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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)

**(1) CONTINUING CONNECTED TRANSACTION; AND
(2) REVISION OF EXISTING ANNUAL CAPS FOR CONTINUING CONNECTED
TRANSACTION**

**CONTINUING CONNECTED TRANSACTION IN RELATION TO THE PURCHASE
OF WHOLE VEHICLES AND CHASSIS BY THE GROUP FROM THE DFM GROUP**

On 17 June 2022 (after trading hours), the Company and DFM entered into the Master Whole Vehicle and Chassis Purchase Agreement, pursuant to which the parties agreed that the Group shall purchase whole vehicles and chassis from the DFM Group.

**REVISION OF EXISTING ANNUAL CAPS FOR CONTINUING CONNECTED
TRANSACTION IN RELATION TO THE SALE OF AUTO PARTS BY THE GROUP TO
THE DFM GROUP**

Reference is made to the announcement of the Company dated 30 December 2019 in relation to, among other things, the Master Auto Parts Sales Agreement entered into between the Company and DFM, pursuant to which the parties agreed that the Group shall sell auto parts and other products to the DFM Group.

As the Company expects that the DFM Group will continue to expand its business operations, the number of auto parts and other products that the DFM Group requires from the Company is expected to increase in 2022, as compared to the level anticipated by the Company when the Master Auto Parts Sales Agreement was entered into in 2019. On 17 June 2022 (after trading hours), the Company entered into the Supplemental Auto Parts Sales Agreement with DFM to revise the existing annual cap for the year ending 31 December 2022. Save for the revision of the existing annual cap for the year ending 31 December 2022 from RMB400,000,000 to

RMB2,000,000,000, all other terms and conditions under the Master Auto Parts Sales Agreement remain the same.

LISTING RULES IMPLICATIONS

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. Accordingly, the Master Whole Vehicle and Chassis Purchase Agreement and the Supplemental Auto Parts Sales Agreement and the transactions contemplated thereunder constitute connected transactions of the Company pursuant to Rule 14A.31 of the Listing Rules.

According to Rule 14A.83 of the Listing Rules, the Stock Exchange may aggregate all continuing connected transactions with a connected person. As the Master Whole Vehicle and Chassis Purchase Agreement and the Supplemental Auto Parts Sales Agreements were both entered into between the Company and DFM, the transactions contemplated thereunder should be aggregated.

As the highest percentage ratio under Rule 14.07 of the Listing Rules applicable to the proposed annual caps of the transactions under the Master Whole Vehicle and Chassis Purchase Agreement and the Supplemental Auto Parts Sales Agreements, on an aggregated basis, is more than 0.1% but less than 5%, the Master Whole Vehicle and Chassis Purchase Agreement and the Supplemental Auto Parts Sales Agreements 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.

1. CONTINUING CONNECTED TRANSACTION IN RELATION TO THE PURCHASE OF WHOLE VEHICLES AND CHASSIS BY THE GROUP FROM THE DFM GROUP

On 17 June 2022 (after trading hours), the Company and DFM entered into the Master Whole Vehicle and Chassis Purchase Agreement, pursuant to which the parties agreed that the Group shall purchase whole vehicles and chassis from the DFM Group.

The principal terms of the Master Whole Vehicle and Chassis Purchase Agreement are set out below.

Date	17 June 2022
Parties	(1) the Company (as purchaser); and (2) DFM (as vendor)
Term	from 17 June 2022 to 31 December 2024 (both days inclusive)
Principal terms	During the term of the Master Whole Vehicle and Chassis Purchase Agreement, the DFM Group shall provide the Company and its

subsidiaries with whole vehicles and chassis in accordance with the demand of the Group. The quantity of whole vehicles and chassis shall be determined according to the parties' production plan and/or specific purchase agreement(s) signed by the parties.

Regarding the quality and technical standards of the whole vehicles and chassis, the national standards shall be implemented if there are any; if no national standards are available, the industrial standards shall be implemented; if no national or industrial standards are available, the enterprise standards shall be implemented; if no aforementioned standards are available, or although aforementioned standards are available, special requirements have been made by the Group, the technical condition, sample, or supplemental technical requirements separately agreed upon by the parties in the specific supply agreement shall prevail. When implementing such quality standards, the parties may also agree on special quality requirements at the same time.

Pricing and payment

The prices of the whole vehicles and chassis shall be determined based on the market price, and/or on an arm's length and reasonable basis. The Group shall pay the price to the DFM Group using the payment method agreed upon by both parties at the specific time.

Under normal circumstances, the specific purchase agreement signed by the Group and the DFM Group shall specify the payment period (such as monthly payment or quarterly payment, etc.) in accordance with the principle of fairness and reasonableness and ordinary commercial practice. The terms of the specific purchase agreement shall not be inferior to those that the Company may receive from an independent third party.

