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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)

**PROPOSED INVESTMENT IN PSA
CONSTITUTING A DISCLOSEABLE TRANSACTION AND
CONNECTED TRANSACTION**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**


Halcyon Capital Limited

Terms used in this cover shall have the same meanings as defined in this Circular.

A letter from the Board is set out on pages 8 to 23 of this Circular. A letter of advice containing the advice from the Independent Board Committee to the Independent Shareholders is set out on pages 24 and 25 of this Circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 59 of this Circular.

* For identification purposes only

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DEFINITIONS

In this Circular, the following terms and expressions shall have the following meanings unless the context requires otherwise:

“affiliate”	means, in relation to an entity, any entity 50% of the share capital and voting rights of which is directly or indirectly, through one or more intermediaries, held by that entity;
“AMF”	means the French Autorité des Marchés Financiers (Financial Market Authority) or any successor;
“associates”	has the meaning given in the Listing Rules;
“Board”	means the board of Directors of the Company;
“Business Day”	means any day (other than a Saturday or Sunday) when banks in France and in the PRC are open for the transaction of normal business;
“Circular”	means this circular;
“Commitment Letter”	means the commitment letter signed on 18 February 2014 by Banco Santander, S.A., BNP Paribas, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, HSBC Bank plc, Morgan Stanley & Co. International plc, Natixis and Société Générale;
“Company”	means 東風汽車集團股份有限公司 (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;
“Conditions Precedent”	means the conditions precedent to the signing of the Subscription Agreements as specified in the Master Agreement;
“connected person(s)”	has the meaning given in the Listing Rules;
“DFG Supervisory Board Member”	means any PSA Supervisory Board Members appointed from candidates proposed by the Company;
“DFG Reserved Capital Increase Shares”	means the 69,866,666 PSA Shares to be issued pursuant to the PSA Reserved Capital Increase and subscribed by the Company under the DFG Subscription Agreement;
“DFG Rights Issue Shares”	means the PSA Shares to be issued pursuant to the PSA Rights Issue and subscribed by the Company pursuant to the DFG Subscription Agreement;

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“DFG Subscription Agreement”	means the subscription agreement to be entered into between the Company, DMHK and PSA under which DMHK will agree to subscribe for PSA Shares to be issued pursuant to the PSA Reserved Capital Increase and PSA Rights Issue;
“Director(s)”	means the director(s) of the Company;
“DMHK”	means Dongfeng Motor (Hong Kong) International Co., Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary 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 Latest Practicable Date;
“Dongfeng Motor Corporation”	means 東風汽車公司 (Dongfeng Motor Corporation), a state-owned enterprise incorporated under the laws of the PRC which directly holds approximately 66.86% equity interests in the registered capital of the Company;
“Dongfeng Motor Group”	means the Group, the Dongfeng Joint Venture Companies and their respective subsidiaries and associates;
“DPCA”	means Dongfeng Peugeot Citroën Automobile Company Ltd, a Jointly-controlled Entity owned as to 50% by each of the Company and PSA (through its subsidiaries);
“Effective Date”	means the date of the settlement-delivery of the PSA Reserved Capital Increase;
“Employee Supervisory Board Member”	means (i) any employee of PSA or any of its affiliates who is appointed as a PSA Supervisory Board Member in accordance with law and (ii) any PSA Supervisory Board Member appointed as a representative of the employee shareholders in accordance with law;
“EPF”	means Etablissements Peugeot Frères (Peugeot Brothers and Company), a société anonyme organized and existing under the laws of France;
“EPF/FFP”	means EPF and FFP, collectively;
“EPF/FFP Supervisory Board Member”	means any of the PSA Supervisory Board Members appointed from candidates proposed by EPF/FFP;
“EPF/FFP Subscription Agreement”	means the subscription agreement to be signed by EPF/FFP and PSA under which EPF/FFP will agree to subscribe for PSA Shares to be issued pursuant to the PSA Reserved Capital Increase and PSA Rights Issue;

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“FFP”	means Foncière, Financière et de Participations (Real Estate, Financial and Equity Investment), a société anonyme organized and existing under the laws of France;
“Framework Agreement”	means the legally binding framework agreement entered into between the Company and PSA on 26 March 2014 (French time), in relation to the industrial cooperation between the Company and PSA;
“French Republic Supervisory Board Member”	means any of the PSA Supervisory Board Members appointed from candidates proposed by the French Republic;
“French Republic Subscription Agreement”	means the subscription agreement to be signed by the French Republic, SOGEPA and PSA under which SOGEPA will agree to subscribe for shares in PSA;
“Group”	means the Company and its subsidiaries;
“H Shares”	means 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 Hong Kong dollars and are listed on the Stock Exchange;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	means the independent board committee of the Board comprising all the independent non-executive Directors, namely Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei established to advise the Independent Shareholders in respect of the Investment Transaction;
“Independent Supervisory Board Member”	means any person who meets the criteria for independence set out in the AFEP-MEDEF Governance Code and who is appointed as a PSA Supervisory Board Member;
“Independent Financial Adviser” or “Halcyon Capital”	means Halcyon Capital Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Investment Transaction;
“Independent Shareholders”	means independent Shareholders for the purposes of the Investment Transaction, being all Shareholders;
“Investment Transaction”	means collectively the transactions to which the Company is a party as contemplated under the Master Agreement, the DFG Subscription Agreement and the Shareholders’ Agreement;
“Jointly-controlled Entity” or “JCE”	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 joint-controlled entity. A joint venture party’s investments in its Jointly-controlled Entities are stated in the consolidated statement of financial position at the share of net assets under the equity method;

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- “Joint Global Coordinators”** means Banco Santander, S.A., BNP Paribas, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, HSBC Bank plc, Morgan Stanley & Co. International plc, Natixis and Société Générale, and/or any successors or substitutes, or any other bank(s) that may join them, acting as joint global coordinators of the PSA Rights Issue pursuant to the Commitment Letter;
- “Joint Venture Company”** 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:
- (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;
- “Latest Practicable Date”** means 9 April 2014, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained therein;
- “Listing Rules”** means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

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“Macau”	means Macau Special Administrative Region of the People’s Republic of China;
“Master Agreement”	means the master agreement on equity investment entered into between the Company, the French Republic, EPF/FFP and PSA on 26 March 2014 (French time) in relation to, among other things, the Investment Transaction;
“Material Adverse Change”	means the occurrence of any event, circumstances or change (or series of similar events, circumstances or changes having their origin in the same factual circumstances) which results in a material adverse impact on the financial position, shareholders’ equity or results of operations of PSA and its subsidiaries (taken as a whole), but excluding any event, circumstance or change occurring as a result of (i) general economic or financial conditions or (ii) events affecting the industry generally or (iii) any matter publicly disclosed or disclosed to the Company and the French Republic prior to the date of the Master Agreement;
“MOU”	means the memorandum of understanding entered into on 18 February 2014 by the Company, the French Republic, EPF/FFP and PSA in relation to, among other things, the proposed investment in PSA by the Company;
“Observer”	means an observer in the PSA Supervisory Board, who is a non-voting board member and participates at board meetings on a consultative basis;
“PSA”	means Peugeot SA, a company organized under the laws of France as a société anonyme;
“PSA GM”	means the general meeting of PSA to be held on 25 April 2014;
“PSA Group”	means PSA and its subsidiaries;
“PSA Management Board”	means the management board (<i>directoire</i>) of PSA;
“PSA Reserved Capital Increase”	means a share capital increase of PSA in an aggregate amount of approximately 1,048 million euros (equivalent to approximately HK\$11,234 million) (issuance premium included) reserved equally to the benefit of the Company and the French Republic;
“PSA Reserved Capital Increase Subscription Price”	means 7.5 euros (equivalent to approximately HK\$80.4) per PSA share, being the price per share at which PSA Shares to be issued under the PSA Reserved Capital Increase will be subscribed;

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“PSA Rights Issue”	means a share capital increase of PSA in an amount of 1,952 million euros (equivalent to approximately HK\$20,925 million) (issuance premium included) with pre-emptive rights for existing shareholders, a portion of which is to be subscribed by the Company and the French Republic equally pro rata to their shareholding ownership after the PSA Reserved Capital Increase on the one hand, and EPF/FFP, on the other;
“PSA Rights Issue Closing Date”	means the date of settlement and delivery of the PSA Rights Issue;
“PSA Rights Issue Subscription Price”	means the price per share at which PSA Shares issued under the PSA Rights Issue will be subscribed;
“PSA Share”	means a share in the equity capital of PSA;
“PSA Shareholder(s)”	means each of DMHK, SOGEPa and EPF/FFP (which together are deemed a PSA Shareholder);
“PSA Supervisory Board”	means the Supervisory Board (<i>conseil de surveillance</i>) of PSA;
“PSA Supervisory Board Member”	means a member of the PSA Supervisory Board;
“PSA Warrants”	means the share warrants with an exercise price of 7.5 euros (equivalent to approximately HK\$80.4) per newly issued PSA Shares proposed to be issued by PSA to its shareholders prior to the PSA Reserved Capital Increase;
“PRC”	means the People’s Republic of China, but for the purposes of this Circular only, excludes Hong Kong, Macau and Taiwan;
“RMB”	means Renminbi, the lawful currency of the PRC;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	means ordinary share(s) of RMB1.00 each in the share capital of the Company;
“Shareholders”	means shareholders of the Company;
“Shareholders’ Agreement”	means the shareholders’ agreement proposed to be entered into between the Company, DMHK, PSA, the French Republic, SOGEPa and EPF/FFP with respect to the DMHK’s, SOGEPa’s and EPF/FFP’s shareholdings in PSA pursuant to the Master Agreement;

DEFINITIONS

“SOGEPA”	means Société de Gestion de Participations Aéronautiques (Management of Equity Investment in the Aeronautical Industry), a société anonyme established in accordance with the laws of France;
“Subscription Agreements”	means the DFG Subscription Agreement, the French Republic Subscription Agreement and the EPF/FFP Subscription Agreement;
“Supervisory Board”	means a supervisory board in a French company which adopts a two-tier board structure, with the supervisory board overseeing members of the management board, whilst the day-to-day management of the company remains with the management board;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Third Party”	means any person other than a party to the Shareholders’ Agreement or any affiliate of such a party;
“Underwriting Agreement”	means the underwriting agreement relating to the PSA Rights Issue to be signed by the Joint Global Coordinators and PSA immediately following the signature of the Subscription Agreements, whose form has been agreed in the Commitment Letter; and
“%”	means per cent.

The English translation of French terms is for illustration purpose only.

Unless otherwise stated, the exchange rate adopted in this Circular for illustration purpose only is 1 euro = HK\$10.72.

* *For identification purposes only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Xu Ping (*Chairman*)
Mr. Zhu Fushou
Mr. Li Shaozhu

Registered Office:

Special No. 1 Dongfeng Road
Wuhan Economic and Technology Development Zone
Wuhan, Hubei 430056
PRC

Non-Executive Directors:

Mr. Tong Dongcheng
Mr. Ouyang Jie
Mr. Liu Weidong
Mr. Zhou Qiang

Principal place of business in the PRC:

Special No. 1 Dongfeng Road
Wuhan Economic and Technology Development Zone
Wuhan, Hubei 430056
PRC

Independent Non-Executive Directors:

Mr. Ma Zhigeng
Mr. Zhang Xiaotie
Mr. Cao Xinghe
Mr. Chen Yunfei

Principal place of business in Hong Kong:

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong SAR

16 April 2014

To the Shareholders

Dear Sir or Madam,

**PROPOSED INVESTMENT IN PSA
CONSTITUTING A DISCLOSEABLE AND CONNECTED TRANSACTION**

A. INTRODUCTION

Reference is made to (a) the clarification announcement issued by the Company on 10 February 2014 in relation to a possible investment by the Company into securities of certain car-making company; (b) the announcement issued by the Company on 19 February 2014 regarding, amongst others, the MOU in relation to the proposed investment in PSA; and (c) the announcement issued by the Company on 27 March 2014 in relation to, amongst others, the proposed investment by the Company in PSA which constitutes a discloseable and connected transaction.

* For identification purposes only

LETTER FROM THE BOARD

B. PROPOSED INVESTMENT IN PSA

1. MOU

On 18 February 2014, the Company entered into the MOU with PSA, the French Republic and EPF/FFP. Under the MOU, PSA expressed its intention to carry out the PSA Reserved Capital Increase, the PSA Rights Issue and the distribution of the PSA Warrants. The Company expressed its intention to subscribe for PSA Shares pursuant to the PSA Reserved Capital Increase and the PSA Rights Issue for a total consideration of approximately 800 million euros (equivalent to approximately HK\$8,576 million) (the French Republic is expected to subscribe for the same number of PSA Shares pursuant to the PSA Reserved Capital Increase and the PSA Rights Issue on the same terms), and to enter into the Shareholders' Agreement with PSA, the French Republic and EPF/FFP with respect to the Company's, the French Republic's and EPF/FFP's shareholdings in PSA.

2. The Master Agreement

On 26 March 2014 (French time), the Company entered into the Master Agreement with the French Republic, EPF, FFP and PSA.

(a) Date of the Master Agreement:

26 March 2014

(b) Parties to the Master Agreement

- (i) The Company
- (ii) The French Republic
- (iii) EPF
- (iv) FFP
- (v) PSA

To the best of the knowledge, information and belief of the Company, having made all reasonable enquiry, the French Republic, EPF, FFP and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

(c) Principal terms of the Master Agreement

(i) Subscription in the PSA Reserved Capital Increase

Subject to the satisfaction of the Conditions Precedent, each of the Company and the French Republic has irrevocably undertaken to subscribe for 69,866,666 PSA Shares to be issued pursuant to the PSA Reserved Capital Increase for a price of 7.50 euros (equivalent to approximately HK\$80.4) per share (issuance premium included), representing a total subscription price (issuance premium included) of 523,999,995 euros (equivalent to approximately HK\$5,617,279,946) for each of the Company and the French Republic.

LETTER FROM THE BOARD

(ii) Subscription in the PSA Rights Issue

Subject to the satisfaction of the Conditions Precedent and completion of the PSA Reserved Capital Increase, each of the Company and the French Republic has irrevocably undertaken to subscribe for shares of PSA to be issued pursuant to the PSA Rights Issue by exercising all of their respective preferential subscription rights to be allocated pursuant to the PSA Rights Issue at the PSA Rights Issue Subscription Price, representing a subscription amount of approximately 276 million euros (equivalent to approximately HK\$2,959 million) for each of the Company and the French Republic.

Subject to the satisfaction of the Conditions Precedent and completion of the PSA Reserved Capital Increase, EPF/FFP has irrevocably undertaken, severally but not jointly, to subscribe such number of PSA Shares to be issued pursuant to the PSA Rights Issue by exercising part of the preferential subscription rights to be allocated to EPF/FFP pursuant to the PSA Rights Issue at the PSA Rights Issue Subscription Price, so that at the PSA Rights Issue Closing Date, EPF and FFP will hold together exactly the same number of PSA Shares as each of the Company and the French Republic.

(iii) Conditions Precedent

Signature of each of the Subscription Agreements is subject to satisfaction of the following conditions:

- (1) authorisation by the PSA GM of both the PSA Reserved Capital Increase and the PSA Rights Issue;
- (2) approval by the PSA GM of the relevant resolutions specified in the Master Agreement;
- (3) the decision of each of the PSA Management Board and the chairman of the PSA Management Board to carry out the PSA Reserved Capital Increase, the issue of the PSA Warrants and the PSA Rights Issue in accordance with the terms of the Master Agreement;
- (4) clearance by the AMF of PSA's prospectus relating to the PSA Reserved Capital Increase and the issue of PSA Warrants;
- (5) obtaining by the Company of all the necessary approvals, verifications or registrations by the relevant government authorities of the PRC in respect of the transactions contemplated in the Master Agreement, including the approvals, verifications or registration by the State-owned Assets Supervision and Administration Commission, the National Development and Reform Commission, the Ministry of Commerce and the State Administration of Foreign Exchange of the PRC; and
- (6) obtaining by the French Republic of the necessary administrative approval.

