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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 - FORMATION OF JOINT VENTURE
COMPANY
AND
REVISION OF ANNUAL CAP FOR MASTER LOGISTICS SERVICES
AGREEMENT**

FORMATION OF JOINT VENTURE COMPANY

The Board is pleased to announce that each of DFM and DF Import & Export has contributed RMB 950,000 and RMB 50,000 respectively and formed the JV Company on 15 January 2020 as a preliminary step. On 16 January 2020, the JV Company, DF Import & Export (a direct subsidiary of the Company), Dongfeng South Industrial (a Jointly-controlled Entity of the Company), Shanghai Shenyue (an indirect subsidiary of the Company), DFM and four Independent Third Parties entered into the Agreement of Assets Acquisition By Issuing Shares pursuant to which the parties agreed to inject their respective equity interests in Dong Hon Logistics, Fengshen Logistics and Checheng Logistics into the JV Company.

The capital investment by DF Import & Export is cash in the amount of RMB 50,000 and its 35% equity interest in Dong Hon Logistics. The capital investment by Shanghai Shenyue is its 15% equity interest in Dong Hon Logistics. The remaining 50% equity interest in Dong Hon Logistics will be kept by its original shareholders and will not be injected into the JV Company. The capital investment by Dongfeng South Industrial is its 50% equity interest in Fengshen Logistics. The remaining 50% equity interest in Fengshen Logistics will be contributed into the JV Company by Tongda Group and Shengze Jietong, both of which are Independent Third Parties. The capital investment by DFM is cash in the amount of RMB 950,000 and its 70.46% equity interest in Checheng Logistics. The remaining 29.54% equity interest in Checheng Logistics will be contributed into the JV Company by Huizhou Public Transport and Huizhou Daya Bay, both of which are Independent Third Parties.

After completion of the above-mentioned injection of the equity interests, the JV Company will hold 50% equity interest of Dong Hon Logistics, 100% equity interest of Fengshen Logistics, 100% equity interest of Checheng Logistics. The equity interest of the JV Company will be held as to 36.66% by DFM, as to 35.55% by the Group and the remaining

29.79% will be held by Independent Third Parties. The JV Company will become a subsidiary of DFM.

As of the date of this announcement, DFM holds approximately 66.86% equity interest in the total issued share capital of the Company, thus DFM is a connected person of the Company under the Listing Rules. Accordingly, the formation of the JV Company under the Agreement of Assets Acquisition By Issuing Shares between, among others, the Company's subsidiaries/Jointly-controlled Entity and DFM, will constitute a connected transaction of the Company. As the highest applicable percentage ratio in respect of the Agreement of Assets Acquisition By Issuing Shares exceeds 0.1% but is less than 5%, the Agreement of Assets Acquisition By Issuing Shares is subject to the reporting and announcement requirements and is exempt from the circular (including independent financial advice) and the shareholders' approval requirements under Chapter 14A of the Listing Rules.

REVISION OF ANNUAL CAP FOR MASTER LOGISTICS SERVICES AGREEMENT

Reference was made to the announcement of the Company dated 30 December 2019 in respect of a series of continuing connected transactions which include, among others, the execution of Master Logistics Services Agreement and the approval from the Board on the proposed annual caps (the "**Existing Annual Caps**") for the transactions contemplated under the Master Logistics Services Agreement for each of the three financial years ending 31 December 2022.

After completion of the establishment of the JV Company as contemplated under the Agreement of Assets Acquisition by Issuing Shares, each of Fengshen Logistics and Dong Hon Logistics will cease to be a Jointly-controlled Entity of the Company, Fengshen Logistics will become an indirect subsidiary of DFM and Dong Hon Logistics will become a Jointly-controlled Entity of DFM. As of the date of this announcement, DFM holds approximately 66.86% equity interest in the total issued share capital of the Company, thus DFM and its subsidiaries are connected persons of the Company under the Listing Rules. Accordingly, the logistics transactions between the Group and each of Fengshen Logistics and Dong Hon Logistics will become continuing connected transactions after the completion of the establishment of the JV Company, falling under the Master Logistics Services Agreement. The Directors believe that the Existing Annual Caps will not be sufficient for the Group's business needs and therefore approved to increase the Existing Annual Caps (the "**Revised Annual Caps**").

As the highest applicable percentage ratio of the proposed Revised Annual Caps for the three years ending 31 December 2022 is expected to be more than 5%, the continuing connected transactions under the Master Logistics Services Agreement with the proposed Revised Annual Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements for continuing connected transactions under Chapter 14A of the Listing Rules.

