

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 XIANGYANG INDUSTRIAL**

### **EQUITY TRANSFER**

DFAC (a non-wholly owned subsidiary of the Company), Shanghai Jiahua (a non-wholly owned subsidiary of the Company) and Dongfeng Logistics entered into the Equity Transfer Agreement, pursuant to which, inter alia, DFAC agreed to transfer, and Dongfeng Logistics agreed to acquire, 98% equity interest in Xiangyang Industrial, and Shanghai Jiahua agreed to transfer, and Dongfeng Logistics agreed to acquire, 2% equity interest in Xiangyang Industrial. Upon completion of the Equity Transfer, Dongfeng Logistics will directly hold 100% equity interest in Xiangyang Industrial, and Xiangyang Industrial will cease to be an indirect non-wholly owned subsidiary of the Company.

### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, DFM is the controlling shareholder of the Company, which directly holds 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. Dongfeng Logistics is held by DFM as to approximately 36.66%, and is therefore an associate of DFM and a connected person of the Company. The Equity Transfer Agreement 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 Agreement 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**

DFAC (a non-wholly owned subsidiary of the Company), Shanghai Jiahua (a non-wholly owned subsidiary of the Company) and Dongfeng Logistics entered into the Equity Transfer Agreement, pursuant to which, *inter alia*, DFAC agreed to transfer, and Dongfeng Logistics agreed to acquire, 98% equity interest in Xiangyang Industrial, and Shanghai Jiahua agreed to transfer, and Dongfeng Logistics agreed to acquire, 2% equity interest in Xiangyang Industrial.

The principal terms of the Equity Transfer Agreement are as follows:

### **Effective Date**

20 December 2023

### **Parties**

DFAC (as the transferor)

Shanghai Jiahua (as the transferor)

Dongfeng Logistics (as the transferee)

### **Subject matter**

DFAC agreed to transfer, and Dongfeng Logistics agreed to acquire, 98% equity interest in Xiangyang Industrial, and Shanghai Jiahua agreed to transfer, and Dongfeng Logistics agreed to acquire, 2% equity interest in Xiangyang Industrial.

Upon completion of the Equity Transfer, Dongfeng Logistics will directly hold 100% equity interest in Xiangyang Industrial, and Xiangyang Industrial will cease to be an indirect non-wholly owned subsidiary of the Company.

### **Transfer price**

The transfer price for the Equity Transfer shall be RMB79,034,400, which was determined with reference to the appraised value of Xiangyang Industrial as at 30 September 2022 as set out in the valuation report issued by Hubei Zhonglian Appraisal Co., Ltd. \* (湖北眾聯資產評估有限公司) which is an independent asset appraisal firm.

The above transfer price shall be remitted by Dongfeng Logistics to the designated bank accounts of DFAC and Shanghai Jiahua, respectively, in one lump sum within 10 working days from the effective date of the Equity Transfer Agreement.

### **Conditions precedent**

Each party shall cooperate to complete the change registration in respect of the Equity Transfer with the PRC industrial and commercial administration authorities within 30 days from the effective date of the Equity Transfer Agreement. The completion date shall be the date on which the change registration in respect of the Equity Transfer is completed.

### **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. If the breach causes material adverse impact on the transaction or Xiangyang Industrial and renders the purposes of the Equity Transfer Agreement unattainable, the other party is entitled to terminate the Equity Transfer Agreement and demand compensation from the breaching party.

### **FINANCIAL EFFECTS OF THE EQUITY TRANSFER AND USE OF PROCEEDS**

Based on the preliminary assessment of Xiangyang Industrial's financial information as at 31 December 2022, it is estimated that the Company will record a gain of approximately RMB42.02 million as a result of the Equity Transfer, being the consideration for the Equity Transfer less the carrying amount of the net assets of Xiangyang Industrials. 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.

## **ASSUMPTIONS IN RELATION TO THE VALUATION REPORT**

Given the valuation of the Xiangyang Industrial was based on the income approach using discounted cash flows, the valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, the requirements under Rule 14.62 of the Listing Rules apply. The details of the principal assumptions upon which the valuation was based are as follows:

### **General Assumptions**

- (1) Going-concern assumption. The existing use of assets will be the same and its business will continue operating.
- (2) Open market assumption. Each asset premises on the physical inventory on the valuation base date, and the current market price of related assets is based on the domestic price level.
- (3) Transaction assumption. The valuer simulates a market for valuation according to transaction conditions of the valuation object, etc. The valuation conclusion is estimation for the most likely transaction price of the valuation object.
- (4) No material changes in the current national macroeconomic, finance and industry, resource utilization, energy, laws of environmental protection, as well as massive technological innovation in industry.
- (5) No material changes in social economic environment and policies of tax and tax rate of entity evaluated.
- (6) No material changes in industrial policy and technology of entity evaluated.
- (7) The accounting policy adopted by entity evaluated will maintain consistency in the key aspects. No changes on key accounting policies and the provision of financial accounting and other information is true, accurate and complete, and the provision of future performance is reasonable, scientific and solid.
- (8) Contingent matters, litigations, subsequent events and other material events are fully disclosed, and asset ownership covered in valuation scope is clear, and the provision of documents of asset ownership is legally effective.
- (9) Influences from assets in the valuation scope and other liability related pledge, collateral, guarantee, contingent assets and contingent liabilities after the valuation base date to valuation conclusions will not be taken into account in the valuation.