LETTER FROM THE BOARD

(iv) Closing

Following the PSA GM, the PSA Management Board will delegate to the chairman of the PSA Management Board the powers necessary to (1) implement the PSA Reserved Capital Increase and (2) set, on the Business Day following the date of the PSA GM and in any event no later than 30 June 2014, the terms of the PSA Rights Issue, in particular the PSA Rights Issue Subscription Prices and the date of opening of the subscription period of the PSA Rights Issue.

Subject to the Conditions Precedent, each of the Company, the French Republic and EPF/FFP has agreed to simultaneously sign their respective Subscription Agreements promptly following the decision of the chairman of the PSA Management Board to implement the PSA Reserved Capital Increase, and prior to the signing of the Underwriting Agreement. The parties have agreed to sign the Shareholders' Agreement simultaneously with the Subscription Agreements.

In the event the Underwriting Agreement, which is expected to be signed immediately after the Subscription Agreements are signed, is not signed on the Business Day following the signature of the Subscription Agreements, the Subscription Agreements will be deemed null and void without prejudice to the rights and obligations set forth in the Master Agreement.

The PSA Reserved Capital Increase will be completed on the Business Day following the determination of the PSA Rights Issue Subscription Price, and in no event later than 1 July 2014. The Company has agreed to pay 523,999,995 euros (equivalent to approximately HK\$5,617,279,946) to PSA for subscription of the DFG Reserved Capital Increase Shares on the date of completion of the PSA Reserved Capital Increase.

The opening of the subscription period of the PSA Rights Issue will be on the third Business Day following the determination of the PSA Rights Issue Subscription Price, and in any event no later than 3 July 2014. The PSA Rights Issue is expected to be open for subscription for 9 Business Days. Settlement and delivery of the PSA Rights Issue is expected to take place on the 7th Business Day after the close of the subscription period of the PSA Rights Issue. The Company has agreed to pay to PSA the amount required to fully pay up the DFG Rights Issue Shares on the 4th Business Day prior to the PSA Rights Issue Closing Date or on any earlier date the parties may agree.

PSA may delay the commencement of the steps involved in view of market conditions that would seriously compromise the transactions contemplated under the Master Agreement. However, in such event, the sequence of the steps will remain the same with the related dates being postponed correspondingly.

(v) Double voting rights

Subject to the approval of the PSA GM, PSA has agreed to amend its articles of association to the effect that the vesting period of the double voting rights will be reduced from four years to two years. Subject to the Conditions Precedent, EPF/FFP has agreed not to exercise its voting rights in excess of the voting rights held by each of DMHK and SOGEPa during the two years' period. Accordingly, DMHK, SOGEPa and EPF/FFP are expected to have the same voting rights at the general meetings of PSA.

LETTER FROM THE BOARD

(vi) Termination

The Master Agreement will terminate on 31 July 2014 at 24:00 CET if the PSA Rights Issue Closing Date has not occurred at such time.

PSA is entitled to terminate the Master Agreement on or after 30 April 2014 if the Condition Precedent in relation to the obtaining of all necessary approvals, verifications or registrations by the relevant government authorities of the PRC as set out in paragraph B.2.(c).(iii).(5) in this letter has not been satisfied prior to 30 April 2014.

The Company and the French Republic may, acting jointly and in good faith, terminate the Master Agreement on or prior to the signing of the Subscription Agreements by notice to PSA, if on or prior to such time a Material Adverse Change occurs.

(vii) Termination of MOU

The parties have agreed that the MOU terminated and ceased to be of further effect upon signing of the Master Agreement.

(viii) Special purpose entity

Under the Master Agreement, the Company is entitled to designate a special purpose entity to enter into and perform any of, among other things, the DFG Subscription Agreement, the Shareholders' Agreement and the Framework Agreement. The special purpose entity must be an affiliate of the Company.

3. The DFG Subscription Agreement

Under the Master Agreement, the Company has agreed, subject to the Conditions Precedent, to sign the DFG Subscription Agreement promptly following the decision of the chairman of the PSA Management Board to implement the PSA Reserved Capital Increase, and prior to the signing of the Underwriting Agreement.

(a) Parties to the DFG Subscription Agreement

- (i) The Company
- (ii) DMHK
- (iii) PSA

DMHK is a wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

(b) Shares to be acquired

Pursuant to the DFG Subscription Agreement, DMHK will:

- (i) subscribe for 69,866,666 new shares of PSA to be issued in connection with the PSA Reserved Capital Increase for a price per new share of 7.5 euros (equivalent to approximately HK\$80.4) (issuance premium included), representing a total subscription amount, issuance premium included, of 523,999,995 euros (equivalent to approximately HK\$5,617,279,946); and
- (ii) subscribe for all the new shares of PSA to which it will be entitled to subscribe in the PSA Rights Issue by exercising all the preferential subscription rights allocated to the Company pursuant to the PSA Rights Issue, representing a total subscription amount, issuance premium included, of approximately 276 million euros (equivalent to approximately HK\$2,959 million).

Immediately after completion of the PSA Reserved Capital Increase, the PSA Rights Issue and exercise of the PSA Warrants, DMHK is expected to hold approximately 14% of the enlarged issued share capital of PSA.

(c) Basis of the consideration

The PSA Reserved Capital Increase Subscription Price of 7.5 euros (equivalent to approximately HK\$80.4) per PSA Share was determined after arm's length negotiations between the Company and PSA and with reference to recent market trading prices of PSA Shares and the Company's consideration of the value of the assets and business of PSA. The PSA Reserved Capital Increase Subscription Price represents a discount of approximately 40.8% relative to the closing price of PSA Shares quoted on NYSE-Euronext Paris on 25 March 2014 (being 12.66 euros (equivalent to approximately HK\$136)) and a discount of approximately 42.5% relative to the average of the closing prices of PSA Shares over the five trading days ended 25 March 2014 (being 13.045 euros (equivalent to approximately HK\$140)).

The PSA Rights Issue Subscription Price will be determined in accordance with an agreed formula which is in line with the market practice for such types of transaction. The formula takes into account the prevailing market price of PSA Shares, the amount of PSA Shares to be issued under the PSA Rights Issue and a price discount to be determined by the Joint Global Coordinators.

The total consideration of approximately 800 million euros (equivalent to approximately HK\$8,576 million) payable by DMHK under the DFG Subscription Agreement will be fully funded by a loan from a syndicate of banks, which is guaranteed by the Company.

(d) Conditions precedent

DMHK's undertakings under the DFG Subscription Agreement will be subject to the following conditions precedent:

- (i) the clearance of the AMF on the prospectus of the PSA Rights Issue; and
- (ii) the execution by PSA and the Joint Global Coordinators of the Underwriting Agreement.

LETTER FROM THE BOARD

(e) Lock-up undertakings of DMHK

DMHK will undertake from the date of the DFG Subscription Agreement and, for a period ending 180 days after the PSA Rights Issue Closing Date, not to take any of the following actions, without the prior written consent of the Joint Global Coordinators, save in case of a merger, spin-off, public offer or similar transactions relating to PSA Shares:

- (i) offer, assign, sell, use as collateral or otherwise transfer (including without limitation in market transactions, private placements to institutional investors or over the counter transactions), directly or indirectly (including through the use of any options or other derivatives), any shares or any other security giving access, by conversion, exchange, repayment, warrants, exercise or in any other manner, with immediate or future effect, to the share capital of PSA provided, however, that sales or transfers of shares or securities to affiliates of the Company shall be permitted, subject to (a) such affiliate(s) agreeing in writing to be bound by this provision and (b) the Company and such affiliate(s) undertake in writing to re-sell or re-transfer such shares or securities to the Company prior to any such affiliate(s) ceasing to be an affiliate of the Company; or
- (ii) publicly disclose its intention with regard to the actions listed in paragraph (i) above.

Such lock-up undertaking applies to all the shares that DMHK may hold in PSA and to all new shares that DMHK will subscribe in connection with the PSA Rights Issue, the PSA Reserved Capital Increase or otherwise acquired prior to the PSA Rights Issue Closing Date.

(f) Undertaking by the Company

The Company has agreed to (1) own 100% of the issued share capital and the voting rights of DMHK from the date of the DFG Subscription Agreement to the date of settlement and delivery of the PSA Rights Issue; and (2) own more than 50% of the issues share capital and the voting rights of DMHK from the date of settlement and delivery of the PSA Rights Issue to the 181st day following such date.

(g) Long Stop Date

In the event that the conditions precedent of the DFG Subscription Agreement have not been fulfilled by or before 30 June 2014, the DFG Subscription Agreement will automatically terminate.

LETTER FROM THE BOARD

4. The Shareholders' Agreement

DMHK, SOGEPA and EPF/FFP are expected to be shareholders of PSA upon completion of the PSA Reserved Capital Increase. The Shareholders' Agreement will organise the parties' relationships in PSA in relation in particular to the governance of PSA and their undertakings in respect of dealing in shares and equity securities in PSA. Under the Master Agreement, the Shareholders' Agreement will be signed simultaneously with the Subscription Agreements.

(a) Parties to the Shareholders' Agreement

- (i) The Company
- (ii) DMHK
- (iii) The French Republic
- (iv) SOGEPA
- (v) EPF
- (vi) FFP
- (vii) PSA

(b) Principal terms of the Shareholders' Agreement

(i) PSA Supervisory Board

- (1) The parties to the Shareholders' Agreement have agreed that, with effect on the Effective Date, the PSA Supervisory Board comprises:
 - (a) two DFG Supervisory Board Members;
 - (b) two French Republic Supervisory Board Members;
 - (c) two EPF/FFP Supervisory Board Members;
 - (d) six Independent Supervisory Board Members; and
 - (e) two Employee Supervisory Board Members;
- (2) DFG Supervisory Board Members:

For such time as the Company (and/or its affiliates) holds at least 7% of the total number of shares of PSA upon completion of the PSA Rights Issue, (i) two of the PSA Supervisory Board Members will be appointed from candidates proposed by the Company and (ii) the Company will be entitled to appoint one Observer at the PSA Supervisory Board.

LETTER FROM THE BOARD

If the number of PSA Shares held by the Company (and/or its affiliates) falls below 7% of the total number of shares of PSA upon completion of the PSA Rights Issue but is equal to or exceeds 3% of the total number of shares of PSA upon completion of the PSA Rights Issue, (i) the number of DFG Supervisory Board Members will be reduced to one and (ii) the Company will not be entitled to appoint any Observer at the PSA Supervisory Board.

If the number of PSA Shares held by the Company (and/or its affiliates) falls below 3% of the total number of shares of PSA upon completion of the PSA Rights Issue, the Company will no longer be entitled to designate any PSA Supervisory Board Member or Observer at the PSA Supervisory Board.

(ii) *Reserved matters for the PSA Supervisory Board*

The parties have agreed that under the articles of association of PSA, the following actions by the PSA Management Board require the prior consent of the PSA Supervisory Board by way of a simple majority:

- shareholder-approved share issues (whether paid up in cash or by capitalizing retained earnings) and capital reductions;
- any and all issues of ordinary bonds or convertible bonds;
- the negotiation of any merger agreements or agreements for an *apport partiel d'actif*;
- the execution or termination of any manufacturing or sales agreements representing a future commitment for PSA, with companies whose corporate purpose is similar or related to that of PSA, and generally the execution of any major transaction which substantially alters the scope of the business or the balance sheet structure of PSA or the PSA Group;
- the purchase, sale, exchange or transfer of any and all operating real estate and businesses in transactions representing an amount in excess of a threshold to be set by the PSA Supervisory Board;
- the purchase, acquisition or sale of any equity interest in any and all existing or future entities, directly or indirectly, representing an immediate or future investment, expense, debt guarantee or seller's warranty involving an amount in excess of a threshold to be set by the PSA Supervisory Board; and
- the execution of loan agreements, other than for bond issues, for a period or an amount in excess of the thresholds set by the PSA Supervisory Board.

Note: *Apport partiel d'actif* refers to partial contribution of assets, by which a company contributes to another (existing or newly created) company a portion of its assets in exchange for securities issued by the beneficiary company.

LETTER FROM THE BOARD

(iii) PSA Supervisory Board committees

(1) There will be four committees under the PSA Supervisory Board:

- the Financial and Audit Committee;
- the Nomination, Governance and Compensation Committee;
- the Strategy Committee; and
- the Asia Business Development Committee.

(2) Given the Company's experience and footprint in Asia, PSA has agreed to recommend and use its best efforts so that the Asia Business Development Committee will be chaired by a DFG Supervisory Board Member until the expiration of the Shareholders' Agreement for so long as there is at least one DFG Supervisory Board Member. The French Republic, SOGEPa and EPF/FFP have agreed to support this recommendation for the same time period, including through their respective PSA Supervisory Board Members.

(iv) Dealings in PSA Shares

(1) No Lock-Up

The PSA Shareholders will not be subject to any lock-up obligations (other than 180 day lock-up period under the Master Agreement).

(2) Standstill obligation

With effect from the Effective Date, each of the PSA Shareholder, the Company and the French Republic undertakes that it will not directly or indirectly, alone or in concert with any Third Party increase its number of shares or equity securities above the number of shares or equity securities which each of DMHK, SOGEPa and EPF/FFP will hold in PSA upon completion of the PSA Rights Issue.

In the event of a subsequent issue of shares or equity securities by PSA following the PSA Rights Issue which includes pre-emptive rights or priority rights, each PSA Shareholder is allowed under the Shareholders' Agreement to subscribe to such subsequent issue within the limits of its irreducible rights. In such a case, the number of PSA Shares subject to the standstill obligation will be adjusted accordingly.

The PSA Shareholders may be released from the standstill obligation with the consent of (i) all the PSA Shareholders holding at such time at least 5% of the PSA Shares and (ii) PSA, pursuant to a decision of the PSA Supervisory Board.

LETTER FROM THE BOARD

(3) Transfers

Each of the PSA Shareholders shall be entitled to transfer the shares it held in PSA without any restrictions; provided, however, that the party transferring the PSA Shares is required, to the extent that is reasonably practicable and subject to compliance with legal requirements, to provide to the other parties notice of such transfer at least four Business Days prior to the transfer, such notice to identify (i) the type of transfer, and (ii) the transferee of such shares (to the extent known).

In the event that any party to the Shareholders' Agreement envisages to transfer PSA Shares on the market, such party is required to inform and discuss with the PSA's management such transfer prior to completion with a view to minimizing the impact of such transfer on the share price.

(v) *No action in concert*

Each of the PSA Shareholders agrees that it will not act in concert (which has the meaning set forth under Article L.233-10 of the French commercial code) with any of the other PSA Shareholders or any affiliate of any other PSA Shareholder *vis-à-vis* PSA.

(vi) *Effective date and termination*

The Shareholders' Agreement becomes effective on the Effective Date.

The Shareholders' Agreement terminates without notice on the tenth anniversary of the Effective Date.

The Shareholders' Agreement may be terminated by the written agreement of all the PSA Shareholders, except for any termination of any clauses in relation to the rights and obligations of PSA which requires the written agreement of PSA.

(vii) *Joint liability*

The Company and DMHK have agreed that they are jointly and severally liable for all the obligations and undertakings of DMHK under the Shareholders' Agreement.

C. THE FRAMEWORK AGREEMENT

On 26 March 2014 (French time), the Company and PSA entered into the Framework Agreement, which involves, among other things:

- (1) expanding and deepening their current cooperation in DPCA, enhancing the research and development capabilities of the entire value chain, strengthening cooperation in overseas market, optimising the operation cost of DPCA, overall enhancing the competitive ability of DPCA, making effort to achieve the objective of selling 1.5 million vehicles comprising 500,000 vehicles under each of the Dongfeng, Peugeot SA and Citroën brands per year starting from 2020;

LETTER FROM THE BOARD

- (2) enhancing strategic collaboration in research and development of both parties, including joint establishment of a research and development centre in the PRC, whose business is expected to include but not limited to the preliminary study of products, modeling, platform technology, complete vehicle development, powertrain, electronic products and modularization, as well as industrial design, project management, quality and other development business of the whole value chain. The parties are expected to maximise synergies in the areas of product technology and model platform; and
- (3) strengthening their cooperation in overseas markets, in particular in the Asia-Pacific region and emerging markets, establishing a new sales company (export company) which is held equally by the Company and PSA (or wholly owned by DPCA) and is responsible for the sales of products of DPCA and PSA and service provision in the Asia-Pacific region (excluding the PRC), in particular the ASEAN region.