I FORMATION OF JOINT VENTURE COMPANY

A. Introduction

To facilitate the process of establishing the JV Company, each of DFM and DF Import & Export has contributed RMB 950,000 and RMB 50,000 respectively and formed the JV Company on 15 January 2020 as a preliminary step. On 16 January 2020, the JV Company, DF Import & Export (a direct subsidiary of the Company), Dongfeng South

Industrial (a Jointly-controlled Entity of the Company), Shanghai Shenyue (an indirect subsidiary of the Company), DFM and four Independent Third Parties entered into the Agreement of Assets Acquisition By Issuing Shares pursuant to which the parties agreed to inject their respective equity interests in Dong Hon Logistics, Fengshen Logistics and Checheng Logistics into the JV Company.

The business scope of the JV Company includes inland river cargo transportation; coastal cargo transportation, non-vessel shipping business, warehousing service (excluding hazardous chemicals), logistics information consultancy service, vessel leasing, packaging design (excluding printing), packaging service (excluding printing), cargo transportation agency, import and export of goods or technology (excluding those prohibited by the PRC or involved in administrative approval), manufacture, wholesale and retail of automobile parts and components, automobile sales service, etc. After the establishment of the JV Company, DFM will integrate the logistics services resources of Dong Hon Logistics, Fengshen Logistics and Checheng Logistics. The integration will achieve the coordinated planning of highways, railways and water transportation and will enhance the business concentration to form collective effect, which will achieve the synergy of logistics network and transportation capacity, storage resources sharing and logistics standardization, the quality of the logistics service will therefore be improved. Benefiting from the resource concentration achieved by DFM and the synergies generated by the logistics integration, the logistics cost of the Group will be reduced, which will improve the competitiveness of the Group.

B. Summary of Agreement of Assets Acquisition By Issuing Shares

The major terms of the Agreement of Assets Acquisition By Issuing Shares are set out as follows:

Date:	16 January 2020				
Parties:	(1) DFM, the controlling shareholder of the Company (2) DF Import & Export, a direct subsidiary of the Company (3) Dongfeng South Industrial, an indirect subsidiary of the Company (4) Shanghai Shenyue, an indirect subsidiary of the Company (5) Tongda Group, an Independent Third Party (6) Huizhou Public Transport, an Independent Third Party (7) Huizhou Daya Bay, an Independent Third Party (8) Shengze Jietong, an Independent Third Party (9) JV Company (the " Parties ")				
Registered Capital:	RMB800 million				
Capital commitment	Number	Seller	Target Assets	Appraised Value ^(Note 1) (Unit: RMB)	Transaction Price (Unit: RMB')

and valuation:	1	DFM	70.46% equity interest in Checheng Logistics	1,316,346,613	1,316,346,613
	2	Huizhou Public Transport	14.77% equity interest in Checheng Logistics	275,935,843	275,935,843
	3	Huizhou Daya Bay	DMC Logistic 14.77% equity interest in Checheng Logistics	275,935,843	275,935,843
	4	Dongfeng South Industrial	50% equity interest in Fengshen Logistics	518,462,300	518,462,300
	5	Tongda Group	30% equity interest in Fengshen Logistic	311,077,380	311,077,380
	6	Shengze Jietong	20% equity interest in Fengshen Logistic	207,384,920	207,384,920
	7	DF Import & Export	35% equity interest in Dong Hon Logistics	480,866,435	480,866,435
	8	Shanghai Shenyue	15% equity interest in Dong Hon Logistics	206,085,615	206,085,615
	<i>Note 1: According to the asset valuation report issued by Zhongshuizhiyuan Asset Appraisal Co.,Ltd. at the valuation benchmark date (i.e. 30 June 2019) which is registered under the state-owned asset valuation system, the appraisal value of the entire equity interest in Checheng Logistics is RMB1,868,218,299 (based on income approach); the appraisal value of the entire equity interest in Fengshen Logistics is RMB1,036,924,600 (based on cost approach); the appraisal value of the 50% equity interest in Dong Hon Logistics is RMB686,952,050 (based on income approach).</i>				
The JV Company will hold 50% equity interest of Dong Hon Logistics, 100% equity interest of Fengshen Logistics, 100% equity interest of Checheng Logistics.					
Shareholding structure after Completion	DFM, 36.66% Dongfeng South Industrial, 14.43% DF Import & Export, 13.38% Tongda Group, 8.66% Huizhou Public Transport. 7.68%				