- (10) The issues of law outside the valuation scope will not be taken into account in the valuation, as well as the influences of changes in asset markets after the valuation base date to valuation conclusions.
- (11) No material adverse effect of force majeure and unforeseeable factors.

### **Special Assumptions**

- (1) The future senior managements of entity evaluated act diligently and sustain the current business management model.
- (2) Entity evaluated will comply with relevant national regulations of related industry, be able to continue operating, obtain all required operating licences and certificates, and operate as a going concern.
- (3) Entity evaluated will maintain current client resources and relationships in future operating periods.
- (4) Income forecast provided by the management of entity evaluated is based on the sustainable and well operation of the enterprise in the future, with influences from consideration of future plan and profit forecast.
- (5) The main business of entity evaluated remain relatively stable, and will not be materially and adversely affected.
- (6) Entity evaluated have well-distributed revenue, cost, renewal and other expense during each year.
- (7) The structure of main business, sale strategies and cost control of the entity evaluated will stay the same as previous years without material changes. No changes in management, operation strategies and business environment that might happen in the future will be taken into account in the valuation.
- (8) No significant changes on the expenses of operation and management of entity evaluated based on the existing infrastructure in the future operating periods, keeping on the trend of previous years and changing with movement of business scale.
- (9) The capital structure of entity evaluated on the valuation base date remain the same.
- (10) Entity evaluated will not distribute its profit in future years, which instead would be retained for providing additional working capital for the coming years. The increase of operating capital of the company keeps abreast of the business scale.

- (11) Enterprises need to update its operating facilities, equipment and production capacity in the future operating periods, without incurring any other capital expenses.
- (12) The offices of entity evaluated is leased from related parties, and could all be renewed and extended upon expiry.
- (13) Enterprises will keep update its operating facilities, equipment and production capacity in the future operating periods.

Ernst & Young, the reporting accountant of the Company, has reported on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the valuation is based, which does not involve the adoption of accounting policies.

The Board has reviewed and considered the valuation including the principal assumptions upon which the valuation was based. The Board has also considered the report from Ernst & Young. On the basis of the foregoing, the Board is of the opinion that the valuation has been made after due and careful enquiry. The letter issued by the Board and the letter issued by Ernst & Young are listed in Appendix I and Appendix II to this announcement, respectively.

## **INFORMATION ON THE EXPERTS**

The qualifications of the experts who have provided conclusions or opinions in this announcement are as follows:

<b>Name</b>	<b>Qualification</b>
Ernst & Young	Certified Public Accountants
Hubei Zhonglian Appraisal Co., Ltd. * (湖北眾聯資產評估有限公司)	Independent professional valuer

To the best knowledge, information and belief of the Board having made all reasonable enquiries, each of the experts is a third party independent of the Company and its connected persons. As at the date of this announcement, none of the experts has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

Each of the experts has provided and has not withdrawn its written consent to the publication of this announcement with the inclusion herein of its letter and references to its name in the form and context in which it appears.

## **REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER**

After the Equity Transfer, Xiangyang Industrial is integrated into Dongfeng Logistics, and its overall service quality is expected to be greatly improved. For the Company, the cost of the Group's future procurement of logistics services from DFM and its subsidiaries will also be reduced due to economies of scale.

The Directors (including the independent non-executive Directors) 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 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 DFAC**

DFAC is principally engaged in the manufacturing businesses of commercial vehicles and other automotive parts. As at the date of this announcement, DFAC is a non-wholly owned subsidiary of the Company as to 55%.

### **Information on Dongfeng Logistics**

Dongfeng Logistics is principally engaged in logistics and storage services. As at the date of this announcement, Dongfeng Logistics is held by DFM as to approximately 36.66%. The single largest shareholder of Dongfeng Logistics is DFM, whose ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council.

## Information on Shanghai Jiahua

Shanghai Jiahua is principally engaged in investment management and technology development in automotive field as well as investment businesses. As at the date of this announcement, Shanghai Jiahua is owned as to 97% and 3% by DFAC and Dongfeng Xiangyang Wagon Co., Ltd., respectively.