The Framework Agreement has a term of 10 years, which will be renewed for successive periods of 10 years unless terminated by either party at least six months prior to the end of any term.

The Framework Agreement provides a basis on which the Company and PSA will continue discussions on their strategic partnership in order to finalise the terms and conditions thereof. Accordingly, if the initiatives contemplated under the Framework Agreement proceed, the Dongfeng Motor Group (including the Company and/or DPCA and/or subsidiaries authorized by the Company) and the PSA Group (including PSA and/or subsidiaries authorized by PSA) will enter into further agreements to set out the terms and conditions under which such initiatives will be implemented. In such cases, the Company will comply with any applicable requirements under the Listing Rules, including any applicable disclosure requirement and shareholders' approval requirement, in relation to such agreements to be entered into.

D. REASONS FOR THE INVESTMENT TRANSACTION AND THE PROPOSED TRANSACTIONS CONTEMPLATED UNDER THE FRAMEWORK AGREEMENT

The Investment Transaction and the proposed transactions contemplated under the Framework Agreement are in line with the internationalization and outward-looking strategy of the Company and strengthen strategic collaboration with PSA. The Investment Transaction and the proposed transactions contemplated under the Framework Agreement help to procure the improvement of the existing cooperation mechanism and structure between the two parties. They help to enhance the capability of the Company in the areas of research and development and manufacturing in relation to passenger vehicles as well as realize the synergy between the businesses of the Company and DPCA in relation to self-owned brands of passenger vehicles. They also help to realize the cooperation between the Company and PSA in the international market in which both have common interests. They also allow the Company to recruit talents with transnational operation and management capabilities.

No Directors have a material interest in the Investment Transaction. The Board (other than the independent non-executive Directors whose view is set out in the letter from the Independent Board Committee on pages 24 and 25 of this Circular) considers that the terms of the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction are fair and reasonable and that the Company's entry into the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction is in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

E. IMPLICATIONS OF THE INVESTMENT TRANSACTION UNDER THE LISTING RULES

Each of the Company and PSA (through its subsidiaries) holds a 50% equity interest in DPCA. For the sole purpose of listing and applying the Listing Rules, the Stock Exchange has required, as one of the conditions to the listing of the Company, that DPCA, being a Jointly-controlled Entity of the Company, should in general be regulated in a manner consistent with the regulation of subsidiaries of the Company for the purpose of applying the Listing Rules. Accordingly, PSA, being an associate of a substantial shareholder of DPCA, is a connected person of the Company. The Investment Transaction would therefore constitute a connected transaction of the Company under the Listing Rules.

Application has been made to, and approval has been obtained from, the Stock Exchange for the adoption of alternative tests (the “**Alternative Tests**”) for the purpose of classifying the Investment Transaction under Chapters 14 and 14A of the Listing Rules, pursuant to Rule 14.20 of the Listing Rules. Since the highest applicable percentage ratio under Rule 14.07 of the Listing Rules after adopting the Alternative Tests in respect of the Investment Transaction exceeds 5% but is below 25%, the Investment Transaction constitutes a discloseable transaction, as well as a connected transaction of the Company, the Investment Transaction is subject to the announcement requirement under Chapter 14 of the Listing Rules and the reporting, announcement and independent shareholders’ approval under Chapter 14A of the Listing Rules.

As a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules, the Investment Transaction is subject to approval by its Independent Shareholders at a general meeting. To the best knowledge of the Company, as at the Latest Practicable Date, no Shareholder of the Company has a material interest in the Investment Transaction which would require such Shareholder to abstain from voting at the general meeting to be convened to, among other things, consider and approve the Investment Transaction.

The Company has obtained a written shareholder’s approval in accordance with Rule 14A.43 of the Listing Rules from Dongfeng Motor Corporation, which currently holds 5,760,388,000 domestic shares in the Company representing approximately 66.86% equity interest in the Company’s registered share capital and is independent of PSA, approving the Master Agreement, the DFG Subscription Agreement, the Shareholders’ Agreement and the Investment Transaction contemplated thereunder. Accordingly, the Company has applied for, and has obtained, a waiver from the Stock Exchange to accept the written shareholder’s approval from Dongfeng Motor Corporation in lieu of holding a physical shareholders’ meeting for the approval of the Master Agreement, the DFG Subscription Agreement, the Shareholders’ Agreement and the Investment Transaction. Accordingly no general meeting will be convened in this regard.

In accordance with Appendix 1B paragraph 43(2) of the Listing Rules (which is applicable as a result of Rule 14A.59(3) of the Listing Rules), any contract referred to in the connected transaction circular has to be made available for inspection in Hong Kong for a reasonable period of time. As the Framework Agreement is referred to in this Circular, the Company has applied for, and has obtained, a waiver from the Stock Exchange such that certain provisions contained in the Framework Agreement, which are technical and commercially sensitive in nature, are redacted and would not be made available for inspection.

LETTER FROM THE BOARD

F. INFORMATION ABOUT THE COMPANY AND DMHK

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.

DMHK is a wholly-owned subsidiary of the Company. DMHK is a special purpose entity established by the Company for the purpose of the Investment Transaction.

G. INFORMATION ABOUT PSA, THE FRENCH REPUBLIC, SOGEP, EPF AND FFP

PSA is a company manufacturing automobiles and light commercial vehicles, and is listed on NYSE-Euronext Paris. Its automotive segment engages in the designing, manufacturing and selling of cars and light commercial vehicles under the Peugeot and Citroën brands. Other business segments comprise Automotive Equipment, Transportation & Logistics, and Finance, which provides retail and wholesale financing to Peugeot and Citroën customers and dealers. The company was founded in 1896 and is headquartered in Paris, France.

The audited net asset value of PSA as at 31 December 2013 was approximately 7,791 million euros (equivalent to approximately HK\$83,520 million). The audited consolidated net profit/(loss) (before and after taxation) of PSA for the two years ended 31 December 2013 and 31 December 2012 are as follows:

	For the year ended 31 December 2013 in million euros (audited)	For the year ended 31 December 2012 in million euros (audited)
Net profit/(loss) before tax	(1,831) (equivalent to approximately HK\$19,628 million)	(4,149) (equivalent to approximately HK\$44,477 million)
Net profit/(loss) after tax	(2,218) (equivalent to approximately HK\$23,777 million)	(4,923) (equivalent to approximately HK\$52,775 million)

The French Republic carries out the transactions under contemplation to which it is a party through SOGEP. SOGEP, a wholly-owned affiliate of the French Republic, is a holding company whose main asset is a 11% stake in Airbus Group.

EPF is a Peugeot Family holding company, which owns 79.2% of FFP's share capital and 6.3% of Peugeot SA share capital.

FFP is a Peugeot Family-related investment company listed on NYSE-Euronext Paris, majority-owned by Etablissements Peugeot Frères. FFP is the leading shareholder of Peugeot SA and pursues a minority shareholdings and long term investment policy. FFP holds participations in listed companies (Zodiac Aerospace, SEB, DKSH or ORPEA), non listed companies (Sanef or Onet), and private equity funds.

LETTER FROM THE BOARD

H. GENERAL

1. Independent Board Committee

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei, has been established to advise the Independent Shareholders as to whether the terms of the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction are fair and reasonable so far as the Independent Shareholders are concerned and whether the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction are in the interests of the Company and the Shareholders as a whole. None of the members of the Independent Board Committee has a material interest in the Investment Transaction.

Your attention is drawn to the letter from the Independent Board Committee, which are set out on pages 24 and 25 of this Circular, containing its opinions as to whether the terms of the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2. Independent Financial Adviser

The Company has appointed Halcyon Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction.

Your attention is drawn to the letter from the Independent Financial Adviser, which are set out on pages 26 to 59 of this Circular, containing its opinions as to whether the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. Other parties involved in the Investment Transaction and proposed transactions contemplated under the Framework Agreement

Parties	Roles
China International Capital Corporation Hong Kong Securities Limited	Financial adviser to the Company
Lazard	Financial adviser to the Company
PricewaterhouseCoopers Consultants (Shenzhen) Limited, Shanghai Branch	Auditors to the Company
Slaughter and May	Legal advisers to the Company as to Hong Kong law
Clifford Chance LLP	Legal advisers to the Company as to French law
Commerce & Finance Law Offices	Legal advisers to the Company as to PRC law

LETTER FROM THE BOARD

I. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this Circular.

This Circular is issued for information of the Shareholders.

Yours faithfully,
By order of the Board
XU Ping
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of advice from the Independent Board Committee, prepared for the purpose of incorporation into this Circular, setting out its advice to the Independent Shareholders regarding the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction:



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)

16 April 2014

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED INVESTMENT IN PSA CONSTITUTING A DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 16 April 2014 (the “**Circular**”), of which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “DEFINITIONS” of the Circular.

We are members of the Independent Board Committee which has been formed by the Board to advise the Independent Shareholders as to whether the terms of the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction are fair and reasonable so far as the Independent Shareholders are concerned and whether the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction are in the interests of the Company and the Shareholders as a whole.

We also wish to draw your attention to the letter of advice from Halcyon Capital, being the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction which contains, among other things, the Independent Financial Adviser's advice, opinions and recommendations regarding the terms of the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction as set out on pages 26 to 59 of the Circular, and the Letter from the Board as set out on pages 8 to 23 of the Circular.

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having given due consideration to the reasons for the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction and their terms and to the advice and recommendations of the Independent Financial Adviser stated in its letter of advice dated 16 April 2014, we consider (i) the terms of the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction to be fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction to be in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
**Independent Board Committee of
Dongfeng Motor Group Company Limited***

Mr. Ma Zhigeng

Mr. Zhang Xiaotie

Mr. Cao Xinghe

Mr. Chen Yunfei

Independent Non-executive Directors

* *For identification purposes only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Halcyon Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this Circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction.



HALCYON CAPITAL LIMITED
11TH FLOOR
8 WYNDHAM STREET
CENTRAL
HONG KONG

16 April 2014

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED INVESTMENT IN PSA

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee in respect of the terms of the Master Agreement, the Subscription Agreement, the Shareholders' Agreement and the respective transactions contemplated thereunder, details of which are contained in a circular (the "**Circular**") issued by the Company to the Shareholders dated 16 April 2014, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular and Letter from the Board (as defined hereinafter) unless the context otherwise requires.

On 26 March 2014 (French time), the Company, the French Republic, EPF, FFP and PSA entered into the Master Agreement, pursuant to which each of the Company and the French Republic has conditionally agreed to subscribe for the PSA Shares to be issued pursuant to the PSA Reserved Capital Increase and conditionally agreed to subscribe for PSA Shares to be issued pursuant to the PSA Rights Issue. Pursuant to the Master Agreement, EPF/FFP has conditionally agreed to subscribe such number of PSA Shares to be issued pursuant to the PSA Rights Issue so that at the PSA Rights Issue Closing Date, EPF/FFP will hold exactly the same number of PSA Shares as each of the Company and the French Republic holds.

PSA is a company manufacturing automobiles and light commercial vehicles, and is listed on NYSE-Euronext Paris. The French Republic carries out the transactions under contemplation to which it is a party through the French Government Shareholding Agency, a specific department of French Ministry of Economy and Finance in charge of holding the French State's stakes in companies. EPF is a Peugeot Family holding company, which owns 79.2% of FFP's share capital and 6.3% of Peugeot SA share capital. FFP is a Peugeot Family-related investment company listed on NYSE-Euronext Paris, majority-owned by Establishments Peugeot Frères.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company and the French Republic are expected to become shareholders of PSA upon completion of the PSA Reserved Capital Increase and the PSA Rights Issue. In this regards, the Company, the French Republic, EPF, FFP and PSA will further enter into the Shareholders' Agreement with respect to their shareholdings in PSA at the same time when the Subscription Agreements are signed.

The Investment Transaction constitutes a discloseable transaction under the Listing Rules. On the other hand, as at the date of the Master Agreement and the Latest Practicable Date, each of the Company and PSA (through its subsidiaries) held 50% equity interest in DPCA, and DPCA is a Jointly-controlled Entity of the Company. For the sole purpose of listing and applying the Listing Rules, the Stock Exchange has required, as one of the conditions to the listing of the Company on the Stock Exchange, that DPCA, being a Jointly-controlled Entity of the Company, should in general be regulated in a manner consistent with the regulation applicable to subsidiaries of the Company for the purpose of applying the Listing Rules. Accordingly, PSA, being an associate of a substantial shareholder of DPCA, is a connected person of the Company under the Listing Rules, and the entering into of the Master Agreement and the transactions contemplated thereunder (including the entering into of the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction) constitutes connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement requirements and the Independent Shareholders' approval under the Listing Rules. However, the Company has applied for, and has been granted by the Stock Exchange, a waiver in relation to the Independent Shareholders' approval under Rule 14A.43 of the Listing Rules.

The Independent Board Committee, comprising Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the Master Agreement, the Subscription Agreement and the Shareholders' Agreement are fair and reasonable so far as the Independent Shareholders are concerned, whether the entering into of the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction is in the interests of the Company and the Shareholders as a whole.

Our role, as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Master Agreement and the relevant transactions contemplated thereunder (including the entering into of the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction), is to provide the Independent Board Committee and the Independent Shareholders an independent opinion and recommendation as to whether each of the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction is entered into on normal and commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and whether the terms thereof are fair and reasonable as far as the Company and the Shareholders are concerned.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the information, financial information and the facts supplied to us and representations expressed by the Directors and/or management of the Group and have assumed that all such information, financial information and facts and any representations made to us, or referred to in the Circular, in all material aspects, are true, accurate and complete as at the time they were made and continue to be so as at the date of the Circular, has been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or the management of the Group. The Directors and/or the management of the Group have confirmed that, after having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Group including the Master Agreement, the Subscription Agreement, the Shareholders' Agreement, the final results announcement of the Company for the year ended 31 December 2013 (the "**2013 Annual Results**"), the annual reports of the Company for the years ended 31 December 2012 (the "**2012 Annual Report**"), 31 December 2011 (the "**2012 Annual Report**"), 31 December 2010 (the "**2010 Annual Report**") and 31 December 2009 (collectively with 2013 Annual Results, 2012 Annual Report, 2011 Annual Report and 2010 Annual Report, the "**DF Financial Reports**"), the Circular and certain published information from the public domain including, but not limited to, the 2012 registration document of PSA (the "**2012 PSA Document**") and the 2013 registration document of PSA (the "**2013 PSA Document**").

We have also discussed with the Directors and/or the management of the Group with respect to the terms of and reasons for the entering into of the Master Agreement, the DFG Subscription Agreement and the Shareholders' Agreement, and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification or appraisal of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position, profitability or the prospects of the Group, PSA, the French Republic, the Peugeot Family, EPF, FPP, DPCA, DMHK or any of their respective subsidiaries or associates. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion for the Master Agreement, the DFG Subscription Agreement and the Shareholders' Agreement and the respective transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Background of the Investment Transaction

On 27 March 2014, the Board announced that on 26 March 2014 (French time), the Company, the French Republic, EPF, FPP and PSA entered into the Master Agreement, whereby, among other things, (i) subject to the satisfaction of the Conditions Precedent, each of the Company and the French Republic has irrevocably undertaken to subscribe for 69,866,666 PSA Shares to be issued pursuant to the PSA Reserved Capital Increase for a price of €7.50 per PSA Share (issuance premium included), representing a total subscription price (issuance premium included) of €523,999,995 for each of the Company and the French Republic; (ii) subject to the satisfaction of the Conditions Precedent and completion of the PSA Reserved Capital Increase, each of the Company and the French Republic has irrevocably undertaken to subscribe for PSA Shares to be issued pursuant to the PSA Rights Issue by exercising all of their respective preferential subscription rights pursuant to the PSA Rights Issue at the PSA Rights Issue Subscription Price, representing a maximum aggregate subscription amount of approximately €76 million for each of the Company and the French Republic; (iii) subject to the satisfaction of the Conditions Precedent and completion of the PSA Reserved Capital Increase, EPF/FPP has irrevocably undertaken to subscribe such number of PSA Shares to be issued pursuant to the PSA Rights Issue by exercising part of the preferential subscription rights to be allocated to EPF/FPP pursuant to the PSA Rights Issue at the PSA Rights Issue Subscription Price, so that at the PSA Rights Issue Closing Date, EPF/FPP will hold exactly the same number of PSA Shares as each

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of the Company and the French Republic; and (iv) the Company is entitled to designate a special purpose entity to enter into and perform any of, among other things, the DFG Subscription Agreement, the Shareholders' Agreement and the Framework Agreement. The special purpose entity must be an affiliate of the Company.