of this Agreement:	<p>Huizhou Daya Bay, 7.68%</p> <p>Shengze Jietong, 5.77%</p> <p>Shanghai Shenyue, 5.74%</p> <p>The equity interest of the JV Company will be held as to 36.66% by DFM, as to 33.55% by the Group and the remaining 29.79% will be held by four shareholders which are Independent Third Parties. The JV Company will become a subsidiary of the DFM.</p>
Completion of this Agreement:	<p>Within 5 days after signing this Agreement, the Parties shall cooperate with each other and complete anti-monopoly declaration procedure (if necessary) involved in this transaction as soon as possible in accordance with relevant laws and regulations; within 15 days from the date of examination and approval of anti-monopoly, the Parties shall cooperate with each other and complete the modification registration formalities for transfer of assets with the Administration for Market Regulation as soon as possible. The asset closing date of this transaction shall be the date of completion of the modification registration formalities for transfer of assets held by the Parties (except the JV Company) with the Administration for Market Regulation. From the asset closing day (including this day), the shareholders' rights, obligations, risks and responsibilities on target assets shall be enjoyed and borne by the JV Company.</p>
Composition of the board of directors of the JV Company:	<p>After completing this transaction, the board of directors of the JV Company consists of seven(7) directors: three(3) directors designated by DFM, one(1) directors designated by DF Import & Export, one(1) director designated by Dongfeng South Industrial , one(1) director designated by Tongda Group and Shengze Jietong (one(1) director of the 1st the board of directors designated by Tongda Group, and one(1) director of the 2nd board of directors designated by Shengze Jietong (i.e. this director is designated by Tongda Group and Shengze Jietong in turn)) and one(1) employee director. One(1) observer attending meetings of the board of directors is designated by Huizhou Public Transportation and Huizhou Daya Bay respectively.</p>
Composition of the senior management of the JV Company:	<p>The general manager is appointed by DFM.</p>
Composition of the supervisory committee of the JV Company:	<p>After completing this transaction, the board of supervisors of the JV Company consists of three(3) directors: one(1) supervisor designated by DFM; one(1) supervisor designated by DF Import & Export; and one(1) employee supervisor.</p>
Profit and Loss arrangement during transitional period:	<p>The Partis shall do special auditing for target assets from June 30, 2019 (excludes this day) to December 31, 2019 ("Transition Period"), and profits or losses generated by target assets during the Transition Period shall be enjoyed or borne by the original shareholders; profits or losses generated by target assets from January 1, 2020 to the asset closing date shall be enjoyed or borne by the JV Company.</p>

C. Financial Impact of the Formation of JV Company to the Group

After completion of the transactions contemplated under the Agreement of Assets Acquisition By Issuing Shares, Dong Hon Logistics and Fengshen Logistics will no longer be a Jointly-controlled Entity of the Group.

(1) Wuhan Dong Hon Logistics Co., Ltd.

The book value of Dong Hon Logistics as at 30 June 2019 is RMB78.87 million (unaudited). The net profit / (loss) (before and after taxation) of Dong Hon Logistics for the two years ended 31 December 2018 and 31 December 2017 are as follows:

	For the year ended 31 December 2018 RMB million (audited)	For the year ended 31 December 2017 RMB million (audited)
Net profit / (loss) before tax	215.37	180.36
Net profit / (loss) after tax	170.21	131.39

The Company will record a gain of RMB608.08 million after the completion of injection of the 50% equity interest of Dong Hon Logistics into the JV Company, being the difference between the book value and the valuation of the 50% equity interest held by the Company in Dong Hon Logistics.

(2) Fengshen Logistics

The book value of Fengshen Logistics as at 30 June 2019 is RMB282.14 million (unaudited). The net profit / (loss) (before and after taxation) of Fengshen Logistics for the two years ended 31 December 2018 and 31 December 2017 are as follows:

	For the year ended 31 December 2018 RMB million (audited)	For the year ended 31 December 2017 RMB million (audited)
Net profit / (loss) before tax	96.19	91.37
Net profit / (loss) after tax	83.90	70.75

The Company will record a gain of RMB236.32 million after the completion of injection of the 50% equity interest of Fengshen Logistics into the JV Company, being the difference between the book value and the valuation of the 50% equity interest held by the Company in Fengshen Logistics.

D. Opinion of the Board

None of the Directors has a material interest in the transactions contemplated under the Agreement of Assets Acquisition By Issuing Shares, thus none of the Directors

abstained from voting on the board resolution to approve the Agreement of Assets Acquisition By Issuing Shares.

