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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 TRANSACTIONS**

**CAPITAL INCREASE IN DONGFENG ELECTRIC  
DEEMED DISPOSAL AND ACQUISITION OF ASSETS**

**CAPITAL INCREASE AGREEMENT**

On 14 September 2018, the Company, Dongfeng Hongtai and Wuhan Jingkai, being the existing shareholders of Dongfeng Electric (a non-wholly-owned subsidiary of the Company), entered into the Capital Increase Agreement with Dongfeng Electric, pursuant to which Dongfeng Hongtai agreed to make a capital contribution in the amount equivalent to RMB168,664,500 to Dongfeng Electric by way of the injection of the Industrial Park Assets into Dongfeng Electric.

Pursuant to the Capital Increase Agreement, the registered capital of Dongfeng Electric will be increased from RMB90,580,000 as at the date of this announcement to RMB126,364,800, and a total of 35,784,800 new DFE Shares will be created to be subscribed solely by Dongfeng Hongtai.

**LISTING RULES IMPLICATION**

Upon completion of the Capital Contribution, the equity interest held by the Company in Dongfeng Electric will be diluted from 90.07% as at the date of this announcement to 64.56% of the enlarged registered capital of Dongfeng Electric. Therefore, the Capital Contribution results in a deemed disposal, under Rule 14.29 of the Listing Rules, by the Company of its 25.51% equity interest in Dongfeng Electric. Further, as Dongfeng Electric is a subsidiary of the Company, the Assets Injection also constitutes an acquisition by the Group.

As Dongfeng Motor Corporation (the controlling shareholder of the Company), which directly and indirectly held approximately 67.3% in aggregate of equity interest in the

Company, also held 87.24% equity interest in Dongfeng Hongtai, Dongfeng Hongtai is a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the Capital Increase Agreement constitute connected transactions under the Listing Rules.

As certain of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of each of the above deemed disposal and the Assets Acquisition exceed 0.1%, but all applicable percentage ratios are less than 5%, the transactions contemplated under the Capital Increase Agreement are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, and are exempt from the circular and the independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

## **1. CAPITAL INCREASE AGREEMENT**

### **Date**

14 September 2018

### **Parties**

The parties to the Capital Increase Agreement are (1) Dongfeng Hongtai, a subsidiary of Dongfeng Motor Corporation; (2) the Company; (3) Wuhan Jingkai, and (4) Dongfeng Electric, a non-wholly-owned subsidiary of the Company. Dongfeng Hongtai, the Company and Wuhan Jingkai are the existing shareholders of Dongfeng Electric.

### **Nature of transaction**

Pursuant to the Capital Increase Agreement, Dongfeng Hongtai agreed to make a capital contribution in the amount equivalent to RMB168,664,500 to Dongfeng Electric by way of the injection by Dongfeng Hongtai of the Industrial Park Assets into Dongfeng Electric.

The registered capital of Dongfeng Electric will be increased from RMB90,580,000 as at the date of this announcement to RMB 126,364,800 upon completion of the Capital Contribution, and a total of 35,784,800 new DFE Shares will be created to be subscribed solely by Dongfeng Hongtai.

As at the date of this announcement, the number of DFE Shares held by each of Dongfeng Hongtai, the Company and Wuhan Jingkai is 4,500,000, 81,580,000 and 4,500,000 respectively, representing 4.96%, 90.07%, and 4.97% respectively of the total registered capital of Dongfeng Electric.

Upon completion of the Capital Contribution, each of Dongfeng Hongtai, the Company and Wuhan Jingkai will be interested in 31.88%, 64.56%, and 3.56% respectively in the enlarged registered capital of Dongfeng Electric.

The equivalent amount of the capital contribution to be made by Dongfeng Hongtai under the Capital Increase Agreement was calculated based on the 35,784,800 new DFE Shares

agreed to be subscribed by Dongfeng Hongtai multiplied by the consideration of RMB4.7133 per new DFE Share. The consideration was determined upon negotiation between the parties with reference to (i) the appraised net asset value of Dongfeng Electric and (ii) the appraised value of the Industrial Park Assets of RMB168,664,500, each as separately appraised (based on the asset-based method) by Hubei Yongyehang Assets Appraisal Consultation Co., Ltd\* (湖北永業行資產評估諮詢有限公司).

Under the Capital Increase Agreement, the procedures relating to the transfer of the Land Use Right and the relevant properties relating to the Industrial Park Assets should be completed within 60 days from the completion of change in the industrial and commercial registration of the Capital Contribution.

