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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)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTION

INTRODUCTION

Dongfeng Motor Group Limited (the “**Company**”) is pleased to announce that on 29 August 2019, the Company entered into the Manufacturing Framework Agreement with its controlling shareholder, DFM, pursuant to which, the Parent Group agreed to manufacture and provide the Battery Electric Vehicles to the Dongfeng Motor Group.

LISTING RULES IMPLICATIONS

As of the date of this announcement, DFM was the controlling shareholder of the Company, holding approximately 66.86% equity interest in the total issued share capital of the Company. Therefore, DFM is a connected person of the Company as defined under Chapter 14A of the Listing Rules. Hence, the entering into Manufacturing Framework Agreement between the Company and DFM and transactions contemplated thereunder constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined in the Listing Rules) for this transaction exceeds 0.1% but are less than 5%, the entering into Manufacturing Framework Agreement and transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

INTRODUCTION

The Company is pleased to announce that, on 29 August 2019, the Company entered into the Manufacturing Framework Agreement with DFM, pursuant to which, the Parent Group agreed to manufacture and provide the battery electric vehicles (the “**Battery Electric Vehicles**”) to Dongfeng Motor Group.

SUMMARY OF THE MANUFACTURING FRAMEWORK AGREEMENT

The principal terms of the Manufacturing Framework Agreement are set out below:

Date: 29 August 2019

Parties: (1) the Company, as purchaser; and
(2) DFM, as manufacture

Subject Matter: During the term of the Manufacturing Framework Agreement, Dongfeng Motor Group may from time to time seek quotation from the Parent Group and deliver to the Parent Group a production order for the manufacture, assembly and supply of the Battery Electric Vehicles which shall specify quantity, production schedule, specifications, designs, quality standards and other information as may be appropriate. The Parent Group shall indicate to Dongfeng Motor Group in writing whether it accepts such order. Once accepted, Parent Group shall manufacture and supply Battery Electric Vehicles to Dongfeng Motor Group according to its requirements as specified in the production order and separate implementation agreement.

Pursuant to the Manufacturing Framework Agreement, corresponding vehicle systems, components, raw materials, parts, manufacturing equipment required in the manufacture of the Battery Electric Vehicles shall be specified in the production order by Dongfeng Motor Group, including but not limited to the designated suppliers, the quality, quantity and price of such components and parts.

During the term of the Manufacturing Framework Agreement, the parties shall enter into implementation agreements setting out further particulars on the manufacture and supply.

Term:	Three years from 1 September 2019 to 30 August 2022
Pricing:	The parties shall confirm the specific purchase price prior to the respective production orders are placed. The price for the Battery Electric Vehicles shall be determined with reference to the costs of parts and components and processing fee. The costs of parts and components are determined by the amount of parts and components used and the unit price which is negotiated from time to time between Dongfeng Motor Group and independent third party suppliers with reference to the market price. The processing fee consists of subassembly fee, warehouse and logistic fee, quality inspection fee and other reasonable fee.
Payment:	The transaction amount for the Battery Electric Vehicles purchased during the month shall be settled in cash by Dongfeng Motor Group by the last business day of the following month.

HISTORICAL AMOUNTS

There is no historical amount for the transactions under the Manufacturing Framework Agreement.

ANNUAL CAPS AND BASIS OF DETERMINATION

The proposed annual caps for the transactions contemplated under the Manufacturing Framework Agreement for periods indicated are as follows:

	For the four month ending 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021	For the eight months ending 31 August 2022
	<i>(RMB in millions)</i>			
Purchase price payable by Dongfeng Motor Group to the Parent Group	800	1,500	2,000	2,300

The proposed annual caps are determined primarily based on quantity of orders, quarter-on quarter sales forecast based on our business expansion plan and expected market condition.

REASONS FOR AND BENEFITS FROM THE TRANSACTIONS

Dongfeng Motor Group would like to expand its new energy vehicles business for sale of battery electric vehicles. Parent Group was a qualified manufacturer of battery electric vehicles and was able to manufacture and supply such vehicles to Dongfeng Motor Group at a competitive price. In addition, the historical and long-term cooperation between Dongfeng Motor Group and The Parent Group enabled the Parent Group to gain a comprehensive and deep understanding of Dongfeng Motor Group's business as well as its needs for manufacturing vehicles. Having considered our business needs, previous purchasing experience and our long-term and stable cooperation with The Parent Group, our Directors consider that The Parent Group is capable of fulfilling our demands in a reliable and cost-effective manner and it is in the interest of Dongfeng Motor Group to enter into the Manufacturing Framework Agreement.

OPINION OF THE BOARD

Taking into account the factors mentioned above, the Directors (including the independent non-executive Directors) consider that it is in the best interests of the Company and its shareholders as a whole to enter into the Manufacturing Framework Agreement (and the transactions contemplated thereunder) and the terms of the Manufacturing Framework Agreement are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Company.

INFORMATION RELATING TO THE PARTIES

The Company 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 Company 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.

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 services and products.

LISTING RULES IMPLICATION

As of the date of this announcement, DFM was the controlling shareholder of the Company, holding approximately 66.86% equity interest in the total issued share capital of the Company. Therefore, DFM is a connected person of the Company as defined under Chapter 14A of the Listing Rules. Hence, the entering into Manufacturing Framework Agreement between the Company and DFM and transactions contemplated thereunder constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined in the Listing Rules) for this transaction exceed 0.1% but are less than 5%, the entering into Manufacturing Framework Agreement and transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the transactions contemplated under the Manufacturing Framework Agreement and has abstained from voting on such resolutions to approve the transactions contemplated under the Manufacturing Framework Agreement and the proposed annual caps thereunder.

DEFINITIONS

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“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 ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dongfeng Joint Venture Companies”	Jointly-controlled Entities in which the Company, its subsidiaries or jointly controlled entities (including their respective subsidiaries and jointly controlled entities) have equity interests as at 31 December 2018

“DFM”	Dongfeng Motor Corporation (東風汽車集團有限公司), the controlling shareholder of the Company, a state-owned enterprise established under the laws of the PRC
“Parent Group”	DFM, its subsidiaries and its associates (excluding the Dongfeng Motor Group)
“Dongfeng Motor Group”	the Company, the Dongfeng Joint Venture Companies and their respective subsidiaries and associates
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“H Shares”	overseas listed foreign shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, but for the purposes of this announcement only, excludes Hong Kong, 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
“Manufacturing Framework Agreement”	the whole vehicle manufacturing framework agreement entered into between the Company and DFM on 29 August 2019, pursuant to which, Parent Group agreed to manufacture and provide the Battery Electric Vehicles to Dongfeng Motor Group
“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, 29 August 2019

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.

** For identification purposes only*