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## **DONGFENG MOTOR GROUP COMPANY LIMITED\***

**東風汽車集團股份有限公司**

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

(Stock Code: 489)

### **ANNOUNCEMENT**

**(1) MEMORANDUM OF UNDERSTANDING  
IN RELATION TO PROPOSED INVESTMENT IN PSA  
(2) NON-BINDING FRAMEWORK AGREEMENT IN RELATION TO  
PROPOSED FURTHER CO-OPERATION BETWEEN THE COMPANY AND  
PSA  
AND**

**(3) RESUMPTION OF TRADING**

The Company is pleased to announce that, on 18 February 2014, the Company entered into the MOU with PSA, The French Republic ,EPF/FFP under which the Company expressed its intention to subscribe for shares issued in PSA pursuant to the PSA Reserved Capital Increase (increase reserved capital ) and the Rights Issue for a total consideration of approximately 800 million euros and the French Republic is expected to subscribe for the same shares in PSA pursuant to the PSA Reserved Capital Increase and the PSA Rights Issue on the same terms. The Company will enter into a Shareholders' Agreement with PSA, The French Republic, EPF/FFP with respect to the Company's, The French Republic's and EPF/ FFP's shareholdings in PSA.

On the same date, the Company also entered into the Non-binding Framework Agreement with PSA under which the Company and PSA expressed their intention to strengthen the co-operation between themselves including cooperation in technology, research and

development, manufacturing and overseas distribution.

At the request of the Company, trading in its shares has been halted with effect from 9:00 a.m. on 18 February 2014 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the shares in the Company with effect from 9:00 a.m. on 19 February 2014.

**Shareholders and potential investors of the Company should note that the Master Agreement, the Subscription Agreement, the Shareholders' Agreement, the Framework Agreement and other agreements relating to the Transactions may or may not be entered into and the Transactions may or may not materialise. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the shares of the Company.**

## **1. INTRODUCTION**

The Company is pleased to announce that on 18 February 2014, the Company entered into the MOU with PSA, The French Republic, EPF/FFP under which the Company expressed its intention to subscribe for shares in PSA.

On the same date, the Company also entered into the Non-binding Framework Agreement with PSA under which the Company and PSA expressed their intentions to strengthen the co-operation between themselves including, cooperation in technology, research and development, manufacturing and overseas distribution.

This announcement is made pursuant to the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

## **2. THE MOU**

Date:

18 February 2014

Parties:

- (1) The Company
- (2) The French Republic
- (3) EPF
- (4) PSA
- (5) 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 shares in PSA pursuant to the PSA Reserved Capital Increase and the

PSA Rights Issue for a total consideration of approximately 800 million euros (The French Republic is expected to subscribe for the same number of shares in PSA pursuant to the PSA Reserved Capital Increase and the PSA Rights Issue on the same terms), and to enter into a Shareholders' Agreement with PSA, The French Republic, EPF/FFP with respect to the Company's, The French Republic's and EPF/FFP's shareholdings in PSA.

The parties to the MOU have agreed to use their best efforts to discuss and finalise in good faith, among other things, the Master Agreement, the Subscription Agreement and the Shareholders' Agreement on the principal terms contained in the MOU, and to obtain all necessary approvals and authorizations in relation to the PSA Fund Raising Transaction and otherwise to take all necessary actions to implement and consummate the PSA Fund Raising Transaction in accordance with a timetable that would involve the signing of the Master Agreement around the end of March 2014, the commencement of the implementation of the Framework Agreement and the closing of the PSA Fund Raising Transaction in or around the second quarter of 2014.

#### **A. THE MASTER AGREEMENT**

It is expected that under the Master Agreement, (1) the Company and PSA will agree to enter into the Subscription Agreement and (2) the Company, The French Republic, EPF, FFP and PSA will agree to enter into the Shareholders' Agreement, after, among other things, the obtaining of regulatory approvals and approval by shareholders of the Company and PSA.

#### **B. THE SUBSCRIPTION AGREEMENT**

Under the MOU, PSA expressed its intention to implement the PSA Reserved Capital Increase and the PSA Rights Issue. The parties contemplate that the Company will agree, under the Subscription Agreement, to:

(1) subscribe for shares in PSA to be issued in connection with the PSA Reserved Capital Increase, at the price of 7.5 euros per share, for a total subscription price of approximately 524 million euros; and

(2) subscribe for shares in PSA to be issued pursuant to the PSA Rights Issue by exercising all of the pre-emptive rights to be allocated to the Company pursuant to the PSA Rights Issue, with the subscription price per share determined according to market condition and share price of PSA, representing an aggregate subscription amount of approximately 276 million euros.