Upon completion of the Capital Contribution, Dongfeng Electric will remain a subsidiary of the Company.

### **Board of directors and supervisory committee of Dongfeng Electric**

After completion of the Capital Contribution, the board of directors of Dongfeng Electric will comprise 7 members, of which 1 member, 5 members and 1 member will be elected from candidates nominated respectively by each of Dongfeng Hongtai, the Company and Wuhan Jingkai. One of the directors elected from the candidates nominated by the Company will be the chairman of the board of directors of Dongfeng Electric. The supervisory committee of Dongfeng Electric will comprise 3 members, of which Dongfeng Hongtai and the Company will each be entitled to nominate non-employee candidates for election as 1 member and remaining 1 member shall be an employee of Dongfeng Electric.

## **2. INFORMATION ON DONGFENG ELECTRIC**

As at the date of this announcement, the Company is interested in 90.07% of Dongfeng Electric, which is principally engaged in R&D, manufacturing and sale parts and components of electric vehicles, As at the date of this announcement, the registered capital of Dongfeng Electric was RMB90,580,000, comprising 90,580,000 issued DFE Shares.

According to the valuation report prepared by Hubei Yongyehang Assets Appraisal Consultation Co., Ltd\* (湖北永業行資產評估諮詢有限公司) based on the asset-based (cost) method, as at 31 October 2017, the book value and appraised value of the net assets of Dongfeng Electric was RMB 433,274,800 and RMB 426,929,300, respectively.

Set out below are the audited net profits of Dongfeng Electric (before and after taxation) for the financial years ended 31 December 2016 and 31 December 2017 in the financial reports prepared by Dongfeng Electric according to the generally accepted accounting principles of the PRC:

	For the year ended 31 December 2016 (RMB)	For the year ended 31 December 2017 (RMB)
Net loss before taxation	13,623,923.46	56,597,202.12
Net loss after taxation	17,189,020.07	53,532,928.52

### 3. INFORMATION ON INDUSTRIAL PARK ASSETS

The Industrial Park Assets to be injected into Dongfeng Electric comprise of (a) the fixed assets mainly consist of certain buildings (the “Buildings”), structures and facilities and (b) the intangible asset mainly consist of the Land Use Rights. The Buildings (including the assembly factory and the composite-use building) have a total gross floor area of approximately 46,442.98 square metres and are currently used by Dongfeng Hongtai. The Land Use Right is in respect of the plot of land, which is designated for industrial use, of a gross floor area of 88,972.04 square metres on which the Buildings are situated.

According to the valuation report prepared by Hubei Yongyehang Assets Appraisal Consultation Co., Ltd\* (湖北永業行資產評估諮詢有限公司) based on the asset-based (cost) method, as at 31 October 2017, the book value and appraised value of the Industrial Park Assets was RMB62,488,300 and RMB168,664,500, respectively.

The Industrial Park Assets has originally been acquired by Dongfeng Hongtai at approximately RMB89,264,706.71 in November 2013.

### 4. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The current sites of Dongfeng Electric are not able to satisfy centralized and scale production of EIC system, so the new industrial park shall be built.

Dongfeng Hongtai Auto Parts Assembly Industrial Park (東風鴻泰汽車零部件集成工業園) is able to satisfy the production and manufacturing conditions of the EIC system of Dongfeng Electric, and realize the industrialization requirements of EIC system.

After becoming a shareholder of Dongfeng Electric, Dongfeng Hongtai will take advantage of its strengths in plastic parts, compound materials, vehicle lightening, vehicle sales network and online and offline operating, monitoring and control platform, efficiently reduce manufacturing, sales and operating costs of Dongfeng Electric, and improve the product competitiveness of EIC system of Dongfeng Electric.

The proprietary land and factory assets owned by Dongfeng Electric are beneficial to the long-term development of Dongfeng Electric.

As mentioned above, Dongfeng Hongtai proposed to carry out Capital Contribution into Auto Parts Assembly Industrial Park.

There will be no deemed increase of value or gain or loss for the Group as a result of the deemed disposal due to the Capital Contribution. The Industrial Park Assets acquired will be used by Dongfeng Electric in its ordinary course of business.

Taking into account the factors mentioned above, the Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Capital Increase Agreement (including the Capital Contribution and the Assets Acquisition) are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **5. LISTING RULES IMPLICATIONS**

Upon completion of the Capital Contribution, the equity interest held by the Company in Dongfeng Electric will be diluted from 90.07% as at the date of this announcement to 64.56% of the enlarged registered capital of Dongfeng Electric. Therefore, the Capital Contribution results in a deemed disposal, under Rule 14.29 of the Listing Rules, by the Company of its 25.51% equity interest in Dongfeng Electric. Further, as Dongfeng Electric is a subsidiary of the Company, the Assets Injection also constitutes an acquisition by the Group.

