Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

2018 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Dongfeng Motor Group Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group" or the "Dongfeng Motor Group") for the year ended 31 December 2018 together with the comparative figures in 2017.

In this announcement, unless otherwise specified, all references to business, including manufacture, research and development, outputs and sales volume, market share, investment, sales network, employee, motivation, social responsibility, corporate governance includes all relating to the Dongfeng Motor Group, subsidiaries, joint ventures and associates (including subsidiaries, joint ventures and associates of the Company in which the members of the Group have direct or indirect equity interests).

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 RMB million	2017 RMB million (Restated) (Note 2.2)
Revenue	3	**104,543**	125,980
Cost of sales		**(91,128)**	(109,716)
Gross profit		**13,415**	16,264
Other income	4	**3,164**	2,817
Selling and distribution expenses		**(6,342)**	(7,460)
Administrative expenses		**(4,506)**	(4,610)
Net impairment losses on financial assets	7	**(1,006)**	-
Other expenses		**(5,683)**	(6,425)
Finance expenses	6	**(265)**	(592)
Share of profits and losses of:			
Joint ventures		**12,280**	13,574
Associates		**3,182**	2,207
PROFIT BEFORE INCOME TAX	5	**14,239**	15,775
Income tax expense	8	**(1,661)**	(1,148)
PROFIT FOR THE YEAR		**12,578**	14,627
Profit attributable to:			
Equity holders of the Company		**12,979**	14,061
Non-controlling interests		**(401)**	566
		12,578	14,627
Earnings per share attributable to ordinary equity holders of the Company:	10		
Basic for the year		**150.64 cents**	163.20 cents
Diluted for the year		**150.64 cents**	163.20 cents

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 December	
	2018	2017
	RMB million	RMB million (Restated) (Note 2.2)
PROFIT FOR THE YEAR	**12,578**	14,627
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss		
Share of other comprehensive income of investments accounted for using the equity method	**234**	(70)
Remeasurements of post-employment benefit obligations	**(8)**	119
Changes in the fair value of financial assets at fair value through other comprehensive income	**101**	-
	327	49
Items that may be reclassified to profit or loss		
Currency translation differences	**80**	659
Share of other comprehensive income of investments accounted for using the equity method	**(144)**	(252)
	(64)	407
Income tax effect		
Item that will not be reclassified subsequently to profit or loss	**(18)**	(26)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**245**	430
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**12,823**	15,057
Total comprehensive income attributable to:		
Equity holders of the Company	**13,222**	14,446
Non-controlling interests	**(399)**	611
	12,823	15,057

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	31 December 2018 RMB million	2017 RMB million (Restated) (Note 2.2)
ASSETS			
Non-current assets			
Property, plant and equipment		**15,835**	15,088
Investment properties		**170**	-
Lease prepayments		**1,476**	1,224
Intangible assets		**4,809**	4,237
Goodwill		**1,816**	1,763
Investments in joint ventures		**44,647**	39,858
Investments in associates		**17,682**	14,614
Available-for-sale financial assets		**-**	174
Financial assets at fair value through other comprehensive income		**219**	-
Other non-current assets		**21,726**	18,269
Deferred income tax assets		**2,376**	2,532
Due from joint ventures		**538**	-
Total non-current assets		**111,294**	97,759
Current assets			
Inventories		**10,710**	10,657
Trade receivables	11	**7,582**	6,354
Bills receivable		**14,940**	14,730
Prepayments, deposits and other receivables		**39,602**	26,760
Due from joint ventures		**9,586**	13,590
Financial assets at fair value through profit or loss		**1,899**	-
Pledged bank balances and time deposits		**3,653**	10,617
Cash and cash equivalents		**27,251**	33,441
Total current assets		**115,223**	116,149
TOTAL ASSETS		**226,517**	213,908