Under the Master Agreement, and subject to the satisfaction of the Conditions Precedent, the Company has agreed to enter into the DFG Subscription Agreement with PSA and DMHK in relation to the subscription of 69,866,666 new PSA Shares to be issued in connection with the PSA Reserved Capital Increases by DMHK for a price per new share of €7.5 (issuance premium included), representing a total subscription amount, issuance premium included, of €23,999,995. The subscription of all the DFG Reserved Capital Increase Shares will entitle the Company to subscribe in the PSA Rights Issue by exercising all the preferential subscription rights allocated to the Company pursuant to the PSA Rights Issue, representing a total subscription amount, issuance premium included, of approximately €276 million.

Assuming there is no other changes in the issued share capital of PSA, DMHK will hold 69,866,666 PSA Shares upon completion of the PSA Reserved Capital Increases, representing approximately 14% of the then issued share capital of PSA immediately upon completion of the PSA Reserved Capital Increases, which is not expected to change after completion of the PSA Rights Issue as DMHK will exercise all the preferential subscription rights allocated thereto to subscribe the DFG Rights Issue Shares.

Moreover, pursuant to the Master Agreement, subject to the approval of the PSA GM, PSA has agreed to amend its articles of association to the effect that the vesting period of the double voting rights will be reduced from four years to two years. Subject to the Conditions Precedent, EPF/FFP has agreed not to exercise its voting rights in excess of the voting rights held by each of DMHK and SOGEPA during the two years' period. Accordingly, DMHK, SOGEPA and EPF/FFP are expected to have the same voting rights at the general meetings of PSA.

Upon completion of the PSA Reserved Capital Increase and the PSA Rights Issue, DMHK and SOGEPA will become shareholders of PSA. Then the Company, DMHK, the French Republic, SOGEPA, EPF, FFP and PSA will enter into the Shareholders' Agreement, at the same time when the Subscription Agreements are signed, pursuant to which, among other things, (i) each of the Company, the French Republic and the Peugeot Family shall nominate 2 representatives to the PSA Supervisory Board; (ii) each of the PSA Shareholders, the Company and the French Republic agree not to directly or indirectly or in concert with a third party increase its number of shares or equity securities above the number of shares or equity securities which each of DMHK, SOGEPA and EPF/FFP will hold in PSA upon completion of the PSA Rights Issue; and (iii) DMHK, SOGEPA and the Peugeot Family are entitled to transfer their PSA Shares without restrictions; provided, however, that the party transferring the PSA Shares is required, to the extent that is reasonably practicable and subject to compliance with legal requirements, to provide to the other parties notice of such transfer at least four Business Days prior to the transfer. Such notice should identify (i) the type of transfer, and (ii) the transferee of such shares (to the extent known). Details of the Master Agreement, the DFG Subscription Agreement and the Shareholders' Agreement are set out in the letter from the Board (the "**Letter from the Board**") in the Circular.

PSA is a company manufacturing automobiles and light commercial vehicles, and is listed on NYSE-Euronext Paris. Its automotive segment engages in the designing, manufacturing and selling of cars and light commercial vehicles under the Peugeot and Citroën brands. Other business segments comprise Automotive Equipment, Transportation & Logistics, and Finance, which provides retail and

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wholesale financing to Peugeot and Citroën customers and dealers. The company was founded in 1896 and is headquartered in Paris, France.

The French Republic carries out the transactions under contemplation to which it is a party through the French Government Shareholding Agency, a specific department of French Ministry of Economy and Finance in charge of holding the French State's stakes in companies.

DMHK is a wholly-owned subsidiary of the Company and is a special purpose entity established by the Company for the purpose of the Investment Transaction.

SOGEPA, a société anonyme established in accordance with the laws of France. SOGEPA, a wholly-owned affiliate of the French Republic, is a holding company whose main asset is a 11% stake in Airbus Group.

EPF is a Peugeot Family holding company, which owns 79.2% of FFP's share capital and 6.3% of share capital of PSA as at the date of the Master Agreement.

FFP is a Peugeot Family-related investment company listed on NYSE-Euronext Paris, majority-owned by Establishments Peugeot Frères. FFP is the leading shareholder of PSA and also holds participations in listed companies (Zodiac Aerospace S. A., SEB S. A., DKSH Holding AG or ORPEA S. A.), non-listed companies (Sanef S. A. or Onet S. A.), and other private equity funds.

2. Background of the Dongfeng Motor Group

The Company has 17 major subsidiaries, jointly-controlled entities and other companies in which the Company has direct equity interests, which collectively comprised the Dongfeng Motor Group. The Dongfeng Motor Group is primarily engaged in the manufacture and sale of commercial vehicles, passenger vehicles and auto engines and parts, the manufacture of vehicle manufacturing equipment, finance businesses as well as other automotive related businesses.

The principal products of the Dongfeng Motor Group include commercial vehicles (heavy duty trucks, medium trucks, light trucks, mini trucks and buses, and commercial vehicles engines, auto parts and vehicle manufacturing equipment of commercial vehicles) and passenger vehicles (sedans, MPVs, SUVs and passenger vehicles engines, auto parts and vehicle manufacturing equipment of passenger vehicles). The sales and after-sales services of motor vehicles of the Dongfeng Motor Group are provided through sales and service networks under 12 brands in China products of Dongfeng Motor Group were sold under the brands include Dongfeng (heavy and medium truck), Chenglong (heavy and medium truck), Dongfeng (high-end light truck, light truck, mini truck, pickup), Dongfeng Nissan Diesel, Dongfeng Citroën, Dongfeng Peugeot, Dongfeng Nissan, Venucia, Dongfeng Future, Dongfeng Honda, Zhengzhou Nissan and Dongfeng Fengshen.

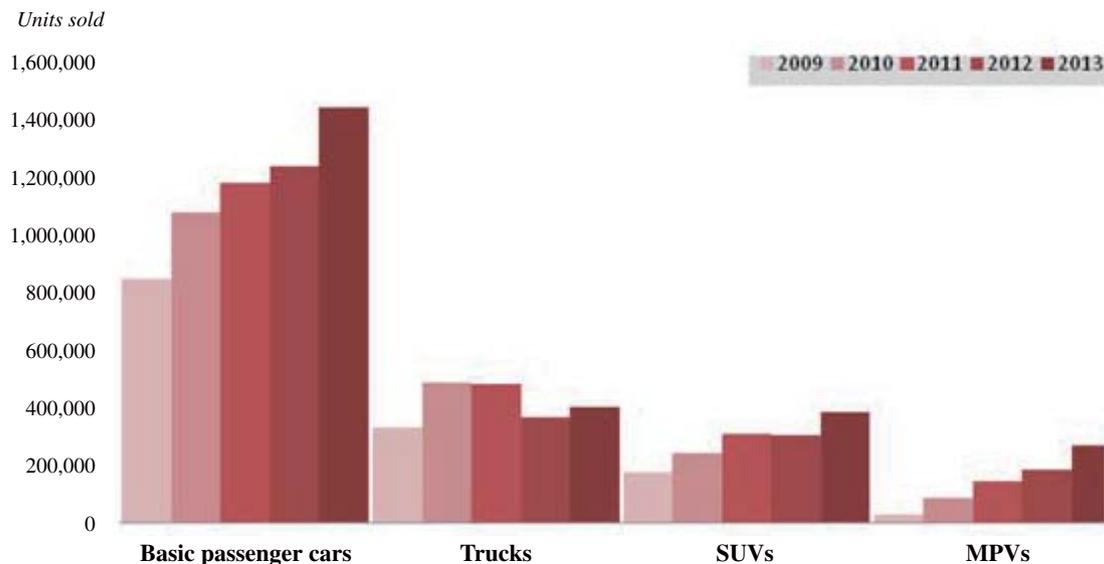
Dongfeng Motor Group also actively develop its finance business in recent years which principally includes the collective fund management of Dongfeng Motor Group; deposits from members or shareholders of Dongfeng Motor Group; loans and entrusted loans for members; advances to distributors; sales credit, buyer credit and finance lease for products of members.

In addition, the Dongfeng Motor Group is also engaged in the import/export of vehicles and equipment, insurance agency and used car trading.

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Set out below is a summary of sales volume of four major types of vehicles, namely trucks, basic passenger cars, MPVs and SUVs, of Dongfeng Motor Group during the five years ended 31 December 2013:

Sales volume of major types of vehicles produced by Dongfeng Motor Group (2009–2013)



Source: DF Financial Reports

Over the past five years, the sales volume of the basic passenger cars, trucks, SUVs and MPVs has grown at a cumulative annual growth rate (“CAGR”) of approximately 14.3%, 5.1%, 22.0% and 73.2%, respectively. According to the 2013 Annual Results, the outstanding sales volume brought Dongfeng Motor Group to leading positions in the automobile market of the PRC, and Dongfeng Motor Group ranked the first in terms of sales volume of heavy trucks and medium trucks in the PRC, the second in terms of sales volume of MPVs and SUVs, and the third in terms of sales volume of basic passenger cars in the PRC in 2013.

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Set out below is a summary of financial highlights of the Group for the year ended 31 December 2013, with comparative figures for the year ended 31 December 2012, as extracted from the 2013 Annual Results:

	Year ended 31 December			
	2013		2012 (restated)	
	<i>RMB million</i>	<i>Approximate % of revenue</i>	<i>RMB million</i>	<i>Approximate % of revenue</i>
Revenue	37,263	100.0	6,090	100.0
Gross profit	4,681	12.6	354	5.8
Share of profits and losses of joint ventures (<i>Note</i>)	11,176	30.0	9,873	162.1
Profit before taxation	10,712	28.7	9,152	150.3
Profit for the year	10,603	28.5	9,107	149.5

Note: The results of the jointly controlled entities have been accounted for in the consolidated financial statements of the Company by equity accounting method.

As a result of the adoption of revised accounting standard, the Group adopts equity method for joint ventures instead of proportionate consolidation method for the purpose of preparing the consolidated financial statement for the year beginning on or after 1 January 2013, and, according, the financial information of the Group for the year ended 31 December 2012 disclosed in the 2013 Annual Results as comparative figures were restated.

For the year ended 31 December 2013

For the year ended 31 December 2013, the Group recorded revenue of approximately RMB37,263 million, gross profit of approximately RMB4,681 million and profit for the year of approximately RMB10,603 million. The gross profit of the Group represented approximately 44.1% of the profit for the year, while the share of profits and losses of joint ventures represented approximately 105.4% of the profit for the year. As explained by the management, if the joint ventures of the Company were accounted for using proportionate consolidation method, the then revenue of the Group would be approximately RMB161,253 million, representing an increase of approximately 30.0% as compared with the corresponding period in 2012. The increase was mainly attributable to the increase in revenue derived from both passenger vehicles and commercial vehicles. Nevertheless, the Jointly-controlled Entities remained as major profit contributors of the Group and the share of profit or loss from joint ventures for the year ended 31 December 2013 recorded increase of approximately 13.2% as compared to the year ended 31 December 2012.

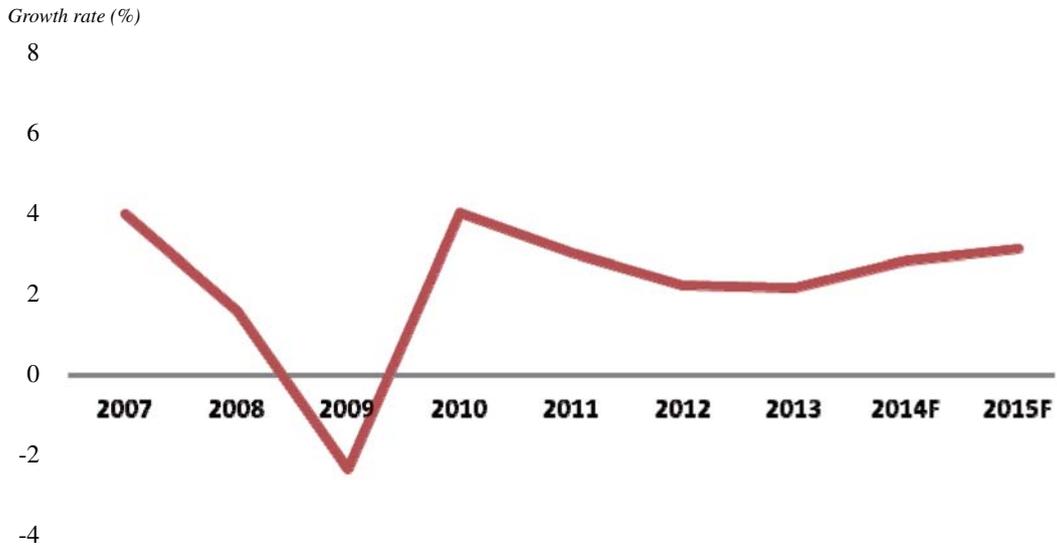
Based on the financial results of the Group as shown above, the joint ventures of the Company had contributed an important part of the success of the Dongfeng Motor Group.

3. Investment in automobile business with global reach

Global economy and automobile industry

The global automobile industry is affected by the global economy performance and people's expectation thereon. The performance of the economy will affect household income, while the expectation on future economy will affect the spending plan of households. Set out below is the world's historical growth in real gross domestic products ("GDP") from 2007 to 2013 and the forecast thereof for 2014 and 2015:

Real GDP growth rate (2007–2015)



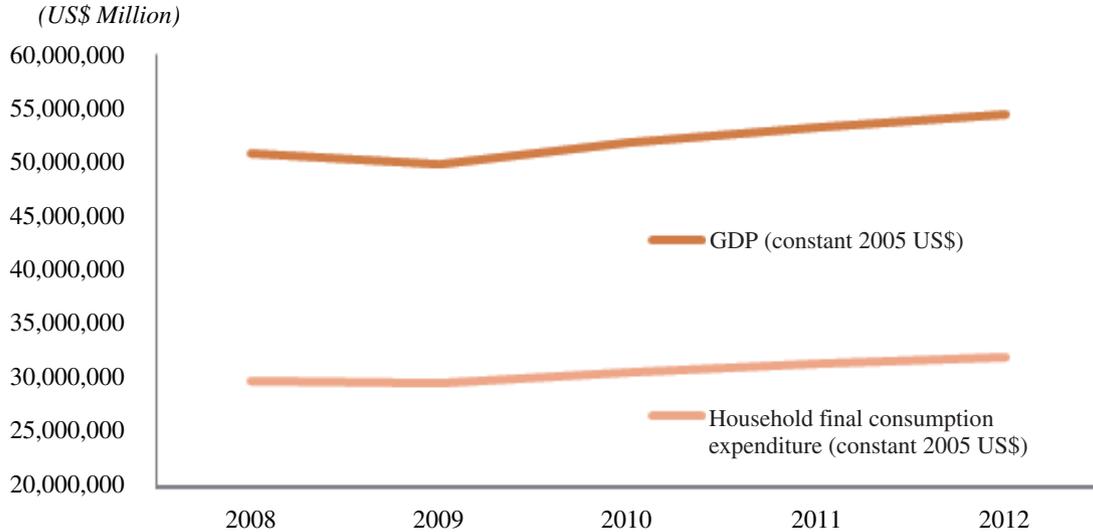
Source: Bloomberg

The global economy experienced the only negative growth during the past seven years in 2009, when the financial tsunami severely hit the global economy. While after 2009, the global economy regained its growth trend, and according to the data obtained from Bloomberg, it is currently expected that the real GDP will experience growth in 2014 and 2015 at rates generally faster than that in 2012 and 2013.

