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DONGFENG MOTOR GROUP COMPANY LIMITED*

东风汽车集团股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 489)

ANNOUNCEMENT

CONNECTED TRANSACTION

ACQUISITION OF LAND AND PROPERTIES

The Board is pleased to announce that the Company has entered into the Acquisition Agreement on 25 June 2010 with its parent, Dongfeng Motor Corporation for a consideration of RMB575,220,319.73 (equivalent to approximately HK\$655,751,164), pursuant to which the Company agreed to acquire, and Dongfeng Motor Corporation agreed to sell the Land and Properties.

Dongfeng Motor Corporation is the controlling shareholder of the Company, currently holding approximately 66.86% equity interests in the Company's registered capital. As such, Dongfeng Motor Corporation is a connected person of the Company and the Acquisition Agreement constitutes a connected transaction of the Company under the Listing Rules.

Each of the applicable percentage ratios (other than the profits ratio) under rule 14.07 of the Listing Rules for the Acquisition Agreement is greater than 0.1% and less than 5%. Accordingly, the transaction between the Company and Dongfeng Motor Corporation falls within rule 14A.32 of the Listing Rules and is therefore exempt from the independent shareholders' approval requirements. The Acquisition Agreement is only subject to the reporting and announcement requirements set out under rules 14A.45 to 14A.47 of the Listing Rules.

1. INTRODUCTION

The Board is pleased to announce that the Company has entered into the Acquisition Agreement on 25 June 2010 with its parent, Dongfeng Motor Corporation for a consideration of RMB575,220,319.73 (equivalent to approximately HK\$655,751,164), pursuant to which the Company agreed to acquire, and Dongfeng Motor Corporation agreed to sell the Land and Properties.

2. THE ACQUISITION AGREEMENT

The particulars of the Acquisition Agreement are summarised as follows:

Date

25 June 2010

Parties

Vendor: Dongfeng Motor Corporation

Purchaser: The Company

Subject matter

Subject to satisfaction of the conditions precedent under the Acquisition Agreement, the Company agreed to acquire, and Dongfeng Motor Corporation agreed to sell the Land and Properties, including:

- (1) the land use right of one parcel of industrial land located in 46MD and 47MD of Wuhan Economic & Technological Development Zone (which covers an area of approximately 752,280.93 square meters); and
- (2) the title of buildings constructed on the above land and fixtures attached to the above land as listed in the Acquisition Agreement.

Completion

Completion of the Acquisition Agreement is subject to the satisfaction of conditions precedent, including, but not limited to, the following:

- (1) the representations and warranties given by the parties being true, accurate and complete as at the date of the completion;
- (2) the Company's approval for entering into the Acquisition Agreement;
- (3) Dongfeng Motor Corporation's approval for entering into the Acquisition Agreement; and
- (4) the applicable approvals, consents, filings and registrations being obtained from the government authorities in the PRC.

3. CONSIDERATION

The consideration for the Acquisition Agreement is RMB575,220,319.73 (equivalent to approximately HK\$655,751,164), which will be paid in cash by the Company out of internal resources within 30 days after the Acquisition Agreement becomes effective upon due execution.

The parties to the Acquisition Agreement have engaged Zhonghe Asset Valuation Co., Ltd (中和資

產評估有限公司), an independent asset valuer registered with the Ministry of Finance of the PRC (中華人民共和國財政部), to perform an independent valuation of the net asset value of the Land and Properties to be acquired by the Company. In accordance with the relevant PRC laws and regulations relating to state-owned assets, the consideration under the Acquisition Agreement is required to be determined based on the appraised value of the Land and Properties by a certified valuer registered in the PRC. Accordingly, the consideration of the acquisition was arrived at based on the appraised value of the Land and Properties as reported by the independent valuer and after arm's length negotiations between the parties and on normal commercial terms.

4. BACKGROUND OF THE ACQUISITION AGREEMENT

Reference is made to the announcement of the Company on 27 May 2009 in relation to acquisition of the Own-brand Business from Dongfeng Motor Corporation. After the completion of the acquisition of the Land and Properties by the Company, the leasing agreement between Dongfeng Motor Corporation and the Company relating to the Land and Properties will be terminated.

The appraised value and the unaudited net asset value of the Land and Properties as at 31 March 2010 are RMB575,220,319.73 (equivalent to approximately HK\$655,751,164) and RMB517,811,215.13 (equivalent to approximately HK\$590,304,785), as set out in the asset valuation report prepared by Zhonghe Asset Valuation Co., Ltd (中和資產評估有限公司). The appraised value of the Land and Properties has been derived based on a cost method. During the latest two financial years ended 31 December 2009, the net profits attributable to the Land and Properties are approximately RMB33,059,800 and RMB60,440,200 (before taxation and extraordinary items) or approximately RMB21,338,000 and RMB53,640,200 (after taxation and extraordinary items) respectively. The original purchase cost of the land to Dongfeng Motor Corporation is approximately RMB180,547,423 and the book value of the buildings built on the land and the fixtures attached to the land is approximately RMB348,536,948.

5. REASONS FOR THE TRANSACTION

The Directors (including the independent non-executive Directors) are of the view that the acquisition of the Land and Properties from Dongfeng Motor Corporation has the following strategic importance:

- (1) upon the completion of the Acquisition Agreement, the Company will own the land use rights of the land and the titles of the buildings and fixtures attached to the land which are necessary for the operation and development of the Own-brand Business;
- (2) after acquiring the Land and Properties, the Company could better manage the Land and Properties in order to facilitate the development of the Own-brand Business; and
- (3) upon the completion of the Acquisition Agreement and termination of the leasing agreement relating to the Land and Properties, the annual costs on the Land and Properties incurred by the Company will be reduced significantly.