The French Republic is expected to subscribe for the same number of shares in PSA pursuant to the PSA Reserved Capital Increase and the PSA Rights Issue on the terms which are the same as those of the Company.

In addition, PSA is expected to distribute the PSA Warrants to its existing shareholders on the basis of one PSA Warrant per share. Every 10 PSA Warrants are entitled to subscribe for three shares of PSA at the subscription price of 7.5 euros per share.

Ultimately, the Company, The French Republic and the Peugeot Family (via EPF/FFP ) will hold the same amount of shares of PSA respectively.

### **C. THE SHAREHOLDERS' AGREEMENT**

The Company, The French Republic and the Peugeot Family (via EPF/FFP) are expected to be shareholders of PSA upon completion of the PSA Reserved Capital Increase , the PSA Rights Issue and the distribution of PSA warrants.

Under the MOU, it is the intention of the parties thereto that the Company, PSA, The French Republic and EPF/FFP shall enter into the Shareholders' Agreement with respect to their shareholdings in PSA.

According to the MOU, the parties to the MOU contemplate that, under the Shareholders' Agreement:

- (1) the Supervisory Board of PSA is to be composed of 6 independent members; 2 representatives of each of the Company, The French Republic and the Peugeot Family (via EPF/FFP); and 2 members representing employees and employee shareholders. The Supervisory Board is expected to be chaired by an independent member;
- (2) the composition and chairmanship of the various committees of the Supervisory Board are to be modified, with the creation of a committee overseeing development in Asia to be chaired by a representative of the Company. The corporate governance and nomination and remuneration committees are expected to be chaired by independent members. The audit committee is expected to be chaired by a representative of The French Republic. The strategic committee is expected to be chaired by a representative of the Peugeot Family;
- (3) the Company, The French Republic and the Peugeot Family (via EPF/FFP) are to agree not to acquire shares of PSA beyond the number of shares held upon completion of PSA Reserved Capital Increase and PSA Rights Issue and
- (4) the Company, The French Republic and EPF/FFP are to be entitled to transfer their PSA shares without restrictions.

PSA is expected to amend its articles of association to ensure the Company, The French Republic and the Peugeot Family (via EPF/FFP) have the same voting rights at the shareholders' general meeting of PSA upon completion of the PSA Reserved Capital Increase and the PSA Rights Issue and the distribution of PSA Warrants.

## **D. LONG STOP DATE**

The MOU will terminate on 31 July 2014, provided that PSA is entitled to terminate the MOU at its sole option on or after 30 April 2014 if prior to such date (i) the Transaction Documents have not been signed or (ii) all the Chinese regulatory approvals / verifications / registrations have not been obtained without conditions.

## **3. THE NON-BINDING FRAMEWORK AGREEMENT**

Date:

18 February 2014

Parties:

- (1) The Company
- (2) PSA

Under the Non-binding Framework Agreement, the Company and PSA expressed their intention to enhance their strategic partnership based on the cooperation of DPCA, an existing Jointly-controlled Entity owned as to 50% by each of the Company and PSA in particular.

It mainly involves:

- (1) the Company and PSA intend to expand and deepen their current cooperation in DPCA, enhance the research and development capabilities of the entire value chain and strengthen overseas cooperation to achieve the objective of selling 1.5 million vehicles under the Dongfeng, Peugeot SA and Citroën brands per year starting from 2020.
- (2) Enhancing strategic collaboration in research and development of both parties, including joint establishment of a research and development centre in the PRC, and capitalizing on the synergy effects of product and vehicle platforms
- (3) The Company and PSA contemplate to establish a new sales company (export company) which 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 Non-binding Framework Agreement is not legally binding (save for the Binding Provisions). In order to further the cooperation, the Company and PSA contemplate entering into a legally-binding Framework Agreement about the end of March 2014 as the basis on which they will continue discussions on their strategic partnership in order to finalise the terms and conditions thereof.

#### **4. REASONS FOR THE TRANSACTIONS**

The Company intends to facilitate the Transactions through the execution of the MOU and Non-binding Framework Agreement. The Transactions are in line with the internationalization and outward-looking strategy of the Company and strengthen strategic collaboration with PSA. The Transactions 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. The Transactions 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.

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

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

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 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. 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.

## 6. GENERAL

Each of the Company and PSA (through its subsidiaries collectively) hold 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 a substantial shareholder of DPCA, is a connected person of the Company.