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Set out below two major economic indicators, namely the gross domestic products and household final consumption expenditure, of the world, and adjusted to constant 2005 US\$ from 2008 to 2012:

World's GDP and household consumption expenditure (2008 to 2012)

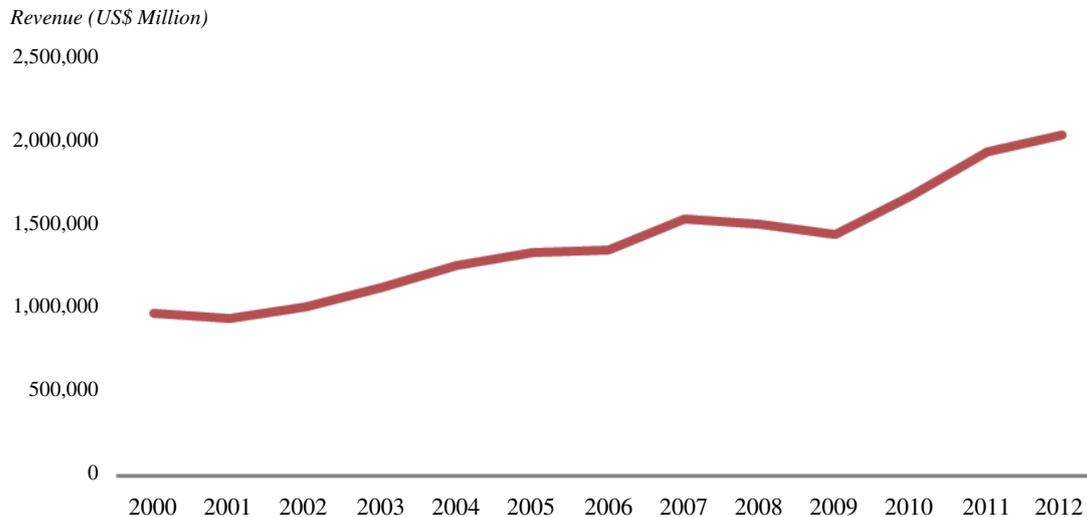


Source: World Bank

As illustrated above, both the GDP and the household final consumption expenditures of the world declined in 2009 after the global financial tsunami, while recovered with a positive continuous growth since then. Both the world's GDP and household final consumption expenditures took a relatively stable growth trend at a CAGR of approximately 3.1% and 2.6%, respectively, from 2009 to 2012.

On the other hand, the automobile industry was an expanding industry except during the financial tsunami. Set out below is the global vehicle OEM's revenue from 2000 to 2012:

Revenue of vehicle OEM's revenue



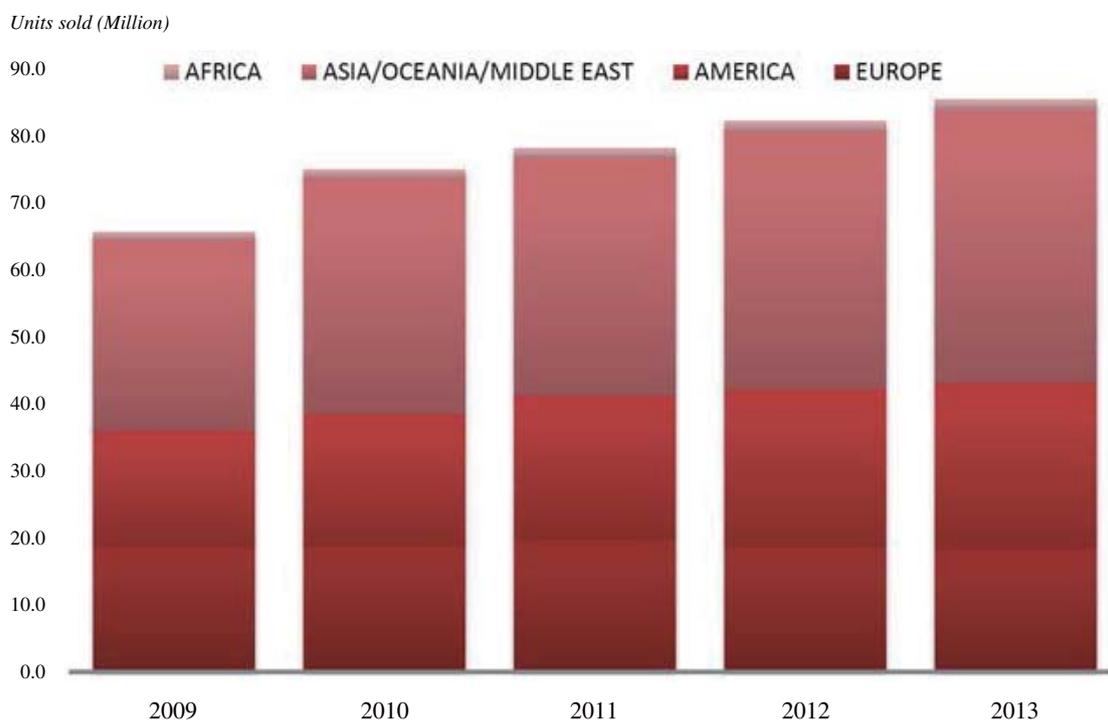
Source: Bloomberg

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During the 2000 to 2012, the world automobile industry experienced a positive growth trend and vehicle OEM's revenue grew from approximately US\$967.8 billion to approximately US\$2,042.4 billion, representing a CAGR of approximately 6.4%. During the aforesaid period, the automobile industry experienced the largest drop in vehicle OEM's revenue in 2009 of approximately 4.4% when the global economy experienced negative growth in real GDP of approximately 2.3% under the financial tsunami. Subsequent to 2009, the automobile industry experienced considerable growth in vehicle OEM's revenue with a CAGR of approximately 12.3% during 2009 to 2012, as compared to a CAGR of approximately 6.8% during 2000 to 2007.

In order to further analyse the momentum of the growth in automobile industry, we have further explored the geographical spread of the units of all vehicles from 2009 to 2013 as set out below:

Sales volume of all vehicles in the world (by geographical)



Source: International Organization of Motor Vehicle Manufacturers (oica.net)

As illustrated above, the world's vehicles sales experienced growth trend from approximately 65.6 million units of vehicles sold in 2009 to approximately 85.4 million units of vehicles sold in 2013, representing a CAGR of approximately 6.8%.

The Asia/Oceania/Middle East market accounted for the largest portion of all vehicles sold during 2009 to 2013, which represented approximately 43.1%, 46.9%, 45.3%, 46.5% and 47.4% of the world's vehicles sold, respectively. The importance of PRC market has grown during the period and accounted for approximately 48.3%, 51.4%, 52.4%, 50.5% and 54.3%, respectively, of the vehicles sold in the Asia/Oceania/Middle East market during 2009 to 2013.

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The America market experienced continuous growth during 2009 to 2013, from approximately 17.5 million units of vehicles sold in 2009, representing approximately 26.7% of the world's vehicles sold, to approximately 25.0 million units of vehicles sold in 2013, representing approximately 29.3% of the world's vehicle sold. The America market has overtaken the Europe market to be the second largest market for vehicle manufacturers since 2010.

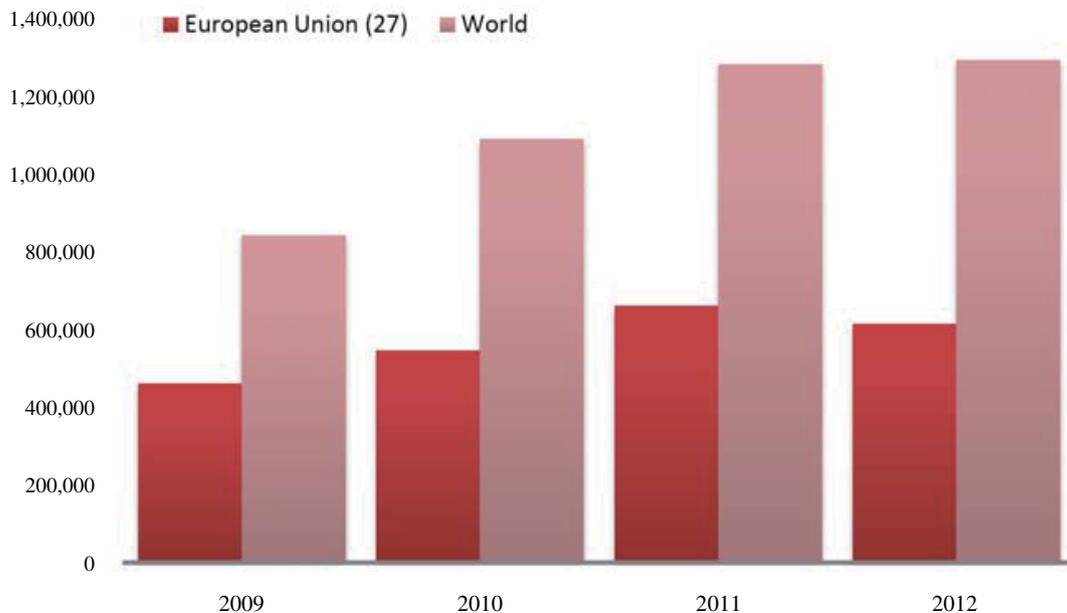
The Europe market recorded relatively stable vehicle sales of approximately 18.6 million units, 18.8 million units, 19.7 million units, 18.7 million units and 18.3 million units, during the five years ended 2013, respectively. Although the units of vehicle sales did not experience material fluctuation, the market share of the Europe market in the world dropped during the period as the world experienced growth in total vehicle sales. The market share of the Europe market dropped from approximately 28.4% in 2009 to approximately 21.4% in 2013 when the economies of the European countries recovered in a relatively slow pace, and remained as the third largest market for vehicle manufacturers in 2013.

Although the Africa market experienced continuous growth in terms of units of vehicles sold during 2009 to 2013, it still only accounted for less than 2% of the world's total vehicles sold.

Export of automobile products

Even though not much growth was recorded in terms of units of vehicles sold in the European market from 2009 to 2013, Europe is still one of the major automobile exporters of the world. Set out below is the value of automotive products exported from 2009 to 2012:

US Dollars (Million)



Source: World Trade Organisation

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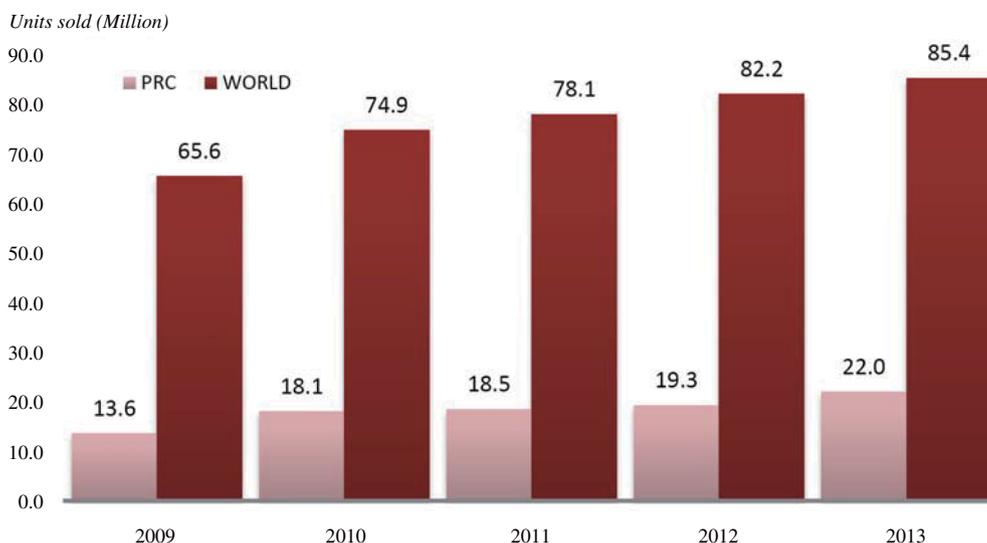
As illustrated above, the export of automotive products of the world experienced growth from approximately US\$844.0 billion in 2009 to approximately US\$1,295.3 billion in 2012, representing a CAGR of approximately 15.3%. The automotive products manufacturers of the European Union (comprising 27 countries) still play a key role in the automotive product industry subsequent to 2009. Countries comprising the European Union were major contributors to the world's export of automotive products during the period, and accounted for approximately 47.5% to 54.6% of the world's total export of automotive products during 2009 to 2012.

Positioning in the automobile industry

According to the 2012 Annual Report, Second Automotive Works, the predecessor of Dongfeng Motor Corporation and the parent company of the Company, was established in 1969. After years of expansion, growth and development, Dongfeng Motor Group has attained leading position in the PRC automobile industry and, based on the DF Financial Reports, the sales volume of Dongfeng Motor Group in its major product segments namely, heavy trucks, medium trucks, light trucks, basic passenger cars, MPVs and SUVs, ranked top three in each of the past five years in the PRC. Over the past years, the primary business focus of the Dongfeng Motor Group had always been in the PRC automobile market and all members of the Dongfeng Motor Group are established in the PRC as at the Latest Practicable Date.

According to data obtained from Bloomberg, top players in the automobile industry of the world usually have a relatively diversified geographical sales spread, while the PRC market is usually one of their major markets. Set out below is the sales volume of all vehicles in the world and in the PRC for the past five years:

Sales volume of all vehicles in the world and the PRC



Source: International Organization of Motor Vehicle Manufacturers (oica.net)

Over the past five years, the automobile market in the PRC has grown faster than that of the world. The unit of vehicle sales in the PRC recorded a CAGR of approximately 12.7%, as compared to approximately 6.8% for the world, in the past five years. Although the unit of vehicle sales in the PRC has grown by approximately 61.8% from 2009 to 2013, the unit of vehicle sales in the PRC still only accounted for approximately 25.8% of that in the world in 2013. During the same period, the unit of vehicle sales in other parts of the world (other than the PRC) also grew by approximately 21.9%.

Having considered the aforesaid, we concur with the Company that the global automotive market is still expanding, and riding on the leading position of Dongfeng Motor Group in the PRC, investment in automobile business with global reach (i) may help to promote the Group's brand; (ii) is in line with the internationalization and outward-looking strategy of the Company as mentioned in the Letter from the Board; and (iii) is in the interests of the Company and the Shareholders as a whole.

4. Background of and cooperation with PSA

History highlight

PSA has a long established history in the automobile industry. According to the 2013 PSA Document, PSA was founded in 1896 and currently comprising four principal segments namely the automotive division, the automotive equipment division, the finance division and the remaining businesses are categorised under other division. Subsequent to the establishment in 1896, PSA grew internally and also externally through mergers and acquisitions, which include the acquisition Citroën S.A. in 1974 and merger the two companies in 1976, and the acquisition of the European manufacturing and sales operations of Chrysler Corporation in 1978.

On 29 February 2012, PSA and General Motors, one of the largest automobile manufacturers in the world, signed a master agreement announcing a global strategic alliance. The PSA Group and General Motors subsequently further confirmed the signature of agreements in steps towards implementation of their global strategic alliance in late 2012.

Business performance of PSA

According to the 2013 PSA Document, PSA recorded an audited consolidated net loss of approximately €4,923 million for the year ended 31 December 2012, which reduced to an audited consolidated net loss of approximately €2,218 million for the year ended 31 December 2013. The audited consolidated net assets value was approximately €7,791 million as at 31 December 2013.

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Financial highlights

	Year ended 31 December			
	2010	2011	2012	2013
	€ million	€ million	€ million	€ million
Revenue	56,061	58,509	55,446	54,090
Recurring operating income/(loss)	1,796	1,093	(560)	(177)
Non-recurring operating income/(expense)	(60)	(417)	(4,122)	(1,169)
Operating income/(loss)	1,736	676	(4,682)	(1,346)
Consolidated profit/(loss) for the year	1,256	784	(4,923)	(2,218)

Source: 2013 PSA Document, 2012 PSA Document

Note: Prepared based on International Financial Reporting Standards

Automotive division

Revenue from the automotive division contributed the largest portion of revenue of PSA Group in 2012 and 2013, which amounted to approximately €36,461 million in 2013, representing a fall of approximately 4.8% as compared to 2012. The drop was principally due to the strong contraction in volumes (approximately 5.4%) reflecting in particular shrinking European markets and market share losses, and intensified by the disruptions to Citroën C3 sales due to production shutdowns at the Aulnay plant in the first half of 2013. The market share of the PSA Group fell by approximately 0.8% in Europe, to approximately 11.9% in 2013, as compared to approximately 12.7% in 2012, impacted by disruptions to the sales of the Citroën C3, the channel and country mix and the pricing policy of the PSA Group. While the proportion of sales made outside Europe continued to expand, rising to approximately 42% over the period.

