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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)

CONNECTED TRANSACTION ENTERING INTO THE ASSETS TRANSFER AGREEMENT

The board of directors (the “**Board**”) of Dongfeng Motor Group Company Limited (the “**Company**”) announces that the Company entered into an assets transfer agreement (the “**Assets Transfer Agreement**”) with Dongfeng Motor Group Company Limited Shiyao Tiancheng Asset Management Branch, a direct wholly-owned subsidiary of Dongfeng Motor Corporation (“**Dongfeng Motor Company**”, the controlling shareholder of the Company), on 31 March 2022, pursuant to which Tiancheng agreed to purchase certain property units (the “**Subject Assets**”) from the Company at a consideration of not less than RMB99,130,000.00 (tax inclusive). The details of the Assets Transfer Agreement are as follows:

Agreement Date

31 March 2022

Parties

The Company, as the transferor

Dongfeng Motor Group Company Limited Shiyao Tiancheng Asset Management Branch, as the transferee

Subject Assets

Tiancheng purchases certain property units comprising abandoned and old office buildings, cold storage warehouses and boiler rooms which are no longer used, etc. located in Shiyan, Xiangyang and Danjiang, Hubei, the PRC from the Company. The Group has held the above assets for over 12 months. Such assets are no longer in condition for continued use in the production and operation of the Company, and cannot be used for the production for the main business. Most of the assets have been idle and cannot bring value to the Company, and need to invest in a considerable amount of safety rectification costs in accordance with the requirements of national laws and regulations.

As of December 31, 2021, the net book value of the Subject Assts was RMB 50,780,000. For the financial years ended 31 December 2020 and 2021, the net profits attributable to the net profits attributable to the Subject Assets (calculated by deducting management cost from rental income) are (i) before deducting value-added and real estate taxes, approximately RMB7,488,000 and RMB8,111,000, respectively; and (ii) after deducting value-added and real estate taxes, approximately RMB5,990,000 and RMB6,500,000, respectively.

Transfer of the Subject Assets

Pursuant to the terms of the Assets Transfer Agreement, the title of the Subject Assets shall be transferred to Tiancheng on 31 March 2022, free of any mortgage, pledge, lien or other security interest.

The Company is also obliged to deliver all materials related to the Subject Assets, including but not limited to keys, contracts, premises permits, construction files and equipment (if applicable), to Tiancheng within 90 days after the date of the Assets Transfer Agreement.

Consideration and Method of Payment

The consideration of the Subject Assets shall be at a consideration of no less than RMB99,130,000.00 (tax inclusive), which was determined with reference to the valuation of the Subject Assets of RMB99,130,000.00 (tax inclusive and not involving discounted cash flow) as at 31 December 2021 appraised by adopting the income method pursuant to the appraisal report prepared by an independent assets appraisal company, Yinxin Assets Appraisal Company Limited. The transfer price (tax inclusive) shall be at a consideration of no less than RMB99,130,000.00 (tax inclusive) in aggregate. The value-added tax, land value-added tax, stamp duty and other taxes and expenses arising from the transaction shall be borne by both parties pursuant to the relevant laws and regulations.

The consideration will be remitted by Tiancheng to the designated bank account of the Company within 90 days after the agreement takes effect.

Rights and obligations of the parties

Each party understands and agrees that after the transfer of the Subject Assets, (i) Tiancheng shall be the rights owner of the Subject Assets, including but not limited to ownership rights, use rights, management rights and other related rights; and (ii) any debts, risks, disputes and liabilities arising from the Subject Assets shall be borne by Tiancheng, regardless of whether the causes for such debts, risks, disputes and liabilities occurred before, on or after the transfer date. If the Company undertakes and handles the aforementioned debts, risks, disputes and liabilities after the transfer date for whatever reason, the Company has the right to claim compensation from Tiancheng.

The Company shall coordinate and Tiancheng shall promptly enter into lease agreements with the relevant lessees in respect of the Subject Assets, if applicable.

Termination

In the event that any party violates any representations, warranties, commitments, obligations or clauses under the Assets Transfer Agreement, causing losses to the non-breaching party, the breaching party shall promptly and fully compensate the non-breaching party for its losses.