The Directors consider that, after the establishment of the JV Company, DFM will integrate the logistics services resources of Dong Hon Logistics, Fengshen Logistics and Checheng Logistics. The integration will achieve the coordinated planning of highways, railways and water transportation and will enhance the business concentration to form collective effect, which will achieve the synergy of logistics network and transportation capacity, storage resources sharing and logistics standardization, the quality of the logistics service will therefore be improved. Benefiting from the resource concentration achieved by DFM and the synergies generated by the logistics integration, the logistics cost of the Group will be reduced, which will improve the competitiveness of the Group.

The Directors (including the independent non-executive Directors) believe that the terms of the Agreement of Assets Acquisition By Issuing Shares are fair and reasonable and on normal commercial terms and the entering into the Agreement of Assets Acquisition By Issuing Shares and the transaction contemplated thereunder are in the interests of the Company and its shareholders as a whole.

The Company will consider, after assessing the operation status of the JV Company and the relevant market conditions, to become the largest shareholder of the JV Company either by acquiring additional equity interest of the JV Company from other shareholder(s) of the JV Company or making additional capital contribution into the JV Company.

E. Implications under the Listing Rules

As of the date of this announcement, DFM holds approximately 66.86% equity interest in the total issued share capital of the Company, thus DFM is a connected person of the Company under the Listing Rules. Accordingly, the formation of the JV Company under the Agreement of Assets Acquisition By Issuing Shares between, among others, the Company's subsidiaries/Jointly-controlled Entity and DFM, will constitute a connected transaction of the Company.

As the highest applicable percentage ratio in respect of the Agreement of Assets Acquisition By Issuing Shares exceeds 0.1% but is less than 5%, the Agreement of Assets Acquisition By Issuing Shares is subject to the reporting and announcement requirements and is exempt from the circular (including independent financial advice) and the shareholders' approval requirements under Chapter 14A of the Listing Rules.

F. Disclosure in relation to Rule 14A.68(7), Rule 14.61 and 14.62 of the Listing Rules

The valuation result of 50% equity interest of Dong Hon Logistics was arrived at based on the income approach, which takes into account the discounted cash flows of Dong Hon Logistics, and thus constitutes a profit forecast (the "**Profit Forecast**") under Rule 14.61 of the Listing Rules. Accordingly, the requirements under Rules 14A.68(7) and 14.62 of the Listing Rules are applicable.

The Profit Forecast are prepared based on the following principal assumptions:

1. Basic Assumptions:

(1) Trading Assumption: it is assumed that all the assets to be appraised have been in the process of transaction, asset appraisers will evaluate the assets by simulating markets based on transaction conditions.

(2) Open Market Assumption: An open market assumption is an assumption of the conditions of the market in which the assets are intended to enter and the influence on the assets under such market conditions. Open market represents the fully developed and comprehensive market conditions, and is a market in which voluntary purchasers and sellers compete with each other on an equal basis. In the market, both purchasers and sellers have ample opportunity and time to acquire sufficient market information and their trading are on a voluntary, rational and not mandatory, or unrestricted basis.

(3) Continuous Use Assumption: the continuous use assumption is an assumption of the conditions of the market in which the assets are intended to enter and the status of the assets under such market conditions. Firstly, the assets appraised are being used, and secondly, it is assumed that the assets being used will still be in use. Under the assumption conditions, the scope of usage of the appraised results is limited without taking into account the conversion of the use of assets or the best utilization conditions.

(4) Corporate Continuous Operation Assumption: the production and operation business of the appraised entity is assumed to continue in the current state, and there will be no material changes in its operating conditions during the foreseeable operating period.

2. Special Assumptions:

(1) the external economic environment remains unchanged on the base date of the assessment and that there is no major change in the current national macroeconomic. There is no other major adverse effect caused by unpredictable or force majeure factors.

(2) There will be no material changes to the national economical environment and policies such as tax levied and tax rates implemented by the company being evaluated.

(3) The company's future management team will act with due diligence and continue to maintain the existing business management model.

(4) It is assumed that Dong Hon Logistics's various business-related qualifications can successfully be approved by relevant authorities after the expiration of the validity period, and the industry qualifications will continue to be valid.

(5) It is assumed that the company being evaluated fully complies with all relevant laws and regulations in PRC and is in line with the PRC's industrial policies. There will be no major violations that affect the development and revenue réalisation of the company being evaluated.

(6) The evaluation is based on the actual stock of the assets on the evaluation reference date, and the evaluation of current market price of relevant assets is based on the domestic effective price on the evaluation reference date.

(7) It is assumed that after the evaluation reference date, the accounting policies adopted by the company being evaluated and the accounting policies adopted in the preparation of this evaluation report are consistent in important aspects.