The automotive division reported a recurring operating loss of approximately €1,042 million in 2013, representing an improvement of approximately €454 million as compared to a recurring operating loss of approximately €1,496 million in 2012. The improvement was principally attributable to the improvement in production costs and other costs, improvement in product mix and maintenance in prices in Europe while increase in price in Latin America, and partially offset by the non-recurring exchange rate effect mainly due to depreciation of the euro against the Argentinian peso, the Brazilian Real and the British Pound, the shrinking market demand and the higher raw material costs and other external costs.

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Automotive equipment division

The automotive equipment division corresponds to the Faurecia S. A. (“**Faurecia**”) and its subsidiaries (the “**Faurecia Group**”). Faurecia Group is principally engaged in the manufacture and sale of automotive seating products, emission control technologies products, interior systems products and automotive exteriors products with global reach and its major customers are major automobile manufacturers in the world, and the shares of Faurecia are also listed on NYSE-Euronext Paris. As at 31 December 2013, the PSA Group held approximately 51.7% of the capital and approximately 68% of the voting rights in Faurecia.

The revenue derived from the automotive equipment division contributed the second largest portion of revenue of PSA Group, which amounted to approximately €18,029 million in 2013, up by approximately 5.0% over 2012 of approximately €17,365 million. The business group with the most dynamic growth was the emissions control technologies, where product sales totaled approximately €6.4 billion, up by approximately 7.3% driven by growth in Asia (up by approximately 22%) and the commercial vehicle segment (up by approximately 17%).

As stated in the annual report of Faurecia for the year ended 31 December 2013, major customers of the Faurecia Group included the manufacturers of vehicles carrying the brand of Volkswagen, Ford, PSA, Renault – Nissan, General Motors and BMW.

The recurring operating income for the automotive equipment division amounted to approximately €38 million in 2013, as compared to €16 million in 2012, each representing approximately 3.0% of the total revenue of division in the respective year.

Other divisions

The finance division of the PSA Group recorded recurring operating income of approximately €68 million in 2013, as compared to recurring operating income of approximately €91 million in 2012. While other businesses and intersegment eliminations resulted in a recurring operating loss of approximately €41 million in 2013, as compared to a recurring operating income of approximately €29 million in 2012.

As a result of the abovementioned results of the divisions of the PSA Group, the PSA Group reported a recurring operating loss of approximately €177 million in 2013, as compared to a recurring operating loss of approximately €60 million in 2012.

Non-recurring operating expenses

The PSA Group recorded non-recurring operating expenses of approximately €1,582 million in 2013, as compared to €4,528 million in 2012. The non-recurring operating expenses principally included impairment losses on cash generating units, provisions for automotive division of the PSA Group onerous contracts and other assets of approximately €1,100 million in 2013, as compared to approximately €3,971 million in 2012, and restructuring costs of approximately €460 million in 2013, as compared to approximately €582 million in 2012. The impairment on automotive division in 2013 was principally due to the impact of worsening automobile markets and unfavourable exchange rates in Russia and Latin America.

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Capital expenditure and research & development of the PSA Group

Innovation, research and development are priorities for the PSA Group, which are a powerful lever for addressing major auto industry challenges (changing standards and legislation, rising environmental awareness, emerging mobility and networking needs, product appeal, etc.) and thus developing competitive advantages in the industry.

In 2013, investments and capitalised research and development expenses amounted to approximately €2,397 million, compared to approximately €3,814 million in 2012. In order to meet the objective of achieving 50% of the PSA Group's sales outside Europe by 2015, the PSA Group has invested in its priority development areas namely Asia, Latin America and Russia with a peak over the 2011-2012 period. After two years of significant investment associated with increasing international capacity, the PSA Group returned in 2013 to a more usual level of investment. It is expected that such investment level will enable the PSA Group to continue its investment in product research and development, and innovation, in particular, to improved efficiency and sharing development costs with partners, including General Motors through the alliance.

In 2013, research and development projects were directed towards (i) solutions to reduce carbon emissions; (ii) vehicle development associated with renewal of the Peugeot and Citroën ranges; and (iii) the emergence of the communicating car with improved driver assistance systems for even greater safety and comfort and work on the connectivity between the driver and vehicle to integrate new clients uses in the cars.

Research and development projects of the PSA Group continue to expand internationally to such places as China, Latin America and Russia, and resulted in 17 launches in 2013 namely the new Peugeot 208 XY, 208 GTI, 208, 308, Partner Electric, the new 5- and 7-seat Citroën C4 Picasso and the DS3 Cabrio, the electric Berlingo, and also specific launches in China (3008 and 301, C4L, C-Elysée and DS5), Latin America (208 and C4 Lounge) and Russia (C4 Sedan). The PSA Group also launched a new engine, the EB Turbo Tech, and the new manual 5-speed and automatic 6-speed gear boxes in 2013.

Certain recent developments of the PSA Group

Implementation of the industrial reorganization and workforce redeployment plans

As a result of reduced activity in the automotive division of the PSA Group in Europe, the PSA Group has implemented an industrial activity reorganisation and workforce redeployment plan since May 2013, following the consultation procedure with employee representative bodies. Such plan included the shutdown of production activities at the Aulnay plant, adjustment of the production facilities in Rennes which lead to redeployment of workers, and adjusting the PSA Group's overhead staff.

The PSA Group is continuing to reduce its costs and improve its operational activity. In December 2013, 7,300 staff had signed a mobility agreement or an agreement to leave PSA Group and 2,250 people had effectively left.

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Alliance with General Motors

PSA and General Motors announced further steps in their strategic alliance on 12 December 2013. The two groups confirmed their continuing cooperation for the development of vehicles on PSA platforms and the partners will cooperate on new generation products in the light commercial vehicle, which are based on a PSA new generation platform. The first vehicles from the alliance are expected to launch starting in 2016.

In addition, the parties will balance manufacturing — with each company producing one vehicle for the other.

PSA estimated that the updated synergies from the alliance between PSA and General Motors would be approximately US\$1.2 billion by 2018 and be shared about evenly between the two groups.

Innovation and technology

On 22 January 2013, several brand new technologies developed by PSA were presented and, in particular, in a world first, the PSA Group has unveiled a revolutionary technology: Hybrid Air, a petrol and compressed air full-hybrid solution. Other brand new solutions to emerging expectations were also presented, available from 2013 on Peugeot and Citroën brand vehicles, including EMP2, the PSA Group's new modular generation platform which is expected to cover 50% of total production in long term by PSA.

Internationalisation of PSA Group

The internationalisation strategy of the PSA Group continues to yield positive results that the share of vehicles sold outside Europe has grown strongly since 2009. The PSA Group targets to generate 50% of its sales outside Europe in 2015, and the portion already reached approximately 42% in 2013.

Peugeot 308 voted car of the year 2014

The new Peugeot 308 of the PSA Group was awarded the 2014 “Car of the Year” by a jury of journalists representing 22 European countries beating models from American, Korean, European and Japanese manufacturers on sale in Europe during 2013.

Cooperation with PSA

The milestone of corporation between PSA and Dongfeng Motor Group can be traced back to 1990 when Dongfeng Motor Corporation entered into a joint venture agreement with Automobiles Citroën, a member of the PSA Group engaged in sales and trading of Citroën passenger cars and related auto parts, for the manufacture and sale of Citroën passenger vehicles in December 1990, which later led to the establishment of DPCA in 1992. DPCA is established in the PRC with limited liabilities and principally engaged in manufacture and sale of automobiles under the brands of Dongfeng Citroën and Dongfeng Peugeot, automotive parts and components.

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In November 2001, Dongfeng Motor Corporation and PSA further agreed to strengthen and broaden their scope of co-operation through DPCA, diversify and extend the product portfolio of DPCA and realize the dual brand strategy of PSA Group by extending DPCA's scope of operations to include the manufacture and assembly of Peugeot passenger vehicles in the PRC.

Since the establishment of DPCA, DPCA has been regularly purchased auto parts and/or production equipment from the PSA Group and has also entered into technology licence and technical assistance agreements with the PSA Group in respect of existing vehicles models manufactured by DPCA.

PSA Group has been one of the major joint venture partners of the Dongfeng Motor Group, and according to the 2013 Annual Results, DPCA had 569 sales outlets under the brand of Dongfeng Citroën and 410 sales outlets under the brand of Dongfeng Peugeot, 566 after-sales service outlets under the brand of Dongfeng Citroën and 410 after-sales service outlets under the brand of Dongfeng Peugeot, covering 31 provinces for both brands. The annual production capacity of DPCA in whole vehicle and engines reached approximately 600,000 units and 600,000 units, respectively, at the end of 2013.

DPCA, as one of the major Jointly-controlled Entities of the Company, recorded sales and revenue of approximately RMB57,447 million in 2013, as compared to approximately RMB42,358 million in 2012, and profit for the year of approximately RMB3,057 million in 2013, as compared to approximately RMB2,781 million in 2012.

The Company considers and we concur that DCPA and the joint venture partner, the PSA Group, have made important contribution to the success and the establishment of leading position of Dongfeng Motor Group in the PRC automobile industry over the years.

Meanwhile, PSA Group has invested considerable amount in its research and development over the past years. The following table shows the investments and capitalised research and development expenses made by the PSA Group over the past three years:

	Year ended 31 December		
	2011	2012	2013
	€ million	€ million	€ million
Research and development expenses	3,713	3,814	2,397
Representing approximately % of sales	6.3%	6.9%	4.4%

Source: 2012 PSA Document, 2013 PSA Document

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As mentioned above, the continuous investments in research and development by the PSA Group has brought to the launch of 17 new models of vehicles, a new engine, a new manual 5-speed and automatic 6-speed gear boxes in 2013. Furthermore, the PSA Group has unveiled the world's first and a revolutionary technology: Hybrid Air, a petrol and compressed air full-hybrid solution in 2013.

On the other hand, the PSA Group is also the controlling shareholder of Faurecia Group, one of the leading manufacturers of automotive seating products, emission control technologies products, interior systems products and automotive exteriors products. The investment in the PSA Group by the Company would therefore also bring an indirect investment in the Faurecia Group.

Furthermore, on 26 March 2014, the Company also entered into the Framework Agreement with PSA which provides a basis on which the Company and PSA will continue discussion on their strategic partnership based on the cooperation of DPCA. The Framework Agreement involves, among other things, (i) the expanding and deepening their current cooperation in DPCA, enhancing the research and development capabilities of the entire value chain, strengthening cooperation in overseas market, optimising the operation cost of DPCA, overall enhancing the competitive ability of DPCA, making effort to achieve the objective of selling 1.5 million vehicles comprising 500,000 vehicles under each of the Dongfeng, Peugeot SA and Citroën brands per year starting from 2020; (ii) enhancing strategic collaboration in research and development of both parties, including joint establishment of a research and development centre in the PRC, whose business is expected to include but not limited to the preliminary study of products, modeling, platform technology, complete vehicle development, powertrain, electronic products and modularization, as well as industrial design, project management, quality and other development business of the whole value chain. The parties are expected to maximise synergies in the areas of product technology and model platform; and (iii) strengthening their cooperation in overseas markets, in particular in the Asia-Pacific region and emerging markets, establishing a new sales company (export company) which is held equally by the Company and PSA (or wholly owned by DPCA) and is responsible for the sales of products of DPCA and PSA and service provision in the Asia-Pacific region (excluding the PRC), in particular the ASEAN region.

As stated in the Letter from the Board, the Company considers that the Investment Transaction and the proposed transactions contemplated under the Framework Agreement will help to procure the improvement of the existing cooperation mechanism and structure between the two parties, and help to enhance the capability of the Company in the areas of research and development and manufacturing in relation to passenger vehicles as well as realize the synergy between the businesses of the Company and DPCA in relation to self-owned brands of passenger vehicles. Having considered the continuous corporation between PSA and the Company and the development of DPCA over the years, we concur with the Company's view that further corporation with the PSA Group, being one of the major automobile manufacturers in the world with emphasis on research and development and with controlling stake in one of the leading automobile equipment manufacturers, through the Investment Transaction may enhance the capability of the Dongfeng Motor Group in the areas of research and development in relation to automobiles.

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5. Principal terms of the Master Agreement, DFG Subscription Agreement and the Shareholders' Agreement

Under the Master Agreement, each of the Company and the French Republic has undertaken to, among other things, subject to the satisfaction of the Conditions Precedent, subscribe for PSA Shares under the PSA Reserved Capital Increase and PSA Rights Issue. The Company and DMHK will enter into the DFG Subscription Agreement for the subscription of PSA Shares under the PSA Reserved Capital Increase and PSA Rights Issue, and the Shareholders' Agreement when the Subscription Agreements are signed.

Pursuant to the DFG Subscription Agreement, DMHK will (i) subscribe for 69,866,666 new shares of PSA to be issued in connection with the PSA Reserved Capital Increase for a price per new share of €7.5 (issuance premium included), representing a total subscription amount, issuance premium included, of €23,999,995; and (ii) subscribe for all the new shares of PSA to which it will be entitled to subscribe in the PSA Rights Issue by exercising all the preferential subscription rights allocated to the Company pursuant to the PSA Rights Issue, representing a total subscription amount, issuance premium included, of approximately €276 million.

(i) *Basis of the consideration under the DFG Subscription Agreement*

PSA Reserved Capital Increase Subscription Price

As stated in the Letter from the Board, the PSA Reserved Capital Increase Subscription Price of €7.5 per PSA Share was determined after arm's length negotiations between the Company and PSA and with reference to recent market trading prices of PSA Shares and the Company's consideration of the value of the assets and business of PSA. The PSA Reserved Capital Increase Subscription Price represents a discount of 40.8% relative to the closing price of PSA Shares quoted on NYSE-Euronext Paris on 25 March 2014 (being €12.66) and a discount of 42.5% relative to the average of the closing prices of PSA Shares over the five trading days ended 25 March 2014 (being €13.045).

It is noted that the PSA Reserved Capital Increase Subscription Price of €7.5 per PSA Share represents a discount of approximately 61.3% to the audited net assets value attributable to the shareholders of PSA as at 31 December 2013 of approximately €19.39 per PSA Share, or a price-to-book ratio of approximately 0.39.

Price-to-book ratio analysis

In this connection, we have reviewed the price-to-book multiple of the world's listed manufacturers comparable to the PSA Group. Since PSA has been making a loss in the past two financial years, the price-to-earnings approach is considered not applicable in evaluating the fairness and reasonableness of the consideration. We consider the price-to-book ratios of the companies ("**Comparable Companies**") whose shares are listed on at least one stock exchange in the world, whose principal business is similar the PSA with global reach (deriving at least 50% of its revenue from the manufacturing and sales of vehicles/automobiles and at least 5% of its revenue from each Asia Pacific, Europe and the Americas for the latest financial year) and with market capitalisation of not less than HK\$10 billion as at the Latest Practicable Date relevant for the purposes of ascertaining and indicating whether the consideration for the Investment Transaction is generally in line with the market:

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Name of comparable companies	Description of principal business	Closing price as at the Latest Practicable Date (At local currency)	Price/book ratio
Audi AG	Manufactures passenger cars	630.54 (Euro)	1.48
Bayerische Motoren Werke (BMW) AG	Manufactures and sells luxury cars and motorcycles worldwide	91.49 (Euro)	1.69
Daimler AG	Develops, manufactures, distributes, and sells a wide range of automotive products, mainly passenger cars, trucks, vans and buses	70.63 (Euro)	1.77
Fiat S.p.A.	Manufactures and markets automobiles, commercial vehicles, and agricultural and construction equipment	8.91 (Euro)	1.34
Ford Motor Company	Designs, manufactures, and services cars and trucks	15.84 (US Dollar)	2.37
Fuji Heavy Industries Ltd.	Manufactures passenger cars, buses, motor vehicle parts, and industrial machinery	2,718.00 (Japanese Yen)	2.79
General Motors Co.	Manufactures and markets new cars and trucks	33.62 (US Dollar)	1.35
Honda Motor Co., Ltd.	Develops, manufactures, and distributes motorcycles, automobiles, and power products such as generators and farm machinery	3,435.00 (Japanese Yen)	1.07
Hyundai Motor Company	Manufactures, sells, and exports passenger cars, trucks, and commercial vehicles	243,500 (South Korean Won)	1.22
Kia Motors Corporation	Manufactures, sells, and exports passenger cars, mini-buses, trucks and commercial vehicles	59,200 (South Korean Won)	1.39

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Name of comparable companies	Description of principal business	Closing price as at the Latest Practicable Date (At local currency)	Price/book ratio
Mazda Motor Corporation	Manufactures and sells automobiles, trucks, auto parts, and its accessories. The Company operates its business worldwide	443.00 (Japanese Yen)	2.23
Mitsubishi Motors Corporation	Develops and manufactures passenger cars and its related parts	1,060 (Japanese Yen)	N/A (Note)
Nissan Motor Co., Ltd.	Manufactures and markets automobiles, light trucks, and its related parts	908.00 (Japanese Yen)	0.90
Renault SA	Designs, manufactures, markets, and repairs passenger cars and light commercial vehicles	74.29 (Euro)	0.95
Suzuki Motor Corporation	Manufactures automobiles, motorcycles, and their related parts	2,651.00 (Japanese Yen)	1.14
Tata Motors Limited	Manufactures cars and commercial automotive vehicles in India	420.90 (Indian Rupee)	3.57
Toyota Motor Corporation	Manufactures, sells, leases, and repairs passenger cars, trucks, buses, and their related parts worldwide	5,450.00 (Japanese Yen)	1.22
Volkswagen AG	Manufactures economy and luxury automobiles, sports cars, trucks, and commercial vehicles for sale worldwide	192.55 (Euro)	1.02
Average (approximately)			1.62

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Name of comparable companies	Description of principal business	Closing price as at the Latest Practicable Date (At local currency)	Price/book ratio
Maximum			3.57
Minimum			0.90
The PSA Reserved Capital Increase Subscription Price			0.39

Note: Mitsubishi Motors Corporation recorded negative book value after adjusted for the preferred stocks, and therefore no price-to-book ratio is presented.