If the proposed Investment materialises, it is expected to constitute a major transaction and connected transaction of the Company pursuant to the Listing Rules. If the transactions contemplated under the proposed Framework Agreement materialise, they are expected to constitute continuing connected transactions of the Company pursuant to the Listing Rules. A further announcement or announcements relating to the Investment and the Framework Agreement will be made by the Company as and when necessary in compliance with the Listing Rules.

## 7. RESUMPTION OF TRADING

At the request of the Company, trading in its shares has been halted with effect from 9:00 a.m. on 18 February 2014 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the shares in the Company with effect from 9:00 a.m. on 19 February 2014.

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## 8. DEFINITIONS

“Binding Provisions”	means the provisions in relation to confidentiality, expenses, modification and waiver, assigns and successors, invalidity, notices and language;
“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;

“Dongfeng Joint Venture Companies”	means the Jointly-controlled Entities in which the Company, its subsidiaries or Jointly-controlled Entities (including their respective subsidiaries and Jointly-controlled Entities) have equity interests as at the date of this announcement;
“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;
“Framework Agreement”	means the legally binding framework agreement to be entered into between the Company and PSA, in relation to the proposed industrial and commercial cooperation between the Company and PSA, the principal terms of which are expected to reflect materially the Non-binding Framework Agreement;
“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 Hong Kong Special Administrative Region of the People’s Republic of China;
“Investment”	means the Subscription and the proposed entering into by, among others, the Company and PSA of 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 jointly-controlled entity. A joint venture party’s investments in its Jointly-controlled Entities can be accounted for by proportionate consolidation, which involves recognizing a proportionate share of the joint venture’s assets, liabilities, income and expenses with similar items in the consolidated



financial statements of the joint venture party on a line-by-line basis. When the profit sharing ratio is different to the joint venture party's equity interests in the Jointly-controlled Entities, the joint venture party's share of their assets, liabilities, income and expenses is determined based on the agreed profit sharing ratio. The results of Jointly-controlled Entities are included in the joint venture party's profit and loss account to the extent of dividends received and receivable. The joint venture party's investments in Jointly-controlled Entities are treated as long term assets and are stated at cost less impairment losses;

“Joint Venture Company”

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;

"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange;
"Macau"	means Macau Special Administrative Region of the People's Republic of China;
"Master Agreement"	means the master agreement to be entered into between the Company, The French Republic, EPF /FFP and PSA in relation to, among other things, the Investment;
"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 Investment;
"EPF/ FFP"	means EPF and FFP together;
"EPF"	means Establishments Peugeot Frères, a <i>société anonyme</i> organized and existing under the laws of France;
"FFP"	means FFP, a <i>société anonyme</i> organized and existing under the laws of France;
"PSA"	means Peugeot SA, a company organized under the laws of France as a <i>société anonyme</i> ;
"PSA Fund Raising Transaction"	means the PSA Reserved Capital Increase, the PSA Rights Issue and the issuance of the PSA Warrants together;
"PSA Fund Raising Transaction Documents"	means (i) the Master Agreement, (ii) the Subscription Agreement, (iii) the Shareholders' Agreement and (iv) any other documents required to implement the PSA Reserved Capital Increase, the PSA Rights Issue and the PSA Warrants;

“PSA Reserved Capital Increase”	means a share capital increase of PSA in an aggregate amount of approximately 1,048 million euros (issuance premium included) reserved equally to the benefit of the Company and The French Republic;
“PSA Rights Issue”	means a share capital increase of PSA in an amount of 1,952 million euros (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 shareholdings after the PSA Reserved Capital Increase on the one hand, and EPF / FFP, on the other;
“PSA Warrants”	means the share warrants with an exercise price of 7.5 euros per newly issued shares in PSA 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 announcement only, excludes Hong Kong, Macau and Taiwan;
“Shareholders’ Agreement”	means the shareholders’ agreement to be entered into between the Company, PSA, The French Republic and EPF / FFP with respect to the Company’s, The French Republic’s and EPF/ FFP’s shareholdings in PSA;
“Supervisory Board”	means the supervisory board of PSA;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Subscription Agreement”	means the subscription agreement to be entered into between the Company and PSA under which the Company will agree to subscribe for shares in PSA and;
“Transactions”	means the Investment and the transactions contemplated under the Framework Agreement.

By order of the Board of Directors

**XU PING**

Chairman

Wuhan, the PRC, 19 February 2014

*As at the date of this announcement, Mr. Xu Ping, Mr. Zhu Fushou, Mr. Li Shaozhu are the executive directors of the Company, Mr. Tong Dongcheng, Mr. Ouyang Jie, Mr. Liu Weidong and Mr. Zhou Qiang are the non-executive directors of the Company and Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei are the independent non-executive directors of the Company.*

*\* For identification purposes only*