(8) It is assumed that the business scope and methods of the company being evaluated will be the same as the current ones based on the existing management methods and management levels.

(9) It is assumed that company will keep its existing credit policies unchanged in the future. It will not encounter major problems with money recovery.

(10) It is assumed that the basic and financial information provided by the company being evaluated is true, accurate and complete.

The reporting accountant of the Company, Grant Thornton (Special General Partnership), confirmed that they have reviewed the calculations of the Profit Forecast.

The Board has reviewed the principal assumptions upon which the Profit Forecast are based and is of the view that the Profit Forecast has been made after due and careful enquiry by the Directors of the Company.

II REVISION OF ANNUAL CAP FOR MASTER LOGISTICS SERVICES AGREEMENT

A. Introduction

Reference was made to the announcement of the Company dated 30 December 2019 in respect of a series of continuing connected transactions which include, among others, the execution of Master Logistics Services Agreement and the approval from the Board on the proposed annual caps (the "**Existing Annual Caps**") for the transactions contemplated under the Master Logistics Services Agreement for each of the financial years ending 31 December 2020, 31 December 2021 and 31 December 2022.

After completion of the establishment of the JV Company as contemplated under the Agreement of Assets Acquisition by Issuing Shares, each of Fengshen Logistics and Dong Hon Logistics will cease to be a Jointly-controlled Entity of the Company, Fengshen Logistics will become an indirect subsidiary of DFM and Dong Hon Logistics will become a Jointly-controlled Entity of DFM. As of the date of this announcement, DFM holds approximately 66.86% equity interest in the total issued share capital of the Company, thus DFM and its subsidiaries are connected persons of the Company under the Listing Rules. Accordingly, the logistics transactions between the Group and each of Fengshen Logistics and Dong Hon Logistics will become continuing connected transactions after the completion of the establishment of the JV Company, falling under the Master Logistics Services Agreement. The Directors believe that the Existing Annual Caps will not be sufficient for the Group's business needs and therefore approved to increase the Existing Annual Caps (the "**Revised Annual Caps**").

B. Summary of the Master Logistics Services Agreement

On 28 December 2019, the Company and DFM entered into the Master Logistics Services Agreement, the principal terms of which are set out below:

Date: 28 December 2019

Parties: (1) the Company

(2) DFM

Subject matter: Pursuant to the Master Logistics Services Agreement, DFM agreed to provide and procure its subsidiaries to provide logistics services regarding the whole vehicle and auto parts related business to the Group. During the term of the Master Logistics Services Agreement, the Company and its subsidiaries may from time to time enter into individual agreement(s) or sales orders with DFM and its subsidiaries setting out particulars regarding the provision of logistics services to the Group.

Term: Three years from 1 January 2020 to 31 December 2022 (both days inclusive)

Pricing: The price under the Master Logistics Services Agreement will be agreed within the range of the government-guided price prescribed or approved by state or local price control department (if any) and where there is no government-guided price, at market price.

Market price is defined as: (1) the prevailing fair price charged by independent third parties in areas where the logistics services are provided or in nearby areas for providing similar logistics services on normal commercial terms; or (2) the prevailing reasonable price charged by independent third parties on normal commercial terms for providing similar logistics services.

Although it is not part of the terms of the Master Logistics Services Agreement, the marketing department of the Company will collect the relevant market information, review and compare the quotations obtained from at least two independent suppliers for identical or comparable services, 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 services in the preceding year and the competition status when reviewing the fee quotes. The procurement department of the Company will further submit the fee quotes to the management of the Company for review and approval. Through the above-mentioned pricing mechanisms, the Company will be able to understand the market and assure the rationality of purchase price

C. Revision of Annual Caps

(1) Historical Transaction Amounts

The historical cumulative transaction amounts in relation to provision of logistics services to the Group by DFM and/or its subsidiaries are as follows:

Historical Transaction Amounts (RMB million)		
For the year ended 31 December 2017 (unaudited)	For the year ended 31 December 2018 (unaudited)	For the ten months ended 31 October 2019 (unaudited)
1,443	1,802	1,471

(2) Existing Annual Caps

The Existing Annual Caps for the transactions contemplated under the Master Logistics Services Agreement for each of the three financial years ending 31 December 2022 respectively are as follows:

	For the financial year ending 31 December		
	2020	2021	2022
RMB million	2,800	2,800	2,800
(approximately HKD million)	3159.91	3159.91	3159.91