Source: Bloomberg

As illustrated in the table above, the price-to-book ratio of the Comparable Companies as at the Latest Practicable Date ranged from approximately 0.90 times to 3.57 times and its average was approximately 1.62 times. Based on the audited consolidated net assets value attributable to the shareholders of PSA as at 31 December 2013 and the PSA Reserved Capital Increase Subscription Price, the price-to-book ratio of the Investment Transaction is below the range of the price-to-book ratio of the Comparable Companies, and represented a discount of approximately 55.67% to the lowest price-to-book ratio among the Comparable Companies, which are generally favourable to the Group.

Subscription price for the French Republic and exercise price of PSA Warrants

As stated in the Letter from the Board and pursuant to the Master Agreement, among other things, the French Republic will also, subject to the satisfaction of the Conditions Precedent, subscribe for 69,866,666 PSA Shares to be issued pursuant to the PSA Reserved Capital Increase for a price of €7.50 per PSA Share. French Republic is party through the French Government Shareholding Agency, a specific department of French Ministry of Economy and Finance in charge of holding the French State's stakes in companies, and should be considered as an independent third party. Moreover, the exercise price of the PSA Warrants is also €7.50 per PSA Share. We consider that the subscription price payable by French Republic under the PSA Reserved Capital Increase and the exercise price of the PSA Warrants payable by the relevant PSA shareholder as a benchmark price payable by an independent third party to the Company and therefore the PSA Reserved Capital Increase Subscription Price is a fair price.

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Historical share price analysis

We have also reviewed the historical share price of PSA over the past five years. Set out below is the closing share price of PSA since 1 January 2009 up to the Latest Practicable Date:



Source: Bloomberg

The following table further summarised the closing prices of the PSA Shares during of the last five years and the latest closing prices of the PSA Shares:

Year/period	Average closing price (Euro)
2009	16.65
2010	20.89
2011	20.83
2012	8.26
2013	8.35
2014 (up to the Latest Practicable Date)	12.22
Last 30 trading dates (up to and including the Latest Practicable Date)	13.374
Last 10 trading dates (up to and including the Latest Practicable Date)	13.976
Last 5 trading dates (up to and including the Latest Practicable Date)	14.254
Latest Practicable Date	14.075

Source: Bloomberg

It is noted from the above chart and table that the share price of the PSA Shares experienced significant drop in 2012 and 2013 when PSA Group reported losses

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during the period. The share price of the PSA on 16 November 2012 recorded a lowest closing price of €4.396 since 2009, and has recovered to €9.438 on 31 December 2013. The current growth trend of the price of PSA Shares started in mid-2013 and continued in 2014. We also noted that since July 2013, there had been media reports revealing unofficial news in relation to the possible acquisition of stake in PSA by the Company. The closing share price of the PSA Shares reached €14.075 on the Latest Practicable Date, representing an increase of approximately 220.2% as compared to the lowest price on 16 November 2012 or approximately 49.1% as compared to the closing price by end of 2013, which is consistent with the improvement in financial results of the PSA Group.

We have also made reference to the capital increase for cash (rights issue) with preferential subscription rights to its shareholders announced on 6 March 2012 (“**2012 PSA Rights Issue**”), which was carried as a part of the alliance with the General Motors. The final gross proceeds of the 2012 PSA Rights Issue amounted to approximately €99 million, corresponding to the issue of 120,799,648 new PSA Shares, representing approximately €8.27 per PSA Share (“**2012 PSA Rights Issue Price**”). As stated in the prospectus issued by PSA in relation to the 2012 PSA Rights Issue, General Motors has undertaken to acquire 4,398,821 treasury shares held by PSA at a price of €12.234 per share, and EPF and FFP will sell to General Motors all of the unexercised preferential subscription rights attributed to them, at a price of €2.05 per preferential subscription right. Accordingly, given the subscription ratio of the 2012 PSA Rights Issue was 16 new PSA Shares per 31 existing PSA Shares, the cost of General Motors in subscribing for each PSA Share under the 2012 PSA Rights Issue was approximately €12.23 per PSA Share (“**2012 GM Acquisition Cost**”)

Accordingly, the PSA Reserved Capital Increase Subscription Price of €7.5 per PSA Share represented discount to the closing price as at the Latest Practicable Date, the last 30 consecutive trading dates prior to and including the Latest Practicable Date, the average closing price in 2013, the average closing price in 2012, the 2012 PSA Rights Issue Price and 2012 GM Acquisition Cost of approximately 46.7%, 43.9%, 10.2%, 9.2%, 9.3% and 38.7%, respectively.

PSA Rights Issue Subscription Price

As part of the DFG Subscription Agreement and for the purpose of maintaining the Company’s equity interest in PSA, DMHK will also participate the PSA Rights Issue by exercising all of its preferential subscription rights pursuant to the PSA Rights Issue. The PSA Rights Issue is a share capital increase of PSA in an amount of €1,952 million, and the maximum aggregate subscription price payable by DMHK under the PSA Rights Issue is approximately €276 million. As stated in the Letter from the Board, the PSA Rights Issue Subscription Price will be determined in accordance with an agreed formula which is in line with the market practice for such types of transaction. The formula takes into account the prevailing market price of PSA Shares, the amount of PSA Shares to be issued under the PSA Rights Issue and a price discount to be determined by the Joint Global Coordinators.

As advised by the Company, the participation of the PSA Rights Issue (i) represents a good opportunity to invest in the PSA; (ii) will provide more resources to finance the development of the PSA which is beneficial to the Dongfeng Motor Group given the cooperation among the PSA Group and the Dongfeng Motor Group; and (iii) maintain the shareholding of the Company in PSA as a result of the PSA Reserved Capital Increase.

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For information purpose only, PSA carried out the 2012 PSA Rights Issue at a price of approximately €8.27 per PSA Share. In this connection, we have reviewed the PSA Share price prior to the conclusion of the 2012 PSA Rights Issue and noted that the 2012 PSA Rights Issue Price represented:

- (i) approximately 41.8% discount to the closing price per PSA Share of €14.205 on 5 March 2012;
- (ii) approximately 43.8% discount to the average closing price of approximately €14.723 per PSA Share for the five consecutive trading days immediately prior to and including 5 March 2012;
- (iii) approximately 45.2% discount to the average closing price of approximately €15.099 per PSA Share for the ten consecutive trading days immediately prior to and including 5 March 2012; and
- (iv) approximately 45.0% discount to the average closing price of approximately €15.029 per PSA Share for the 30 consecutive trading days immediately prior to and including 5 March 2012.

We have further reviewed the recent PSA Share prices and the respective price-to-book ratios, and summarised below:

Average closing price of PSA Share	Share price (Euro)	Price-to-book ratio
On Latest Practicable Date	14.075	0.73
Five consecutive trading days immediately prior to and including the Latest Practicable Date	14.254	0.74
Ten consecutive trading days immediately prior to and including the Latest Practicable Date	13.976	0.72
30 consecutive trading days immediately prior to and including the Latest Practicable Date	13.374	0.69

Note: The price-to-book ratio is calculated based on the relevant share price and the audited net assets value attributable to the shareholders of PSA as at 31 December 2013 of approximately €19.39 per PSA Share.

It is noted from the above table, the PSA Shares were trading at price-to-book ratios below that of the Comparable Companies which ranged from approximately 0.90 to 3.57. Moreover, given all shareholders of PSA participating the PSA Rights Issue, including the DMHK, will subscribe the new PSA Shares to be allotted and issued under the PSA Rights Issue at the same price, which will be a discount to the prevailing market price of the PSA Shares, we consider the consideration payable by DMHK under the PSA Rights Issue fair and reasonable.

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As described in the paragraph headed “Business performance of the PSA Group” above, the PSA Group has recorded net loss in the last two consecutive financial years, and its net assets value was reduced as a result thereof. It is noted that, despite the PSA Group has recorded losses for the year ended 31 December 2012 and 2013, the recurring operating loss for the PSA Group was reduced from approximately €560 million in 2012 to approximately €177 million in 2013, and the non-recurring operating loss, which representing approximately 83.7% and 52.7% of the consolidated loss for 2012 and 2013, respectively, has also reduced from approximately €1,122 million in 2012 to approximately €1,169 million in 2013. Meanwhile, the PSA Group has implemented plans on, among other things, cost reduction, further internationalisation and alliance with General Motors.

Conclusion

Taking into account of the aforesaid and the fact that the PSA Rights Issue will be offered to all shareholders of PSA at the PSA Rights Issue Subscription Price, we concur with the Company that the consideration under the DFG Subscription Agreement is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole.

(ii) Lock-up undertakings of DMHK under the DFG Subscription Agreement

As stated in the “Letter from the Board”, the Company will undertake from the date of the DFG Subscription Agreement and, for a period ending 180 days after the PSA Rights Issue Closing Date, not to take any of the following actions, without the prior written consent of the Joint Global Coordinators, save in case of a merger, spin-off, public offer or similar transactions relating to the shares of PSA:

- (i) offer, assign, sell, use as collateral or otherwise transfer (including without limitation in market transactions, private placements to institutional investors or over the counter transactions), directly or indirectly (including through the use of any options or other derivatives), any shares or any other security giving access, by conversion, exchange, repayment, warrants, exercise or in any other manner, with immediate or future effect, to the share capital of PSA provided, however, that sales or transfers of shares or securities to affiliates of the Company shall be permitted, subject to (a) such affiliate(s) agreeing in writing to be bound by the terms of the DFG Subscription Agreement and (b) the Company and such affiliate(s) undertake in writing to re-sell or re-transfer such shares or securities to the Company prior to any such affiliate(s) ceasing to be an affiliate of the Company; or
- (ii) publicly disclose its intention with regard to the actions listed in paragraph (i) above.

Such lock-up undertaking applies to all the shares that DMHK may hold in PSA and to all new shares that DMHK will subscribe in connection with the PSA Rights Issue, the PSA Reserved Capital Increase or otherwise acquired prior to the PSA Rights Issue Closing Date.

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We further noted similar lock-up arrangement binding on subscriber(s) in relation to the subscription of shares in companies listed on the Stock Exchange and announced in 2014, which are summarised below:

Company Name (Stock code)	Date of announcement	Lock-up period
China City Railway Transportation Technology Holdings Company Limited (1522)	4 April 2014	2 years
Bestway International Holdings Limited (718)	26 March 2014	6 months
Chinavision Media Group Limited (1060)	11 March 2014	2 years
China Mengniu Dairy Company Limited (2319)	12 February 2014	3 years
Landing International Development Limited (582)	9 February 2014	1 year
CITIC 21CN Company Limited (241)	23 January 2014	3 years

We have discussed with the Company and being advised that it is the Company's intention to invest in PSA for long-term purpose and to strengthening the corporation between the Dongfeng Motor Group and the PSA Group, and the investment in PSA will be accounted for as investment in an associated company such that the assets, liabilities and results of PSA will be accounted for by the Company with equity method, and having considered that the lock up arrangement of 180 days is not uncommon in capital market transactions based on our research and there is no further restriction to sell any PSA Shares held by DMHK subsequent to such period, we concur with the view of the Company that the lock-up undertaking regarding the PSA Shares will have no material adverse impact on the Group.

(iii) Other undertaking by the Company under the DFG Subscription Agreement

Pursuant to the DFG Subscription Agreement and despite of the existence of the lock-up undertakings of DMHK, the Company has agreed to (1) own 100% of the issued share capital and the voting rights of DMHK from the date of the DFG Subscription Agreement to the date of settlement and delivery of the PSA Rights Issue; and (2) own more than 50% of the issues share capital and the voting rights of DMHK from the date of settlement and delivery of the PSA Rights Issue to the 181st day following such date.

We consider that, when taking into account of such undertaking together with the undertakings of DMHK, such provision provided the Company with greater flexibility in managing the investment in PSA which is favourable to the Group.

DMHK's undertaking under the DFG Subscription Agreement will be subject to the conditions precedent of (i) the clearance of the AMF on the prospectus of the PSA Rights Issue; and (ii) the execution by PSA and the Joint Global Coordinators of the Underwriting Agreement.

In the event that the above-mentioned conditions precedent have not been fulfilled by or before 30 June 2014, the DFG Subscription Agreement shall automatically terminate.

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(iv) Voting rights

The voting rights attributable to each PSA Share may differ among different holders thereof as, as stated in the 2013 PSA Document, the fully-paid up shares registered in the name of the same holder for at least four years shall carry double voting rights at shareholders' meetings of PSA.

Pursuant to the Master Agreement, subject to the approval of the PSA GM, PSA has agreed to amend its articles of association to the effect that the vesting period of the double voting rights will be reduced from four years to two years. Subject to the Conditions Precedent, EPF/FFP has agreed not to exercise its voting rights in excess of the voting rights held by each of DMHK and SOGEPa during the two years' period. Accordingly, DMHK, SOGEPa and EPF/FFP are expected to have the same voting rights at the general meetings of PSA.

Upon completion of the PSA Reserved Capital Increase and PSA Rights Issue, it is expected that EPF and FFP will hold together exactly the same number of PSA Shares as each of the Company and the French Republic, and, as stated in the 2013 PSA Document, EPF and FFP held in aggregate of approximately 25.27% of the issued shares of PSA while holding approximately 37.89% of the exercisable voting rights of PSA as at 31 December 2013, we consider that the restriction on voting rights of EPF/FFP is favourable to the Company to ensure that the Company has the same level of voting right as EPF/FFP when there is no change in their respective shareholding in PSA subsequent to the completion of the Investment Transaction.

(v) Shareholders' Agreement

It is expected that upon completion of the PSA Reserved Capital Increase and the PSA Rights Issue, EPF/FFP will hold exactly the same number of PSA Shares as each of the Company and the French Republic will be holding.

In this regard, the Company, the French Republic, EPF, FFP and PSA will further enter into the Shareholders' Agreement with respect to their shareholdings in PSA at the same time when the Subscription Agreements are signed.

