party's equity interests in the Jointly-controlled Entities, the joint venture party's share of their assets, liabilities, income and expenses is determined based on the agreed profit sharing ratio. The results of Jointly-controlled Entities are included in the joint venture party's profit and loss account to the extent of dividends received and receivable. The joint venture party's investments in Jointly-controlled Entities are treated as long term assets and are stated at cost less impairment losses;
"Joint Venture Company"	<p>means a company set up by contractual agreement, whereby joint venture parties undertake an economic activity. A joint venture company operates as a separate entity in which each party has an interest. The joint venture agreement between the ventures stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realized upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the ventures, either in proportion to their respective capital contributions, or in accordance with terms of the joint venture agreement. A joint venture company is treated by a joint venture party as:</p> <p>(a) a subsidiary, if the joint venture party has unilateral control, directly or indirectly, over the joint venture company;</p>

	<p>(b) a jointly-controlled entity, if the joint venture party does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;</p> <p>(c) an associate, if the joint venture party does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20 per cent. of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or</p> <p>(d) an investment, if the joint venture party holds, directly or indirectly, less than 20 per cent. Of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company;</p>
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"New Company"	the resulting company as from the consummation of the cross-border merger by PSA into FCA
"PRC"	the People's Republic of China, but for the purposes of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PSA"	PEUGEOT S.A., a French société anonyme, listed on NYSE-Euronext Paris
"PSA Board"	Supervisory Board of PSA
"PSA Requisite Vote"	means the approval of (a) the cross-border merger terms and the Combination by the affirmative vote of the holders of two-thirds of the voting rights attached to the PSA shares present or represented at a meeting of the shareholders of PSA at which at least twenty-five percent of the PSA shares are present or represented upon first convening, or one-fifth of the PSA shares are present or represented upon second convening and (b) any other actions required by applicable Law and the organizational documents of PSA to be approved by the holders of PSA shares to implement the transactions
"Reference Shareholders Undertaking"	The undertaking letters signed by PSA with each of its reference shareholders and by FCA with its reference shareholder, Exor N.V.
"Regulatory Authority"	means any and all relevant Dutch, French, Italian, U.S., European Union and other regulatory agencies or authorities, in each case only to the extent that such agency or authority has authority and jurisdiction in the particular context

“RMB”	Renminbi, the lawful currency of the PRC
"Securities Act"	The Securities Act of 1933, as amended, and rules and regulations promulgated thereunder
"Strategic Cooperation Agreement"	The strategic cooperation agreement entered into between the Company and PSA on 17 December 2019 (French time) to consolidate and expand the strategic relationship between the Company and PSA
“subsidiaries”	has the meaning ascribed thereto under the Listing Rules
“%”	Per cent

By order of the Board of Directors

ZHU YANFENG

Chairman

Wuhan, the PRC, 18 December 2019

As at the date of the announcement, Mr. Zhu Yanfeng and Mr. Li Shaozhu and Mr. You Zheng are the executive directors of the Company, Mr. Cheng Daoran is the non-executive director of the Company, and Mr. Ma Zhigeng, Mr. Zhang Xiaotie and Mr. Chen Yunfei are the independent non-executive directors of the Company.

** For identification purposes only*