A party may unilaterally terminate the Assets Transfer Agreement by written notice without any liability in the following instances:

- (1) the other party breaches any representations, warranties, undertakings, obligations or terms under the Assets Transfer Agreement, and such breach is not remedied within sixty (60) days after the written notice by the non-breaching party; or
- (2) the other party is becoming or has been liquidated, bankrupt or dissolved, or any lawsuit or application has been filed or received, or any resolution has been passed or any meeting has been convened with regard to the liquidation, bankruptcy or dissolution of the other party.

Financial Impact of the transfer of the Subject Assets

Based on the existing information available to the Company, the directors estimate that the gains of the Company from the disposal of the Subject Assets to Tiancheng will be no less than RMB43,630,000 (tax inclusive), which was determined with reference to the appraised value as at 31 December 2021.

Reasons for and Benefits of the Transaction

The Company owns a large number of idle and inefficiently-operated property units, including old office buildings, cold storage warehouses, boiler rooms, etc., in Shiyang, Xiangyang and Danjiang, the PRC. Those property units belonging to idle and low-efficiency assets of the Company, which cannot be used for the production for the main business, are no longer in condition for continued use in the production and operation of the Company, nor capable of creating value for the Company. The transfer of such assets of the Company will not affect the development of the Company's main business; and the timely disposal of such assets are in the interests of the Company as a whole. Tiancheng Company, as a professional property management agency, intends to receive the property units from the Company for centralized and unified management. The proceeds of the transfer will be used to supplement working capital and promote the operation of the Company.

The directors of the Company (including independent non-executive directors) are of the view that the Assets Transfer Agreement are entered into on normal commercial terms in the ordinary course of business of the Company, which are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

None of the directors of the Company has a material interest in the transaction.

Implications under the Listing Rules

As at the date of this announcement, Dongfeng Motor Company is the controlling shareholder of the Company, which directly holds approximately 66.86% of the issued share capital of the Company, and, therefore, is a connected person of the Company under the Article 14A.07 of the Securities Listing Rules of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Tiancheng is a direct wholly-owned subsidiary of Dongfeng Motor Company and therefore is also a connected person of the Company. Therefore, entering into the Assets Transfer Agreement constitutes a connected transaction of the Company. As one or more of the applicable percentage of the transaction (as defined in the Listing Rules) exceeds 0.1% and is less than 5%, the transaction is subject to the reporting and announcement requirements of Chapter 14A of the Listing Rules, but is exempt from the independent shareholder approval requirements.

General Information

Information on the Company

The Company is principally engaged in the manufacturing businesses of commercial vehicles (includes passenger vehicles and trucks), passenger cars (including basics, MPVs, 17SUVs), engines and other automotive parts. In addition, the Company is engaged in other vehicle related businesses, including exports and imports of vehicles and equipment businesses and vehicle equipment manufacturing, financing businesses, insurance agency and used car trading businesses. The ultimate beneficial owner of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

Information on Tiancheng

Tiancheng is a direct wholly-owned subsidiary of Dongfeng Motor Company, which is principally engaged in real estate management, house leasing, property management, etc. The ultimate beneficial owner of Tiancheng is the State-owned Assets Supervision and Administration Commission of the State Council.

Information on Dongfeng Motor Company

Dongfeng Motor Company is the controlling shareholder of the Company and it is principally engaged in the manufacture and supply of commercial vehicles, passenger vehicles, electric vehicles as well as ancillary services and products. The ultimate beneficial owner of Dongfeng Motor Company is the State-owned Assets Supervision and Administration Commission of the State Council.

By order of the Board
Chairman
ZHU YANFENG

Wuhan, the PRC, 6 April 2022

As at the date of this announcement, Mr. Zhu Yanfeng, Mr. Yang Qing and Mr. You Zheng are the executive directors of the Company, Mr. Huang Wei is the non-executive director of the Company, Mr. Zong Qingsheng, Mr. Leung Wai Lap, Philip and Mr. Hu Yiguang are the independent non-executive directors of the Company.

* *For identification purposes only*