PSA Supervisory Board

The parties to the Shareholders' Agreement have agreed that, with effect no later than the Effective Date, the PSA Supervisory Board comprises:

- (i) two DFG Supervisory Board Members;
- (ii) two French Republic Supervisory Board Members;
- (iii) two EPF/FFP Supervisory Board Members;
- (iv) six Independent Supervisory Board Members; and
- (v) two Employee Supervisory Board Members

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As stated in the Letter from the Board, the Company is expected to hold approximately 14% of the enlarged issued share capital of PSA immediately upon completion of the PSA Reserved Capital Increase and the PSA Rights Issue, and the number of DFG Supervisory Board Member accounted for approximately 14.3% of the total number of members of in the PSA Supervisory Board. Furthermore, according to the Shareholders' Agreement, for such time as the Company holds at least 7% of the total number of PSA Shares upon completion of the PSA Rights Issue, two of the PSA Supervisor Board Members will be appointed from candidates proposed by the Company; and if the Company's shareholding in PSA falls below 7% of the total number of PSA Shares but is equal to or exceeds 3% of the total number of PSA Shares upon completion of the PSA Rights Issue, the number of DFG Supervisor Board Members will be reduced to one.

As stated in the Letter from the Board, certain material matters including, but not limited to, (i) shareholder-approved share issues (whether paid up in cash or by capitalizing retained earnings) and capital reductions; (ii) any and all issues of ordinary bonds or convertible bonds; (iii) the negotiation of any merger agreements or agreements for an *apport partiel d'actif*; and (iv) the execution or termination of any manufacturing or sales agreements representing a future commitment for PSA, with companies whose corporate purpose is similar or related to that of PSA, and generally the execution of any major transaction which substantially alters the scope of the business or the balance sheet structure of PSA or the PSA Group, require the prior consent of the PSA Supervisory Board by way of a simple majority.

Taking into account that (i) it is the Company's intention to strengthen the cooperation between the Dongfeng Motor Group and the PSA Group through the Investment Transaction; (ii) the Company has no intention to participate the day-to-day management of PSA Group; (iii) the DFG Supervisory Board Members in the PSA Supervisory Board will enable DFG to safeguard their interest in PSA; (iv) the number of DFG Supervisory Board Members represented the shareholding of the Company in PSA; and (v) certain material actions to be taken by the PSA Management Board would require the prior consent of the PSA Supervisory Board, we concur with the Company that the appointment of Dongfeng Supervisory Board Members to the PSA Supervisory Board is in the interests of the Company and its shareholders as a whole.

Dealings in PSA Shares

The PSA Shareholders will not be subject to any lock-up obligations (other than 180 day lock-up period under the Master Agreement).

Also, the respective parties undertook, with effect from the Effective Date, each PSA Shareholder (for (i) DMHK, together with DFG and (ii) SOGEP, together with the French Republic) undertakes that it will not directly or indirectly, alone or in concert with any person increase its number of shares or equity securities above the number of shares or equity securities which each of DMHK, SOGEP and EPF/FFP will hold in PSA upon completion of the PSA Rights Issue.

Note: *Apport partiel d'actif* refers to partial contribution of assets, by which a company contributes to another (existing or newly created) company a portion of its assets in exchange for securities issued by the beneficiary company.

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In the event of a subsequent issue of shares or equity securities by PSA following the PSA Rights Issue including pre-emptive rights or priority rights, each PSA Shareholder is allowed under the Shareholders' Agreement to subscribe to such subsequent issue within the limits of its irreducible rights. In such a case, the number of PSA Shares subject to the standstill obligation will be adjusted accordingly.

The PSA Shareholders may be released from the standstill obligation with the consent of (i) all the PSA Shareholders holding at least 5% of the PSA Shares and (ii) the PSA Supervisory Board.

Each of the PSA Shareholders shall be entitled to transfer the shares it held in PSA without any restrictions; provided, however, that the party transferring the PSA Shares is required, to the extent that is reasonably practicable and subject to compliance with legal requirements, to provide to the other parties notice of such transfer at least four Business Days prior to the transfer, such notice to identify (i) the type of transfer, and (ii) the transferee of such shares (to the extent known).

In the event that any party to the Shareholders' Agreement envisages to transfer PSA Shares on the market, such party is required to inform and discuss with the PSA's management such transfer prior to completion with a view to minimizing the impact of such transfer on the share price.

We have discussed with the Company and being advised that it is the Company's intention to invest in PSA for long-term purpose and to strengthening the corporation between the Dongfeng Motor Group and the PSA Group, we concur with the Company that the aforesaid dealing restrictions on PSA Shares will have no material adverse impact on the Group.

No action in concert

Each of the PSA Shareholders agrees that it will not act in concert with any of the other PSA Shareholders or any affiliate of any other PSA Shareholder.

We have discussed with the Company and being advised that (i) it is the Company's intention to invest in PSA for long-term purpose and to strengthening the corporation between the Dongfeng Motor Group and the PSA Group; (ii) the Company currently has no intention to acquire controlling stake in the PSA Group; (iii) the Company currently has no intention to obtain or exercise control in PSA through any form of arrangement or agreement or acting in concert with any shareholders of PSA; and (iv) the Company will evaluate the business opportunities and investment in the PSA Group according to its own need and circumstances, we concur with the Company that the aforesaid acting in concert restriction will have no material adverse impact on the Group.

6. Possible financial effects of the Investment Transaction

The Company has sought its auditors' view in relation to the accounting treatment of PSA upon completion of the Investment Transaction. We have further discussed with the accounting department of the Group in respect of the possible financial effects of the Investment Transaction, which are summarised as follows:

(i) Earnings

Based on the consolidated net asset value of PSA attributable to its shareholders as at 31 December 2013 of approximately €19.39 per PSA Share, the PSA Reserved Capital Increase for a price of €7.50 per PSA Share, the closing price of €14.075 per PSA Share as at the Latest Practicable Date, by referencing to the fact that the 2012 PSA Rights Issue Price represented a discount to the then closing price of PSA Shares and PSA will be accounted for as an associated company of the Company (has the meaning ascribed to it under the relevant accounting standards) upon completion of the Investment Transaction, the executive Directors expect that the PSA Rights Issue Subscription Price may also represent a discount to the Company's share of the fair values of identifiable assets and liabilities of PSA and the Group may record non-recurring gains as a result of each PSA Reserved Capital Increase and PSA Rights Issue. Such gains, if any, are non-recurring in nature and will be reflected in the consolidated income statement of the Company for the year ending 31 December 2014 assuming the completion of the Investment Transaction takes place during the year ending 31 December 2014. However, Shareholders should note that the actual non-recurring gain or loss on the Investment Transaction to be recognized by the Group, which will be calculated with reference to the Company's share of the fair values of identifiable assets and liabilities of PSA as at the date of completion of the Investment Transaction, may be different from the above figure and will be subject to audit by the auditors of the Company for the purpose of the audit on the Company's consolidated financial statements for the year ending 31 December 2014.

On the other hand, as advised by the Company, upon completion of the Investment Transaction, PSA will be accounted for as an associated company of the Company (has the meaning ascribed to it under accounting standards). Under the accounting policies of the Group, investments in associated companies are accounted for using the equity method of accounting. Accordingly, the results of PSA will be equity accounted for in the consolidated financial statements of the Company, and the Group will share the profit and loss of PSA in the consolidated income statement of the Company after completion of the Investment Transaction.

(ii) Net assets value

Based on the consolidated net asset value of PSA attributable to its shareholders as at 31 December 2013 of approximately €19.39 per PSA Share, the PSA Reserved Capital Increase for a price of €7.50 per PSA Share, the closing price of €14.075 per PSA Share as at the Latest Practicable Date, the fact that the 2012 PSA Rights Issue Price represented a discount to the closing price of PSA Shares and PSA will be accounted for as an associated company of the Company (has the meaning ascribed to it under accounting standards) upon completion of the Investment Transaction, the executive Directors expect that the PSA Rights Issue Subscription Price may also represent a discount to the Company's share of the fair values of identifiable assets and liabilities of PSA, and therefore the consolidated net assets of the Company attributable to the Shareholders will be increased as a result of the Investment Transaction, principally representing the excess of Company's share of the fair values of identifiable assets

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and liabilities of PSA over the consideration for the Investment Transaction. We consider the increase in consolidated net assets of the Company as a result of the Investment Transaction is beneficial to the Group and the Shareholders as a whole.

However, Shareholders should note that the actual financial effects of the Investment Transaction on the Group's net assets value shall only be determined upon completion of the Investment Transaction based on, among other things, the then fair values of identifiable assets and liabilities of PSA as at the date of completion of the Investment Transaction. Therefore, the abovementioned effect of the Investment Transaction to the net assets value of the Group may be different from the actual effect of the Investment Transaction to the net assets value of the Group on completion of the Investment Transaction.

(iii) Gearing and working capital

The gearing ratio, as calculated by dividing the audited total liabilities over the audited total assets of the Group as at 31 December 2013, was approximately 0.45 as at 31 December 2013. Upon completion of the Investment Transaction, the total assets of the Group will be increased by the share of the fair values of identifiable assets and liabilities of PSA and total liabilities of the Group will be increased by the consideration payable by the Group under the Investment Transaction of €800 million (equivalent to approximately HK\$8,576 million). Assuming that there is no gain or loss aroused from the Investment Transaction, it is expected that the then gearing ratio of the Group will be slightly increased.

However, Shareholders should note that the actual financial effects of the Investment Transaction on the Group's gearing ratio shall only be determined upon completion of the Investment Transaction based on, among other things, the then fair values of identifiable assets and liabilities of PSA as at the date of completion of the Investment Transaction.

As stated in the Letter from the Board, the total consideration payable by the Group under the Investment Transaction of €800 million (equivalent to approximately HK\$8,576 million) will be fully funded by a loan from a syndicate of banks (the "Loan"), which is expected to be repayable in 12 months. Based on the 2013 Annual Results, the Group's cash and cash equivalents, and pledged bank balances and time deposits as at 31 December 2013 was approximately RMB21,739 million and RMB2,543 million, respectively, with total interest-bearing borrowings of approximately RMB5,875 million. The Group, based on proportionate consolidation, also generated net cash inflow from operating activities of approximately RMB16.0 billion for the year ended 31 December 2013. We have discussed the liquidity position of the Group with the management of the Company and are being advised that the Company currently intends to repay the Loan by (i) refinancing by way of medium-long term syndicate loan or issuance of bond through offering; (ii) fund raising of the Company through equity market; (iii) fund raised through introduction of joint investor(s) in relation to Investment Transaction; or (iv) internal resources, or a combination of the aforesaid. It is provided in the DFG Subscription Agreement that, among other things, the Company has agreed to own more

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than 50% of the issues share capital and the voting rights of DMHK from the date of settlement and delivery of the PSA Rights Issue to the 181st day following such date, and such term provided flexibility to the Company to introduce joint investors subsequent to the completion of the Investment Transaction. On this basis we agree with the view of the executive Directors that, subject to the granting of the Loan, the consideration payable by the Group under the Investment Transaction of €800 million (equivalent to approximately HK\$8,576 million), which will be financed by the Loan, will not have a material adverse effect on the Group's working capital position and gearing, and having considered the aforesaid cash and cash equivalent position, the interest-bearing borrowing level and the Loan, which is repayable in 12 months, we concur with the Company that the increase in gearing as a result of the Loan remains within prudent limits.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the view that the PSA Group is engaged in the automotive industry which is the ordinary and usual course of business of the Company and the Investment Transaction may support the Dongfeng Motor Group's business plan in enhancing its research and development capabilities by strengthening the cooperation between the Dongfeng Motor Group and PSA, and we are of the opinion that the terms of the Master Agreement, the DFG Subscription Agreement and the Shareholders' Agreement are on normal and commercial terms, and are fair and reasonable so far as the Independent Shareholders are concern, and the Investment Transaction is in the interests of the Company and the Shareholders as a whole.

The Stock Exchange has granted a waiver to the Company in respect of Rule 14A.43 of the Listing Rules, pursuant to which the written independent shareholders' approval of the Company may be accepted in lieu of holding a general meeting to approve the Investment Transaction. As stated in the "Letter from the Board", Dongfeng Motor Corporation has provided the relevant written independent shareholder approval in respect of the Investment Transaction. As such, the entering into of the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction is not required to be approved at a general meeting of the Company. However, had the entering into of the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction been required to put forward for consideration and approval at a general meeting of the Company, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to approve the Master Agreement, the DFG Subscription Agreement, the Shareholders' Agreement and the Investment Transaction.

Yours faithfully,
For and on behalf of
Halcyon Capital Limited
Terry Chu
Managing Director

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as was known to the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Class of shares	Number of shares	Percentage in the class of issued share capital (%)	Percentage of the total share capital (%)
Dongfeng Motor Corporation	Domestic shares	5,760,388,000 (L)	100%	66.86%
JPMorgan Chase & Co.	H Shares	390,867,894(L)	13.68%	4.53%
		990,999(S)	0.03%	0.011%
		345,312,387(P)	12.09%	4.00%
SCMB Overseas Limited	H Shares	242,282,000 (L)	9.76%	2.81%
Standard Chartered Asia Limited	H Shares	242,282,000 (L)	9.76%	2.81%

Name	Class of shares	Number of shares	Percentage in the class of issued share capital	Percentage of the total share capital
Standard Chartered Bank	H Shares	242,282,000(L)	9.76%	2.81%
Standard Chartered Holding Limited	H Shares	242,282,000(L)	9.76%	2.81%
Standard Chartered Holdings (International) B.V.	H Shares	242,282,000 (L)	9.76%	2.81%
Standard Chartered MB Holdings B.V.	H Shares	242,282,000 (L)	9.76%	2.81%
Standard Chartered Private Equity Limited	H Shares	242,282,000 (L)	9.76%	2.81%
BlackRock, Inc.	H Shares	199,476,304(L) 372,000(S)	6.98% 0.01%	2.31% 0.004%
Matthews International Capital Management, LLC	H Shares	198,430,000(L)	6.94%	2.30%
Edinburgh Partners Limited	H Shares	153,514,000(L)	5.38%	1.78%
Prudential plc	H Shares	145,763,093(L)	5.10%	1.69%

Notes: (L) – Long position, (S) – Short position, (P) – Lending Pool

4. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. DIRECTORS' INTERESTS IN ASSETS

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of or leased since 31 December 2012, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

6. DIRECTORS' INTERESTS IN CONTRACTS

There was no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors was materially interested and which was significant in relation to the business of the Group.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this Circular:

Name	Qualification
Halcyon Capital	a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO

Halcyon Capital has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its report and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Halcyon Capital was not interested in any shares in the Company or any member of the Group, nor did it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares in the Company or any member of the Group.

As at the Latest Practicable Date, Halcyon Capital did not have any interest, direct or indirect, in any assets which have been, since 31 December 2012 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any other member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

9. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Competition exists between the businesses of the Dongfeng Motor Group and Dongfeng Motor Corporation and its subsidiaries. The executive Directors of the Company (Mr. Xu Ping, Mr. Zhu Fushou and Mr. Li Shaozhu) devote most of their time managing the day-to-day operations of the Company. The Company further confirmed that its management has not involved in daily operations of Dongfeng Motor Corporation and its subsidiaries which compete with the businesses of the Company as at the Latest Practicable Date.

Mr. Zhu Fushou, an executive Director of the Company, is the Deputy Chairman of Dongfeng Yueda Kia Motors Co., Ltd., which is principally engaged in manufacturing of Kia series of passenger vehicles and competes with the passenger vehicles manufactured and sold by the Dongfeng Motor Group. Dongfeng Yueda Kia Motors Co., Ltd. is a joint venture company of the Dongfeng Motor Corporation and has been managed and operated independently from the Dongfeng Motor Group. In addition, the Company does not have any equity interests in this company. Accordingly, the Dongfeng Motor Group is capable of carrying on, and has carried on, its passenger vehicle manufacturing business independently of, and at arm's length from, the business of Dongfeng Yueda Kia Motors Co., Ltd.

Save as disclosed above, none of the Directors nor their associates own any interests in businesses which compete or are likely to compete with the businesses of the Group nor have other interest conflicts with the Group.

10. MISCELLANEOUS

- (a) The joint company secretaries of the Company are Mr. Lu Feng and Ms. Lo Yee Har Susan.
- (b) The Hong Kong H share registrar is Computershare Hong Kong Investor Services Limited located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East Wan Chai, Hong Kong SAR.
- (c) The English text of this Circular prevails over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong), at the offices of Slaughter and May on the 47th Floor, Jardine House, One Connaught Place, Central, Hong Kong from the date of this Circular up to and including 29 April 2014:

- (a) the MOU;
- (b) the Master Agreement;
- (c) the DFG Subscription Agreement;
- (d) the Shareholders’ Agreement; and
- (e) the Framework Agreement.