(3) Revised Annual Caps

The Revised Annual Caps for the transactions contemplated under the Master Logistics Services Agreement for each of the financial years ending 31 December 2022 respectively are as follows:

	For the financial year ending 31 December		
	2020	2021	2022
RMB million	8,000	8,500	9,000
(approximately HKD million)	9028.33	9592.60	10156.87

The increase of the proposed annual caps are based on (1) the historical logistics transaction amount between the Group (other than Fengshen Logistics and Dong Hon Logistics) and Fengshen Logistics and Dong Hon Logistics, which was approximately RMB4,465 million, RMB4,481 million and RMB4,370 million for each of the three financial years ended 31 December 2019, and (2) the expected increase of vehicle sale volumes and estimated demand for the logistics services of the Group in the upcoming three years.

D. Opinion from the Board

None of the Directors has a material interest in the transactions contemplated under the Master Logistics Services Agreement, thus none of the Directors abstained from voting on the board resolution to approve the Revised Annual Caps for the transactions under the Master Logistics Services Agreement.

The Group has received logistics services from a subsidiary of DFM since 2010. Taking into account the long-term cooperation between DFM and the Group, compared to other third parties, DFM can ensure uninterrupted logistics services provided to the Group at a competitive price. After the establishment of the JV Company, DFM will integrate the logistics services resources of Dong Hon Logistics, Fengshen Logistics and Checheng Logistics. The integration will achieve the coordinated planning of highways, railways and water transportation and will enhance the business concentration to form collective effect, which will achieve the synergy of logistics network and transportation capacity, storage resources sharing and logistics standardization, the quality of the logistics service will therefore be improved. Benefiting from the resource concentration achieved by DFM and the synergies generated by the logistics integration, the logistics cost of the Group will be reduced, which will improve the competitiveness of the Group.

Taking into account the factors mentioned above, the Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Master Logistics Services Agreement are conducted on normal commercial terms or better than those offered by other independent third parties and are entered into in the ordinary and usual course of business of the Company, thus the continuing connected transactions under the Master Logistics Services Agreement and the Revised Annual Caps are fair and reasonable and in the best interests of the Company and its shareholders as a whole.

An Independent Board Committee has been formed to advise the Independent Shareholders in respect of, among others, the Revised Annual Caps for the continuing connected transactions contemplated under the Master Logistics Services Agreement. An Independent Financial Adviser will be appointed to advise the Independent Board Committee on the above.

E. Listing Rules Implications

As of the date of this announcement, DFM holds approximately 66.86% equity interest in the total issued share capital of the Company, thus DFM and its subsidiaries are connected persons of the Company under the Listing Rules. Accordingly, the logistics transactions between the Group and each of Fengshen Logistics and Dong Hon Logistics will become continuing connected transactions after the completion of the establishment of the JV Company, falling under the Master Logistics Services Agreement.

As the highest applicable percentage ratio of the proposed Revised Annual Caps for the three years ending 31 December 2022 is expected to be more than 5%, the continuing connected transactions under the Master Logistics Services Agreement with the proposed Revised Annual Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements for continuing connected transactions under Chapter 14A of the Listing Rules.

In light of the current schedule of the establishment of the JV Company, a circular containing, among others, (i) details of the Revised Annual Caps; (ii) a letter from the Independent Financial Adviser to the Independent Board Committee and the

Independent Shareholders containing its advice on the continuing connected transactions under the Master Logistics Services Agreement and the Revised Annual Caps as set out in this announcement; and (iii) the recommendation of the Independent Board Committee in respect of the continuing connected transactions under the Master Logistics Services Agreement and the Revised Annual Caps as set out in this announcement, will be dispatched to the Shareholders on or around 30 April 2020. DFM and its associates will abstain from voting on the resolution in respect of the Revised Annual Caps at the upcoming general meeting.

III. 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.

DFM is the controlling shareholder of the Company and it is principally engaged in the manufacture and supply of commercial vehicles, passenger vehicles, electric vehicles as well as ancillary services and products.

Fengshen Logistics is principally engaged in retail of auto parts, other warehousing (excludes crude and refined oil storage, gas storage and hazardous articles storage, mechanical equipment leasing, logistics agency service, mechanical parts processing, loading and uploading transportation, packaging, sales of packaging materials, transportation consulting service, wholesale of auto parts, information system integration service, information technology consulting service, leasing, metal product repair, metal packaging container manufacturing, wooden container manufacturing, plastic packaging box and container manufacturing, paper and cardboard container manufacturing, road freight transportation and dangerous chemicals transportation).

