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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 – FORMATION OF JOINT VENTURE COMPANY

FORMATION OF JOINT VENTURE COMPANY

The Board is pleased to announce that on 17 June 2022, the Company entered into the Joint Venture Agreement with Dongfeng Hongtai (a subsidiary of DFM) and Sunwoda EVB, under which the parties agreed to establish the Joint Venture Company to jointly research, develop, and manufacture cells, modules, and related components for automotive power and energy storage batteries in order to satisfy the demand for automotive battery products of the Company, Dongfeng Hongtai, and their related parties.

Pursuant to the terms of the Joint Venture Agreement, the registered capital of the Joint Venture Company will be RMB500,000,000. The Company will contribute RMB175,000,000 toward the registered capital of the Joint Venture Company. The Joint Venture Company will be owned as to 35%, 14% and 51% by the Company, Dongfeng Hongtai and Sunwoda EVB, respectively, upon its establishment.

IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, DFM is the controlling shareholder of the Company, which directly holds approximately 66.86% of the issued share capital of the Company, and therefore constitutes a connected person of the Company under the Rule 14A.07 of the Listing Rules. Dongfeng Hongtai is an associate of DFM and is also a connected person of the Company. Therefore, the formation of the Joint Venture Company constitutes a connected transaction of the Company.

As the highest percentage ratio under Rule 14.07 of the Listing Rules applicable to the Company's investment in the Joint Venture Company is more than 0.1% but less than 5%, the Joint Venture Agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements but exempted from the circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

JOINT VENTURE AGREEMENT

On 17 June 2022, the Company entered into the Joint Venture Agreement with Dongfeng Hongtai and Sunwoda EVB under which the parties agreed to establish the Joint Venture Company.

The principal terms of the Joint Venture Agreement are set out below.

Date

17 June 2022

Parties

- (1) the Company;
- (2) Dongfeng Hongtai; and
- (3) Sunwoda EVB

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Sunwoda EVB and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject Matter

The Joint Venture Company shall be a limited liability company established in accordance with the laws of the PRC and the provisions of the Joint Venture Agreement.

Business Scope of the Joint Venture Company

The Joint Venture Company shall be principally engaged in the research and development, production, sales, and services of cells, modules for automotive power and energy storage batteries.

Term of the Joint Venture Company

The Joint Venture Company shall have a term of operation of 20 years, which shall also be the term of the Joint Venture Agreement.

Capital Contribution

Pursuant to the terms of the Joint Venture Agreement, the registered capital of the Joint Venture Company shall be RMB500,000,000. The ownership structure of the Joint Venture Company upon its establishment shall be as follows:

Shareholder	Capital contribution (RMB)	Shareholding percentage
The Company	175,000,000	35%
Dongfeng Hongtai	70,000,000	14%
Sunwoda EVB	255,000,000	51%
Total	500,000,000	100%

The parties shall make their respective capital contribution in cash in two installments, with the first (constituting 40% of each party's respective capital contribution) installment shall be made within one month after the joint venture company obtains its business license and second (constituting 60% of each party's respective capital contribution installments) installment shall be made within the time agreed upon by the parties. The respective capital contribution by each shareholder is determined after arm's length negotiations between the parties with reference to the proposed capital requirement of the Joint Venture Company and the parties' interests in the Joint Venture Company. The capital contribution from the Company will be funded by internal resources of the Group.

Management of the Joint Venture Company

The board of the Joint Venture Company shall consist of five directors, of whom one shall be nominated by the Company, one by Dongfeng Hongtai, and three by Sunwoda EVB. The Joint Venture Company shall have one chairman and one vice chairman. The chairman shall be the director appointed by the Company. The vice chairman shall be appointed by Sunwoda EVB from among its three nominated directors.

The Joint Venture Company shall have a supervisory committee, which shall consist of one supervisor appointed by Sunwoda EVB.