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2018

	Notes	31 December 2018 RMB million	31 December 2017 RMB million (Restated) (Note 2.2)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital		**8,616**	8,616
Reserves		**16,412**	14,605
Retained profits		**93,328**	85,294
		118,356	108,515
Non-controlling interests		**6,569**	6,809
TOTAL EQUITY		**124,925**	115,324
Non-current liabilities			
Interest-bearing borrowings		**10,729**	2,398
Other long term liabilities		**1,894**	1,438
Government grants		**1,767**	771
Deferred income tax liabilities		**2,086**	1,555
Provisions		**659**	652
Total non-current liabilities		**17,135**	6,814
Current liabilities			
Trade payables	12	**17,222**	21,571
Bills payable		**19,918**	22,563
Other payables and accruals		**13,312**	17,512
Contract liabilities		**2,439**	-
Due to joint ventures		**14,385**	13,630
Interest-bearing borrowings		**15,424**	14,381
Income tax payable		**630**	828
Provisions		**1,127**	1,285
Total current liabilities		**84,457**	91,770
TOTAL LIABILITIES		**101,592**	98,584
TOTAL EQUITY AND LIABILITIES		**226,517**	213,908

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to equity holders of the Company						
	Issued capital RMB million	Capital reserve RMB million	Statutory reserves RMB million	Retained profits RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Year ended 31 December 2018							
As at 1 January 2018							
Previously reported	**8,616**	**3,062**	**11,503**	**85,020**	**108,201**	**6,795**	**114,996**
Business combination involving enterprises under common control (Note 2.2)	**-**	**21**	**19**	**274**	**314**	**14**	**328**
As restated	**8,616**	**3,083***	**11,522***	**85,294**	**108,515**	**6,809**	**115,324**
Change in accounting policy - IFRS 9	**-**	**(47)**	**-**	**(18)**	**(65)**	**(6)**	**(71)**
As at 1 January 2018	**8,616**	**3,036**	**11,522**	**85,276**	**108,450**	**6,803**	**115,253**
Profit for the year	**-**	**-**	**-**	**12,979**	**12,979**	**(401)**	**12,578**
Other comprehensive income for the year	**-**	**243**	**-**	**-**	**243**	**2**	**245**
Total comprehensive income for the year	**-**	**243**	**-**	**12,979**	**13,222**	**(399)**	**12,823**
Transfer to reserves	**-**	**-**	**1,951**	**(1,951)**	**-**	**-**	**-**
Capital contribution from non-controlling shareholders	**-**	**-**	**-**	**-**	**-**	**434**	**434**
Business combination involving enterprises under common control(Note 2.2)	**-**	**(375)**	**-**	**-**	**(375)**	**-**	**(375)**
Share of capital reserve of investments accounted for using the equity method	**-**	**24**	**-**	**-**	**24**	**-**	**24**
Final 2017 and interim 2018 dividend declared and paid	**-**	**-**	**-**	**(3,016)**	**(3,016)**	**(270)**	**(3,286)**
Others	**-**	**11**	**-**	**40**	**51**	**1**	**52**
As at 31 December 2018	**8,616**	**2,939***	**13,473***	**93,328**	**118,356**	**6,569**	**124,925**

*These reserve accounts comprise the consolidated reserves of RMB16,412 million (2017: RMB14,605 million) in the consolidated statement of financial position.

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to equity holders of the Company						
	Issued capital RMB million	Capital reserve RMB million	Statutory reserves RMB million	Retained profits RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Year ended 31 December 2017 (Restated)							
As at 1 January 2017							
Previously reported	8,616	2,809	9,907	75,394	96,726	6,912	103,638
Business combination involving enterprises under common control (Note 2.2)	-	20	18	279	317	17	334
As restated	8,616	2,829*	9,925*	75,673	97,043	6,929	103,972
Profit for the year	-	-	-	14,061	14,061	566	14,627
Other comprehensive income for the year	-	385	-	-	385	45	430
Total comprehensive income for the year	-	385	-	14,061	14,446	611	15,057
Transfer to reserves	-	-	1,597	(1,597)	-	-	-
Capital contribution from non-controlling shareholders	-	-	-	-	-	74	74
Business combination involving enterprises under common control	-	(63)	-	-	(63)	-	(63)
Share of capital reserve of investments accounted for using the equity method	-	(97)	-	-	(97)	-	(97)
Final 2016 and interim 2017 dividend declared and paid	-	-	-	(2,843)	(2,843)	(805)	(3,648)
Other	-	29	-	-	29	-	29
As at 31 December 2017	8,616	3,083*	11,522*	85,294	108,515	6,809	115,324

*These reserve accounts comprise the consolidated reserves of RMB14,605 million (2016: RMB12,754 million) in the consolidated statement of financial position.

1. General information

Dongfeng Motor Group Company Limited is a joint stock limited liability company incorporated in the People's Republic of China (the "PRC"). The registered office of the Company is located at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, the PRC.

