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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 IN RELATION TO THE DISPOSAL OF 100%
EQUITY INTEREST IN DONGFENG OFF-ROAD VEHICLE CO., LTD.**

EQUITY TRANSFER

On 17 June 2022 (after trading hours), the Company and DFM entered into the Equity Transfer Agreement, pursuant to which the Company agreed to transfer, and DFM agreed to acquire, 100% equity interest in Dongfeng Off-road. As at the date of the announcement, the Company holds 100% equity interest in Dongfeng Off-road. Upon completion of the Equity Transfer, DFM will directly hold 100% equity interest in Dongfeng Off-road, and Dongfeng Off-road will cease to be a subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, DFM is the controlling shareholder of the Company directly holding approximately 66.86% of the issued share capital of the Company, and is therefore a connected person of the Company under Rule 14A.07 of the Listing Rules. The Equity Transfer and the transactions contemplated thereunder therefore constitute connected transactions of the Company.

As the highest percentage ratio under Rule 14.07 of the Listing Rules applicable to the Equity Transfer is more than 0.1% but less than 5%, the Equity Transfer and the transactions 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.

EQUITY TRANSFER

On 17 June 2022 (after trading hours), the Company and DFM entered into the Equity Transfer Agreement, pursuant to which the Company agreed to transfer, and DFM agreed to acquire 100% equity interest in Dongfeng Off-road to DFM. The principal terms of the Equity Transfer Agreement are as follows:

Date

17 June 2022

Parties

The Company (as the transferor)

DFM (as the transferee)

Subject matter

Pursuant to the Equity Transfer Agreement, the Company agreed to transfer, and DFM agreed to acquire, 100% equity interest in Dongfeng Off-road. Upon completion of the Equity Transfer, DFM will hold 100% equity interest in Dongfeng Off-road. Dongfeng Off-road will cease to be a subsidiary of the Company.

Transfer price

The transfer price for the Equity Transfer shall be RMB442,366,300, which was determined after arm's length negotiations between the parties based on the total equity value of Dongfeng Off-road of RMB442,366,300 as at 30 April 2022, assessed using the asset-based method pursuant to the Asset Evaluation Report Regarding the Total Equity Value of Shareholders of Dongfeng Off-road Vehicles Company Limited Involved in the Proposed Transfer of Equity Interests by Dongfeng Motor Group Company Limited (《東風汽車集團股份有限公司擬股權轉讓所涉及的東風越野車有限公司股東全部權益價值資產評估報告》) issued by Beijing Guorong Xinghua Assets Appraisal Company Limited, an independent asset appraisal firm. The above transfer price shall be remitted by DFM to the designated bank account of the Company in one lump sum within 90 days from the date on which the parties enter into the Equity Transfer Agreement.

Conditions precedent

Completion of the Equity Transfer is subject to the satisfaction of all of the following conditions precedent:

- (1) The Equity Transfer has been approved internally by all parties;
- (2) The Equity Transfer has been approved by all the relevant approval authorities; and

(3) Dongfeng Off-road has completed the change registration with the industrial and commercial authority for The Equity Transfer and obtained the updated business license.

Completion of the Equity Transfer shall take place on the date of satisfaction of all of the above conditions precedent.

Liability for Breach of Contract

If any party fails to perform or violates any of the terms or conditions of the Equity Transfer Agreement, the other party is entitled to demand compensation from the breaching party for all direct losses and damages, as well as expenses including arbitration, litigation and claims incurred therefrom.

In the event of breach by any party, the non-breaching party is entitled to require the breaching party to continue to perform the Equity Transfer Agreement.

FINANCIAL EFFECTS OF THE EQUITY TRANSFER AND USE OF PROCEEDS

Based on the preliminary assessment of Dongfeng Off-road's financial information as at 30 April 2022, it is estimated that the Company will record a gain of approximately RMB119,501,600 as a result of the Equity Transfer, being the consideration for the Equity Transfer less the carrying amount of the net assets of Dongfeng Off-road. The actual gain as a result of the Equity Transfer to be recorded by the Company will be calculated based on the relevant figures as at the date of completion of the Equity Transfer, and therefore may differ from the above figure. The net proceeds from the Equity Transfer are expected to be used for the general working capital of the Company or for future investments.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER

The Equity Transfer would enable the Company to optimize its range of products by focusing on the development of autonomous passenger vehicles, commercial vehicles, and new energy business, to consolidate product categories with high requirements of relevant policies and qualification examination and strict approval to save compliance costs.

The directors (including independent non-executive directors) of the Company are of the view that the Equity Transfer Agreement was entered into on normal commercial terms in the ordinary and usual course of business of the Group, 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 Equity Transfer, nor has any Director abstained from voting on the Board resolution approving the Equity Transfer.

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 DFM

DFM is the controlling shareholder of the Company and 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.

Information on Dongfeng Off-road

Dongfeng Off-road is principally engaged in the research and development, production, and sales of off-road vehicles and off-road vehicle chassis, special vehicles and special vehicle chassis, and modified vehicles, and provision of related technical consultation and services. As at the date of this announcement, the equity holder of Dongfeng Off-road is the the Company. After the equity transfer, the equity holder of Dongfeng Off-road is Dongfeng Motor Company, and the ultimate beneficial owner of Dongfeng Motor Company is SASAC.

As at 30 April 2022, the net asset value of Dongfeng Off-road amounted to RMB322,864,800.

The profit before taxation and net profit (profit after taxation) of Dongfeng Off-road for the years ended 31 December 2020 and 31 December 2021 are set out below:

	<i>RMB</i>			
	For the year ended 31 December 2021	For the year ended 31 December 2020		
Profit before taxation	256,297,016	152,084,840		
Net profit (profit after taxation)	205,848,020	160,369,200		

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, DFM is the controlling shareholder of the Company directly holding approximately 66.86% of the issued share capital of the Company, and is therefore a connected person of the Company under Rule 14A.07 of the Listing Rules. The Equity Transfer and the transactions contemplated thereunder therefore constitute connected transactions of the Company.

As the highest percentage ratio under Rule 14.07 of the Listing Rules applicable to the Equity Transfer is more than 0.1% but less than 5%, the Equity Transfer and the transactions 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.

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 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 as ascribed to it in the Listing Rules
“controlling shareholder(s)”	has the meaning as ascribed to it in 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 directly and indirectly holds approximately 66.86% equity interest in the total issued share capital of the Company
“Dongfeng Off-road”	Dongfeng Off-road Vehicle Company Limited (東風越野車有限公司), a company incorporated in the PRC with limited liability
“Equity Transfer”	the transfer of 100% equity interest in Dongfeng Off-road from the Company to DFM pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 17 June 2022 entered into between the Company and DFM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“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” and “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, 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*