Pursuant to the Master Whole Vehicle and Chassis Purchase Agreement, the Group shall purchase whole vehicles and/or chassis from the DFM Group, at a selling price calculated on a cost-plus basis according to: (i) the actual costs of manufacturing the whole vehicles and/or chassis by the DFM Group (including related taxes); plus (ii) an agreed margin rate.

The marketing department of the Company will collect the relevant market information, review and compare the quotations obtained from at least two independent sellers for identical or comparable products, and prepare fee quotes for review by the procurement department of the Company. The procurement department will take into consideration the average transaction price of the target products in the preceding year and the competition status when reviewing the

fee quotes. The procurement department will further submit the fee quotes to the management of the Company for review and approval. Through the abovementioned pricing mechanisms, the Company will be able to understand the market and assure the rationality of purchase price.

Liability for breach

In the event of breach, the non-breaching party shall be entitled to request the breaching party to make rectifications within 30 days. If the breaching party fails to make rectifications within the time limit, the non-breaching party shall be entitled to terminate the Master Whole Vehicle and Chassis Purchase Agreement and demand compensation for all economic losses from the breaching party.

PROPOSED ANNUAL CAPS

The proposed annual caps for the Group's purchase of whole vehicles and chassis from the DFM Group under the Master Whole Vehicle and Chassis Purchase Agreement are as follows:

	From 17 June 2022 to 31 December 2022	Year ending 31 December 2023	Year ending 31 December 2024
	(RMB million)	(RMB million)	(RMB million)
Proposed annual caps	100	100	100

The above annual caps were determined with reference to (i) the historical price of whole vehicles and chassis purchased by the Group, (ii) the expected demand of the Group in the upcoming three years, (iii) the estimated production capacity of the DFM Group during the relevant period, and (iv) the expected market conditions for the relevant period.

REASONS FOR AND BENEFITS OF THE MASTER WHOLE VEHICLE AND CHASSIS PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 17 June 2022 in relation to the proposed transfer of the entire equity interest in Dongfeng Off-road from the Company to DFM (the "**Equity Transfer**"). The Group historically purchased whole vehicles and chassis from Dongfeng Off-road, which will become a direct wholly-owned subsidiary of DFM upon completion of the Equity Transfer. The cooperation with Dongfeng Off-road guaranteed the Group continuous access to high-quality products at competitive prices, thereby effectively reducing the operating expenses of the Group. The Company has historically enjoyed a friendly business relationship with DFM, and the parties have an established mutual understanding of each other's business and production practices and

standards. Therefore, the Company is of the view that it is in the interest of the Group to continue the cooperation with DFM and its subsidiaries.

The Directors (including the independent non-executive Directors) believe that the Master Whole Vehicle and Chassis Purchase Agreement was entered into on normal commercial terms in the ordinary and usual course of business of the Company, and the terms of the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

None of the Directors has any material interest in the transaction and therefore, no Director abstained from voting on the Board resolution approving the Master Whole Vehicle and Chassis Purchase Agreement.

2. REVISION OF EXISTING ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTION IN RELATION TO THE SALE OF AUTO PARTS BY THE GROUP TO THE DFM GROUP

Reference is made to the announcement of the Company dated 30 December 2019 in relation to, among other things, the Master Auto Parts Sales Agreement entered into between the Company and DFM pursuant to which the parties agreed that the Group shall sell auto parts and other products to the DFM Group.

As the Company expects that the DFM Group will continue to expand its business operations, the number of auto parts and other products that the DFM Group requires from the Company is expected to increase in 2022, as compared to the level anticipated by the Company when the Master Auto Parts Sales Agreement was entered into in 2019. On 17 June 2022 (after trading hours), the Company entered into the Supplemental Auto Parts Sales Agreement with DFM to revise the existing annual cap for the year ending 31 December 2022. Save for the revision of the existing annual cap for the year ending 31 December 2022 from RMB400,000,000 to RMB2,000,000,000, all other terms and conditions under the Master Auto Parts Sales Agreement remain the same.

Details of the Supplemental Auto Parts Sales Agreement are set out below:

Date

17 June 2022

Parties

The Company (as vendor); and

DFM (as purchaser)

Subject matter

Pursuant to the Supplemental Auto Parts Sales Agreement, the existing annual cap for the year ending 31 December 2022 of RMB400,000,000 is amended to RMB2,000,000,000

PROPOSED REVISED ANNUAL CAP FOR THE YEAR ENDING 31 DECEMBER 2022

For the years ended 31 December 2020 and 2021, the historical cumulative transaction amounts in relation to the sales of auto parts and other products (including, amongst others, fuel tank, exhaust pipes, mounting and other auto parts of commercial vehicles) by the Group to Dongfeng Off-Road are RMB 1,085 million and RMB813 million, respectively. After the Equity Transfer, Dongfeng Off-road's purchase of auto parts and other products from the Group will constitute a continuous connected transaction and will be subject to the annual cap of the Group's continuous connected transaction in relation to the sale of auto parts to Dongfeng Motor Group.