Dong Hon Logistics is principally engaged in import and export custody agency business, general cargo, warehousing, delivery, auto parts manufacturing and assembling, logistics consulting service, bales and production and sales of bales materials.

Checheng Logistics is principally engaged in logistics and warehousing (excludes dangerous articles), passenger car, commercial vehicle and transportation of auto parts, general cargo, container transportation, sales of cars and auto parts, metal structure processing and manufacturing, auto parts processing and manufacturing, vehicle maintenance, railway freight transport agency, waterway freight transportation agency, intermodal agency, domestic and international freight transport agency, real estate operation and property service .

Dongfeng South Industrial is principally engaged in setting up industries; operation, management, rent and maintenance of self-owned property; vehicles (including cars); buying and selling of auto parts, hardware & electrical material, electromechanical device, metal materials, building materials, decoration materials, software and hardware of computers and other domestic business and materials supply and marketing .

DF Import & Export is principally engaged in import and export of goods and services (excludes import and export of goods and services forbidden by the state or involved in the administration examination and approval); processing with materials and processing and compensation trades; operating entrepot trade and counter trade; processing on the imported materials, including wholesale and retail of vehicles (including cars), import and retail of steel

products; business housing rental; labour service; vehicle technology consultation (excludes vehicle maintenance); authentication proxy .

Shanghai Shenyue is principally engaged in auto parts, motorcycle parts, instrumentation, manufacturing of electronic products, electromechanical device, household appliances, knitwear cotton, ferrous metals, hardware tools, general merchandise, sales of building materials.

Tongda Group is a leading automobile distributor group in China, mainly engaged in automobile sales and other related services.

Huizhou Public Transport is principally engaged in state-owned assets management within the scope of government authorization, asset custody and asset lease.

Huizhou Daya Bay is principally engaged in real estate operation; steel products, non-ferrous metals, building materials, wood-based panel, decorative and processed board, wallpaper, general machine, chemical products (excludes dangerous chemical products); daily provisions, hardware & electric material (excludes those regulated by special provisions of the state) and textiles.

Shengze Jietong is principally engaged in warehousing; general cargo; vehicle lease; coastal freight transportation ; inland waterway freight transportation; hardware & electric material; wholesale and retail of electromechanical equipment .

DEFINITIONS

“Agreement of Assets Acquisition By Issuing Shares”	means the agreement of assets acquisition by issuing shares entered into between the JV Company, DFM, DF Import & Export, Dongfeng South Industrial, Shanghai Shenyue, Tongda Group, Huizhou Public Transport, Huizhou Public Transport, Shengze Jietong in respect of the formation of the JV Company;
“Board”	means 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 company incorporated in the PRC with limited liability and the H shares of which are listed on the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“DF Import & Export”	China Dongfeng Motor Industry Imp. & Exp. Co., Ltd (中國東風汽車工業進出口有限公司), a limited liability company incorporated in the PRC and a subsidiary of the Company, whose 100% equity interest is directly and indirectly held by the Company;

“Dongfeng South Industrial”	Shenzhen DFS Industrial Group Co.,Ltd. (深圳市東風南方實業集團有限公司), a limited liability company incorporated in the PRC and a Jointly-controlled Entity of the Company, which is owned as to 95% by a Jointly-controlled Entity of the Company and 5% by a subsidiary of the Company;
“DFM”	Dongfeng Motor Corporation (東風汽車集團有限公司), controlling shareholder of the Company, a state-owned enterprise established under the laws of the PRC, which holds approximately 66.86% equity interest in the total issued share capital of the Company;
“Checheng Logistics”	Dongfeng Checheng Logistics Co., Ltd. (東風車城物流股份有限公司), a company limited incorporated in the PRC, whose 70.46% equity interest is held by DFM, 14.77% equity interest is held by Huizhou Public Transportation and 14.77% equity interest is held by Huizhou Daya Bay.
“Dong Hon Logistics”	Wuhan Dong Hon Logistics Co., Ltd. (武漢東本儲運有限公司), a limited liability company incorporated in the PRC, a Jointly-controlled Entity whose 35% equity interest is held by DF Import & Export (a direct subsidiary of the Company) and 15% equity interest is held by Shanghai Shenyue (an indirect subsidiary of the Company);
“Fengshen Logistics”	Fengshen Logistics Co., Ltd.* (風神物流有限公司) a limited liability company incorporated in the PRC, a Jointly-controlled Entity whose 50% equity interest is held by Dongfeng South Industrial (a Jointly-controlled Entity of the Company);
“Group”	the Company and its subsidiaries;
“HKD”	Hong Kong dollar, the lawful currency of Hong Kong;
“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;
“Huizhou Daya Bay”	Huizhou Daya Bay Economic and Technological Development Group Co., Ltd.* (惠州市大亞灣經濟技術開發集團有限公司), a wholly state-owned enterprise incorporated in the PRC, which is an Independent Third Party of the Company;
“Huizhou Public Transport”	<i>Huizhou Public Transport Assets Management Co., Ltd.</i> * (惠州市工交資產經營有限公司), a wholly state-owned enterprise incorporated in the PRC, which is an Independent Third Party of the Company;
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely, Mr. Ma Zhigeng, Mr. Zhang Xiaotie, and Mr. Chen Yunfei, formed to consider, among others, the Revised Annual Caps;
“Independent Financial Adviser”	the independent financial adviser to be appointed to make the relevant recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Revised Annual Caps;
“Independent Shareholders”	the Shareholders other than DFM and its associates who are legally and/or beneficially interested in the shares of the Company;
“Independent Third Party(ies)”	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules;
“Jointly-controlled Entity”	means a Joint Venture Company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. A joint venture party’s investments in its Jointly-controlled Entities can be accounted for by proportionate consolidation, which involves recognizing a proportionate share of the joint venture’s assets, liabilities, income and expenses with similar items in the consolidated financial statements of the joint venture party on a line-by-line basis. When the profit sharing ratio is different to the joint venture party’s equity interests in the Jointly-controlled