The Directors (including the independent non-executive Directors) confirm that the Acquisition Agreement was entered into on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. When considering the terms of the Acquisition Agreement, the independent non-executive Directors had considered, amongst others,

the following factors: the valuation of the Land and Properties, the prevailing market conditions, the available sources of the Group and other options available to the Group to purchase similar land and properties from third parties.

6. LISTING RULES IMPLICATIONS

Dongfeng Motor Corporation is the controlling shareholder of the Company, currently holding approximately 66.86% equity interests in the Company's registered capital. As such, Dongfeng Motor Corporation is a connected person of the Company and the Acquisition Agreement constitutes a connected transaction of the Company under the Listing Rules.

Based on the consideration to be paid by the Company under the Acquisition Agreement, each of the applicable percentage ratios (other than the profits ratio) under rule 14.07 of the Listing Rules is greater than 0.1% and less than 5%. Even if the transaction were to be aggregated with the acquisition of the Own-brand Business from Dongfeng Motor Corporation as announced by the Company on 27 May 2009 under rule 14A.25 of the Listing Rules, each of the applicable percentage ratios (other than the profits ratio) under rule 14.07 of the Listing Rules would still be less than 5%. Accordingly, the transaction between the Company and Dongfeng Motor Corporation falls within rule 14A.32 of the Listing Rules and is therefore exempt from the independent shareholders' approval requirements. The Acquisition Agreement is only subject to the reporting and announcement requirements set out under rules 14A.45 to 14A.47 of the Listing Rules.

None of the Directors has a material interest in the transaction contemplated under the Acquisition Agreement. Accordingly, none of them is required to abstain from voting on the relevant board resolution to approve the Acquisition Agreement and the transaction contemplated thereunder.

7. INFORMATION RELATING TO THE PARTIES

The Dongfeng Motor 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 Dongfeng Motor 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, auto finance businesses, insurance agency businesses and used car businesses.

Dongfeng Motor Corporation is principally engaged in the manufacture of diesel engines, commercial vehicles and passenger vehicles.

8. DEFINITIONS

"Acquisition Agreement" means the acquisition agreement entered into between the Company and Dongfeng Motor Corporation dated 25 June 2010, pursuant to which the Company agreed to acquire from Dongfeng Motor Corporation certain parcel of land and properties in relation to the own-brand passenger vehicles business;

"Board" means the board of directors of the Company;

“Company”	means 东风汽车集团股份有限公司 (Dongfeng Motor Group Company Limited), a joint stock limited company duly incorporated in the PRC with limited liability and the H Shares of which are listed on the Stock Exchange;
“Directors”	means directors of the Company;
“Dongfeng Joint Venture Companies”	means the 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 the date of this document;
“Dongfeng Motor Corporation”	means 东风汽车公司 (Dongfeng Motor Corporation), a state-owned enterprise incorporated under the laws of the PRC which directly holds a 66.86 per cent. equity interest in the registered capital of the Company;
“Dongfeng Motor Group”	means the Group, the Dongfeng Joint Venture Companies and their respective subsidiaries and associates (including the predecessors thereof);
“Group”	means the Company and its subsidiaries;
“H Shares”	overseas listed foreign shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Stock Exchange;
“Hong Kong”	means Hong Kong Special Administrative Region of the People’s Republic of China;
“Jointly-controlled Entity” or “JCE”	a jointly-controlled entity is 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 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;

“Joint Venture Company”

a joint venture company is 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 venturers 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 realised upon its dissolution. The profits and losses from the joint venture company’s operations and any distributions of surplus assets are shared by the venturers, 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:

- (a) a subsidiary, if the joint venture party has unilateral control, directly or indirectly, over the joint venture company;
- (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;
- (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
- (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;

“Land and Properties”

means the parcel of land, buildings built on the land and fixtures attached to the land relating to the Own-brand Business to be acquired under the Acquisition Agreement;

“Listing Rules”

means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

“Macau”

means Macau Special Administrative Region of the People’s

	Republic of China;
“Own-brand Business”	means the Company’s own-brand passenger vehicles business;
“PRC”	means the People’s Republic of China, but for the purposes of this document only, excludes Hong Kong, Macau and Taiwan;
“RMB”	means Renminbi, the lawful currency of the People’s Republic of China;
“Shareholders”	means shareholders of the Company; and
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited.

For reference only, the figures in RMB referred to in this announcement have been translated into Hong Kong dollars on the basis of an assumed exchange rate of HK\$1 = RMB0.88.

By order of the Board of Directors
XU PING
Chairman

Wuhan, PRC

25 June 2010

As at the date of this document, Mr. Xu Ping, Mr. Liu Zhangmin, Mr. Zhou Wenjie, Mr. Li Shaozhu and Mr. Fan Zhong are the executive directors of the Company, Mr. Tong Dongcheng, Mr. Ouyang Jie, Mr. Liu Weidong and Mr. Zhu Fushou are the non-executive directors of the Company and Mr. Sun Shuyi, Mr. Ng Lin-fung and Mr. Yang Xianzu are the independent non-executive directors of the Company.

** For identification purposes only*