Transfer of shares

Shareholders of the Joint Venture Company may transfer part or all of their respective equity interest to each other, but the parties agree that, save for a transfer to a party's affiliates as defined under the Joint Venture Agreement,

- (1) neither party may transfer all or part of the equity interest in the Joint Venture Company held by it to any third party without the prior written consent of the other parties; and

- (2) the other shareholders have the right of first refusal under the same terms and conditions proposed by the third party. The selling shareholder shall notify the other parties in writing of the proposed equity transfer, and the other shareholders shall reply within 30 days from the date of receipt of the written notice whether they are willing to purchase all or part of the equity to be transferred, failing which the selling shareholder may transfer, sell or otherwise dispose of the equity interest to the third party in accordance with the terms and conditions set forth in the notice.

REASONS FOR AND BENEFITS OF THE TRANSACTION

In response to the PRC government's "dual carbon" policy, the new energy vehicle and automotive battery markets have both experienced explosive growth surges. Demand in both markets is expected to continue growing in future years, while supply in the automotive battery market is expected to remain tight due to limited supply of upstream raw materials. The establishment of the Joint Venture Company will enable the parties to combine their financial resources, technological expertise, and supply chain capacity in the research, development, and manufacture of automotive power and energy storage battery products. The Company believes that the Joint Venture Company will have comprehensive market competitiveness in terms of product quality and price, and that the Joint Venture Company will ensure satisfaction of the demand for automotive battery products of the Company, Dongfeng Hongtai, and their related parties.

The Directors (including independent non-executive Directors) of the Company are of the view that the terms of the Joint Venture Agreement are fair and reasonable, and the formation of the Joint Venture Company is on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole.

No Director has a material interest in the formation of the Joint Venture Company and therefore, none of the Directors have abstained from voting on the Board resolution.

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 and SUVs), engines and other automotive parts. In addition, the Company is also 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.

Information on Dongfeng Hongtai

Dongfeng Hongtai is principally engaged in the manufacture and assembly of automotive parts, recycling of renewable resources, automotive trade and after-sales. As at the date of this announcement, DFM holds 87.24% equity interests in Dongfeng Hongtai. The ultimate beneficial owners of Dongfeng Hongtai are SASAC and the State-owned Assets Supervision and

Administration Bureau of Wuhan Economic & Technological Development Zone (Hannan District).

Information on Sunwoda EVB

Sunwoda EVB is principally engaged in the research, manufacturing, and sales of power battery cells, modules, battery management systems, and packs, and the provision of electric vehicle battery-system solutions. As at the date of this announcement, Sunwoda EVB is a non-wholly owned subsidiary of Sunwoda Electronic Co., Ltd. which is listed on the Shenzhen Stock Exchange (stock code: 300207).

Information on DFM

DFM 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 service products. As at the date of this announcement, the ultimate beneficial owner of DFM is the SASAC.

IMPLICATIONS UNDER THE LISTING RULES

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DEFINITIONS

“Board”	the board of Directors
“Company”	Dongfeng Motor Group Company Limited* (東風汽車集團股份有限公司), a joint stock 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 as ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules

“Director(s)”	the director(s) of the Company
“DFM”	Dongfeng Motor Corporation (東風汽車集團有限公司), a state-owned enterprise established under the laws of the PRC and a controlling shareholder of the Company which holds approximately 66.86% equity interest in the total issued share capital of the Company
“Dongfeng Hongtai”	Dongfeng Hongtai Holdings Group Co., Ltd. (東風鴻泰控股集團有限公司), the equity interest of which is held by DFM as to approximately 87.24%
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Joint Venture Company”	The joint venture company to be established under the laws of the PRC pursuant to the terms of the Joint Venture Agreement
“Listing Committee”	has the meaning ascribed thereto under Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this announcement excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	The State-owned Assets Supervision and Administration Commission of the State Council
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Sunwoda EVB”	Sunwoda Electric Vehicle Battery Co., Ltd. (欣旺達電動汽車電池有限公司), a limited liability company incorporated in the PRC and a non-wholly owned subsidiary of Sunwoda Electronic Co., Ltd.* (欣旺達電子股份有限公司) which is listed on the Shenzhen Stock Exchange (stock code: 300207) and the ultimate beneficial owners of which are Mr. Wang Mingwang and Mr. Wang Wei
“%”	per cent.

By order of the board of directors
ZHU YANFENG
Chairman

Wuhan, the PRC, 17 June 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*