	<p>Entities, the joint venture party's share of their assets, liabilities, income and expenses is determined based on the agreed profit sharing ratio. The results of Jointly-controlled Entities are included in the joint venture party's profit and loss account to the extent of dividends received and receivable. The joint venture party's investments in Jointly-controlled Entities are treated as long term assets and are stated at cost less impairment losses;</p>
"Joint Venture Company"	<p>means a company set up by contractual agreement, whereby joint venture parties undertake an economic activity. A joint venture company operates as a separate entity in which each party has an interest. The joint venture agreement between the ventures stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realized upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the ventures, either in proportion to their respective capital contributions, or in accordance with terms of the joint venture agreement. A joint venture company is treated by a joint venture party as:</p> <p>(a) a subsidiary, if the joint venture party has unilateral control, directly or indirectly, over the joint venture company;</p> <p>(b) a jointly-controlled entity, if the joint venture party does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;</p> <p>(c) an associate, if the joint venture party does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20 per cent. of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or</p> <p>(d) an investment, if the joint venture party holds, directly or indirectly, less than 20 per cent. Of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company;</p>

“JV Company”	means Dongfeng Logistic (Wu Han) Co., Ltd.* (东风物流 (武汉) 股份有限公司), a joint stock company incorporated in the PRC with limited liability as adjusted pursuant to the Agreement of Assets Acquisition By Issuing Shares, whose name is subject to approval by the relevant PRC government authorities;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Logistics Services Agreement”	a master agreement entered into between the Company and DFM on 28 December 2019, pursuant to which DFM agrees to provide and procure its subsidiaries to provide logistics services regarding the whole vehicle and auto parts related business to the Group;
“PRC”	the People’s Republic of China, but for the purposes of this announcement only, excludes Hong Kong, Macau and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shanghai Shenyue”	Shanghai Shenyue Industrial Co., Ltd. *(上海神越實業與有限公司) , a limited liability company incorporated in the PRC and an indirect subsidiary of the Company, whose 100% equity interest is directly held by DF Import & Export;
“Shengze Jietong”	Shengzejietong Supply Chain Co., Ltd.* (聖澤捷通供應鏈有限公司) , a limited liability company incorporated in the PRC, which is an Independent Third Party of the Company.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	companies directly or indirectly controlled by the parties; and
“Tongda Group ”	Tongda Group (China) Co., Ltd. (通達集團 (中國) 有限公司), a limited liability company incorporated in the Hong Kong, China, which is an Independent Third Party of the Company;
“%”	Per cent.

Note: For illustration purpose only, the exchange rate used in this announcement is HKD1.00 = RMB 0.8861.

By order of the Board of Directors

ZHU YANFENG

Chairman

Wuhan, the PRC, 16 January 2020

As at the date of the announcement, Mr. Zhu Yanfeng and Mr. Li Shaozhu and Mr. You Zheng are the executive directors of the Company, Mr. Cheng Daoran is the non-executive director of the Company, and Mr. Ma Zhigeng, Mr. Zhang Xiaotie and Mr. Chen Yunfei are the independent non-executive directors of the Company.

** For identification purposes only*