As Dongfeng Motor Corporation, which directly and indirectly held approximately 67.3% in aggregate of equity interest in the Company as at the date of this announcement, also held 87.24% equity interest in Dongfeng Hongtai, Dongfeng Hongtai is a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the Capital Increase Agreement constitute connected transactions under the Listing Rules.

As certain of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of each of the above deemed disposal and the Assets Acquisition exceed 0.1%, but all applicable percentage ratios are less than 5%, the transactions contemplated under the Capital Increase Agreement are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, and are exempt from the circular and the independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the transaction contemplated under the Capital Increase Agreement and has abstained from voting on the Board resolutions to approve the transactions contemplated under the Capital Increase Agreement.

## **6. INFORMATION RELATING TO THE PARTIES**

The Group is principally engaged in the manufacture of commercial vehicles (including trucks and buses), passenger vehicles (including basic passenger cars, MPVs and SUVs), engines and other auto parts. The Group is also engaged in other automotive-related businesses including vehicle and vehicle manufacturing equipment import/export businesses and the manufacture of vehicle manufacturing equipment, finance businesses, insurance agency businesses and used car businesses.

Dongfeng Hongtai is principally engaged in auto parts manufacturing and assembling, mould development and manufacturing, petroleum refining oil and sales (limited to licensed operation in branches), auto industry service, recycling of waste materials, automobile trading and aftersales service.

Wuhan Jingkai is principally engaged in operating management of state-owned assets, financial entrusted investment and project management, direct investment and entrusted investment, investment and financial consultation services for corporate capital operation, sales of real estate development and commodity housing within the scope of authorization.

## DEFINITIONS

“Assets Injection”	the injection by Dongfeng Hongtai of the Industrial Park Assets into Dongfeng Electric, pursuant to the Capital Increase Agreement
“Auto Parts Assembly Industrial Park”	the Dongfeng Hongtai Auto Parts Assembly Industrial Park* (東風鴻泰汽車零部件集成工業園) located at land lot 3MA of Wuhan Economic & Technological Development Zone at No. 17 Chuangyesan Road, Wuhan, Hubei, PRC
“Board”	the board of Directors
“Capital Contribution”	the capital contribution by Dongfeng Hongtai to the registered capital of Dongfeng Electric by way of the Assets Injection, and the issue of a total of 35,784,800 new DFE Shares to Dongfeng Hongtai, pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 14 September 2018 entered into between the Company, Dongfeng Hongtai, Wuhan Jingkai and Dongfeng Electric
“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
“DFE Share(s)”	the share(s) of Dongfeng Electric
“Directors”	director(s) of the Company
“Dongfeng Electric”	Dongfeng Electric Vehicle Co., Ltd* (東風電動車輛股份有限公司), a company incorporated in the PRC and a non-wholly-owned subsidiary of the Company

“Dongfeng Hongtai”	Dongfeng Hongtai Holdings Group Limited* (東風鴻泰控股集團有限公司), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of Dongfeng Motor Corporation, held as to 87.24% by Dongfeng Motor Corporation and 9.95% by Wuhan Jingkai
“Dongfeng Motor Corporation”	Dongfeng Motor Corporation (東風汽車集團有限公司), a state-owned enterprise incorporated under the laws of the PRC and the parent of the Company
EIC”	battery, electric machinery and electric control
“Group”	the Company and its subsidiaries from time to time
“Industrial Park Assets”	the tangible and intangible assets to be injected by Dongfeng Hongtai pursuant to the Capital Increase Agreement, including the Land Use Right and the buildings, structures and facilities located in the Auto Parts Assembly Industrial Park
“Land Use Right”	the land use right of land lot 3MA of Wuhan Economic & Technological Development Zone at No. 17 Chuangyuan Road, Wuhan, Hubei, PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, but for the purposes of this announcement only, excludes Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wuhan Jingkai”	Wuhan Jingkai Investment Limited* (武漢經開投資有限公司), a company incorporated in the PRC with limited liability
“%”	per cent.

By order of the Board  
**ZHU YANFENG**  
*Chairman*

Wuhan, the PRC, 14 September 2018

*As at the date of this announcement, Mr. Zhu Yanfeng and Mr. Li Shaozhu are the executive Directors, and Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei are the independent non-executive Directors.* 2.14

*\* For identification purposes only*