## Information on Xiangyang Industrial

Xiangyang Industrial is principally engaged in logistics services for vehicles and key automotive components and parts.

As at 30 September 2022, the net asset value of Xiangyang Industrial amounted to approximately RMB32.76 million.

The profit before taxation and net profit (profit after taxation) of Xiangyang Industrial for the years ended 31 December 2021 and 31 December 2022 are set out below:

	<b>For the year ended 31 December 2022 (RMB million)</b>	<b>For the year ended 31 December 2021</b>
Profit before taxation	14.28	14.39
Net profit (profit after taxation)	10.35	10.67

## IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, DFM is the controlling shareholder of the Company, which directly holds 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. Dongfeng Logistics is held by DFM as to approximately 36.66%, and is therefore an associate of DFM and a connected person of the Company. The Equity Transfer Agreement 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 Agreement 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
“DFAC”	Dongfeng Automobile Co., Ltd. (東風汽車股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“Dongfeng Logistics”	Dongfeng Logistics Group Co., Ltd * (東風物流集團股份有限公司), a company incorporated in the PRC, the equity interest of which is held by DFM as to approximately 36.66%
“Xiangyang Industrial”	Dongfeng Xiangyang Logistics Industrial and Trade Co., Ltd * (東風襄陽物流工貿有限公司), a company incorporated in the PRC with limited liability
“Equity Transfer”	the transfer of (i) 98% equity interest in Xiangyang Industrial from DFAC to Dongfeng Logistics; and (ii) 2% equity interest in Xiangyang Industrial from Shanghai Jiahua to Dongfeng Logistics pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into between DFAC, Shanghai Jiahua, and Dongfeng Logistics

“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“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
“Shanghai Jiahua”	Shanghai Jiahua Investment Co., Ltd. * (上海嘉華投資有限公司), a company incorporated in the PRC with limited liability
“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  
**YANG QING**  
*Chairman*

Wuhan, the PRC, 20 December 2023

*As at the date of this announcement, Mr. Yang Qing and Mr. You Zheng are the executive directors 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*

## APPENDIX 1 – LETTER FROM THE BOARD

20 December 2023

Listing Division  
The Stock Exchange of Hong Kong Limited  
12th Floor, Two Exchange Square,  
8 Connaught Place, Central, Hong Kong

Dear Sirs,

### **CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 100% EQUITY INTEREST IN DONGFENG XIANGYANG LOGISTICS INDUSTRIAL AND TRADE CO., LTD \* (東風襄陽物流工貿有限公司)**

We refer to the valuation report dated 24 August 2023 issued by Hubei Zhonglian Appraisal Co., Ltd. \* (湖北眾聯資產評估有限公司) (the “**Independent Valuer**”) regarding the valuation of 100% equity interest in Dongfeng Xiangyang Logistics Industrial and Trade Co., Ltd \* (東風襄陽物流工貿有限公司) as at 30 September 2022 (the “**Valuation**”), which constitutes profit forecasts under Rule 14.61 of the Listing Rules.

We have discussed with the Independent Valuer on different aspects including the bases and assumptions based upon which the Valuation has been prepared, and reviewed the Valuation for which the Independent Valuer is responsible. We have also considered the report from Ernst & Young regarding whether the profit forecasts, so far as the calculations are concerned, have been properly complied with the bases and assumptions set out in the Valuation Report. We have noted that the profit forecasts in the Valuation are mathematically accurate and the discounted cash flows will not be affected by accounting policies.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board of the Company confirmed that the Valuation prepared by the Independent Valuer has been made after due and careful enquiry.

Yours faithfully,  
For and on behalf of the Board  
**Dongfeng Motor Group Company Limited**  
**YANG QING**  
*Chairman*

\* *For identification purposes only*

## APPENDIX II – REPORT OF ERNST & YOUNG

The following is the text extracted from a report received from Ernst & Young, for the purpose of incorporation in this announcement.

### REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF DONGFENG XIANGYANG LOGISTICS INDUSTRY AND TRADE CO., LTD

#### To the Directors of Dongfeng Motor Group Company Limited

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 24 August 2023 prepared by Hubei Zhonglian Asset Appraisal Co., Ltd in respect of Dongfeng Xiangyang Logistics Industry and Trade Co., Ltd (the “**Target**”) as at 30 September 2022 is based. The valuation is set out in the announcement of Dongfeng Motor Group Company Limited (the “**Company**”) dated 20 December 2023 (the “**Announcement**”) in connection with the acquisition of the Target. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

#### Directors’ responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out on page 4-6 of the Announcement.

#### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Reporting Accountants' responsibilities**

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

## **Opinion**

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

20 December 2023