The proposed revised annual cap for the year ending 31 December 2022 of RMB 2,000,000,000 was determined with reference to (i) the historical price of auto parts and other products supplied by the Group, (ii) the expected demand by DFM and its subsidiaries in the relevant period, (iii) the estimated production capacity of the Group during the relevant period, and (iv) the expected market conditions for the relevant period.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AUTO PARTS SALES AGREEMENT

The annual cap for the year ended 31 December 2022 under the Master Auto Parts Sales Agreement was revised pursuant to the Supplemental Auto Parts Sales Agreement as a result of the continuing expansion of the business operations of the DFM Group. It is expected that more auto parts and other related products will be required by the DFM Group from the Group.

Furthermore, given the historical friendly business relationship between the Company and DFM, the mutual understanding of the parties' business and production practices and standard required, the Directors (including the independent non-executive Directors) consider that it is in the interest of the Company to enter into the Supplemental Auto Parts Sales Agreement with DFM to revise the annual cap for the year ending 31 December 2022 to ensure that the Company and DFM can continue the transactions under the Master Auto Parts Sales Agreement.

The Directors (including the independent non-executive Directors) believe that the Supplemental Auto Parts Sales Agreement was entered into on normal commercial terms in the ordinary and usual course of business of the Company, and the terms of the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

None of the Directors has any material interest in the transaction and therefore, no Director abstained from voting on the Board resolution approving the Supplemental Auto Parts Sales Agreement.

INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES

The financial control department of the Group ensures that continuing connected transactions and even general business processes are conducted in accordance with normal commercial terms and will not harm the interests of the Shareholders as a whole. The Group will ensure that the pricing policies for whole vehicles and chassis are issued to all distributors of the Group, including those owned by DFM, and ensure that no different pricing policies are distributed to the distributors owned by DFM separately. The sales team and financial control department of the Group will supervise the transaction terms and pricing policies between the Group and the DFM Group, so as to ensure that the terms and pricing policies for transactions to be conducted under the Master Whole Vehicle and Chassis Purchase Agreement and the Supplemental Auto Parts Sales Agreement are in line with the practices between the Group and independent third-party distributors.

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. As at the date of this announcement, the ultimate beneficial owner of the Company is the SASAC.

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.

3. 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. Accordingly, the Master Whole Vehicle and Chassis Purchase Agreement and the Supplemental Auto Parts Sales Agreement and the transactions contemplated thereunder

constitute connected transactions of the Company pursuant to Rule 14A.31 of the Listing Rules.

According to Rule 14A.83 of the Listing Rules, the Stock Exchange may aggregate all continuing connected transactions with a connected person. As the Master Whole Vehicle and Chassis Purchase Agreement and the Supplemental Auto Parts Sales Agreements were both entered into between the Company and DFM, the transactions contemplated thereunder should be aggregated.

As the highest percentage ratio under Rule 14.07 of the Listing Rules applicable to the proposed annual caps of the transactions under the Master Whole Vehicle and Chassis Purchase Agreement and the Supplemental Auto Parts Sales Agreements, on an aggregated basis, is more than 0.1% but less than 5%, the Master Whole Vehicle and Chassis Purchase Agreement and the Supplemental Auto Parts Sales Agreements 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.

4. 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
“DFM Group”	DFM and its subsidiaries (for the purpose of this announcement including Dongfeng Off-road)
“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
“Group”	the Company and its subsidiaries (for the purpose of this announcement excluding Dongfeng Off-road)
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
"Master Auto Parts Sales Agreement"	the master agreement dated 28 December 2019 entered into between the Company and DFM in relation to the sales of auto parts and other products by the Group to the DFM Group
"Master Whole Vehicle and Chassis Purchase Agreement"	the master agreement dated 17 June 2022 entered into between the Company and DFM in relation to the purchase of whole vehicles and chassis by the Group from the DFM Group
“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
"Supplemental Auto Parts Sales Agreement"	the supplemental agreement dated 17 June 2022 entered into between the Company and DFM to revise the annual cap for the year ending 31 December 2022 for the sales of auto parts and other products by the Group to the DFM Group under the Master Auto Parts Sales Agreement
“%”	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*