During the year, the Group was principally engaged in the manufacture and sale of automobiles, engines and other automotive parts and rendering of financing services.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Dongfeng Motor Corporation ("DMC"), a state-owned enterprise established in the PRC.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

The results of the subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets on liabilities.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.2 Business combination under common control

In March 2018, the Group acquired 100% equity interest of Dongfeng Automobile Trade Co., Ltd. ("Dongfeng Trade") from DMC. The consideration of this business combination under common control was RMB375 million. For this business combination under common control, the financial information of the Group and that of Dongfeng Trade has been combined, by using the pooling of interests method, as if the Group had acquired Dongfeng Trade from the beginning of the earliest financial period presented. The net assets of the Group and Dongfeng Trade are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of the Group's interest in the net fair value of Dongfeng Trade's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. The difference between the consolidation and book value of Dongfeng Trade at the time of common control combination is taken to the reserves of the Group. Accordingly, the comparative figures of this consolidated financial information have been restated.

2.3 Change in accounting policies and disclosures

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

		Effective for annual periods beginning on or after
IFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
IFRS 4 (Amendments)	Insurance contracts	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018
IAS 40 (Amendments)	Transfers of investment property	1 January 2018
Annual Improvements 2014-2016 Cycle		1 January 2018

The Group had to change its accounting policies and make certain adjustments following the adoption of IFRS 9 and IFRS 15. The other newly adopted standards or amendments listed above did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

IFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting IFRS 9. The reclassification and adjustments arising from the new impairment rules are therefore not reflected in the statements of financial position as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The Group adopted IFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained profits as of 1 January 2018 and that comparatives will not be restated.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

2.3 Change in accounting policies and disclosures (continued)

(i) New and amended standards adopted by the Group (continued)

	31 December 2017 As originally presented	IFRS 9	IFRS 15	1 January 2018 Restated
	RMB million	RMB million	RMB million	RMB million
ASSETS				
Non-current assets				
Investments in joint ventures	39,858	30	-	39,888
Investments in associates	14,614	(23)	-	14,591
Available-for-sale financial assets	174	(174)	-	-
Financial assets at fair value through other comprehensive income	-	121	-	121
Total non-current assets	97,759	(46)	-	97,713
Current assets				
Trade receivables	6,354	(25)	-	6,329
Bills receivable	14,730	(3,738)	-	10,992
Prepayments, deposits and other receivables	26,760	3,738	-	30,498
Pledged bank balances and time deposits	10,617	(6,202)	-	4,415
Financial assets at fair value through profit or loss	-	6,202	-	6,202
Total current assets	116,149	(25)	-	116,124
TOTAL ASSETS	213,908	(71)	-	213,837
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Reserves	14,605	(47)	-	14,558
Retained profits	85,294	(18)	-	85,276
Non-controlling interests	6,809	(6)	-	6,803
TOTAL EQUITY	115,324	(71)	-	115,253
Current liabilities				
Other payables and accruals	17,512	-	(2,963)	14,549
Contract liabilities	-	-	2,963	2,963
TOTAL EQUITY AND LIABILITIES	213,908	(71)	-	213,837

2.3 Change in accounting policies and disclosures (continued)

(i) New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of International Accounting Standard 39 ("IAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting. The Group does not have any hedging instrument in the year 2017 and current reporting period.

The total impact of transition to IFRS 9 on the Group's retained earnings and equity as at 1 January 2018 is as follows:

	Notes	Effect on reserves RMB million	Effect on retained profits RMB million	Effect on non-controlling interests RMB million
Opening balance – IAS 39		14,605	85,294	6,809
Reclassification:				
Reclassify non-trading equities from available-for-sale to FVOCI	(a)	(47)	-	(6)
Adjustment for impairment:				
Increase in provision from trade receivables		-	(25)	-
Impact on implementation of IFRS 9 in joint ventures and associates		-	7	-
Total impact		**(47)**	**(18)**	**(6)**
Opening balance - IFRS 9		**14,558**	**85,276**	**6,803**

2.3 Change in accounting policies and disclosures (continued)

(i) New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments – Impact of adoption (continued)

Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	**Notes**	**AFS**	**FVPL**	**FVOCI**	**Amortised cost**
		RMB million	**RMB million**	**RMB million**	**RMB million**
Closing balance 31 December 2017 – IAS 39		174	-	-	118,569
Reclassify wealth management product and structural deposits from pledged bank balances and time deposits to FVPL	(b)	-	6,202	-	(6,202)
Reclassify bills receivable from amortised cost to FVOCI	(c)	-	-	3,738	(3,738)
Reclassify non-trading equities from available-for-sale to FVOCI	(a)	(174)	-	174	-
Opening balance 1 January 2018 - IFRS 9		**-**	**6,202**	**3,912**	**108,629**

(a)Reclassify non-trading equities from available-for-sale to FVOCI

Investments in unlisted companies previously classified as available-for-sale financial assets were reclassified to financial assets at fair value through other comprehensive income ("FVOCI"), because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. There is no longer any reclassification of accumulated amounts from reserves to profit or loss on the disposal of these investments.

(b) Reclassify wealth management product and structural deposits from pledged bank balances and time deposits to FVPL

Certain investments in wealth management product and structural deposits issued by bank were reclassified to financial assets at fair value through profit or loss. They do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

(c)Reclassify bills receivable from amortised cost to FVOCI

Bills receivable which are held both by collecting contractual cash flows and selling of these assets, were classified as FVOCI.

2.3 Change in accounting policies and disclosures (continued)

(i) New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments – Impact of adoption (continued)

Classification and measurement (continued)

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original RMB million	New RMB million	Difference RMB million
Non-current financial assets					
Loans and receivables from financing services	Amortised cost	Amortised cost	13,016	13,016	-
Mandatory reserve deposits with the People's Bank of China (the "PBOC")	Amortised cost	Amortised cost	3,029	3,029	-
Fixed term deposits	Amortised cost	Amortised cost	2,000	2,000	-
Unlisted equity securities	Available for sale	FVOCI	174	121	(53)
Current financial assets					
Trade receivables	Amortised cost	Amortised cost	6,354	6,329	(25)
Bills receivable	Amortised cost	Amortised cost	14,730	10,992	
		FVOCI		3,738	-
Other receivables	Amortised cost	Amortised cost	1,445	1,445	-
Loans and receivables from financing services	Amortised cost	Amortised cost	21,448	21,448	-
Due from joint ventures	Amortised cost	Amortised cost	11,489	11,489	-
Pledged bank balances and time deposits	Amortised cost	Amortised cost	4,415	4,415	-
Wealth management product	Amortised cost	FVPL	3,230	3,230	-
Structural deposits	Amortised cost	FVPL	2,972	2,972	-
Restricted fixed term deposits within one year	Amortised cost	Amortised cost	1,000	1,000	-
Cash and cash equivalents	Amortised cost	Amortised cost	33,441	33,441	-

2.3 Change in accounting policies and disclosures (continued)

(i) New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments – Impact of adoption (continued)

Impairment of financial assets

The Group mainly has four types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables for sales of goods or provision of services,
- loans and receivables from financing service,
- bills receivable classified as FVOCI, and
- other financial assets at amortised cost.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and trade receivables included in due from joint venture. This resulted in an increase of the loss allowance on 1 January 2018 by RMB25 million for trade receivables.

The loss allowance increased by a further RMB283 million for trade receivables and trade receivables included in due from joint venture during the current reporting period.

Loans and receivables from financing service

The Group applies the IFRS 9 general approach to providing for loans and receivables from financing service. The Group uses three stage classification approach based on the different degree of credit risk to determine the use of 12-month expected credit losses or lifetime expected credit loss to calculate the loss allowance.

Since the difference of loss allowance calculated under the new impairment model with the existing amount of loss allowance was immaterial, management has not made adjustments as at 1 January 2018 and a further increase in the allowance by RMB596 million in the current reporting period.

While cash and cash equivalents, pledged bank balances, time deposits, other receivables included in due from joint ventures, financial assets included in prepayments, deposits and other receivables, bills receivable and other non-current assets are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2.3 Change in accounting policies and disclosures (continued)

(i) New and amended standards adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers - Impact of adoption

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group adopted IFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. In summary, the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 January 2018):

	IAS 18 carrying amount 31 December 2017 RMB million	**Reclassification RMB million**	**Remeasurements RMB million**	**IFRS 15 carrying amount 1 January 2018 RMB million**
Contract liabilities	-	2,963	-	2,963
Other payables and accruals	17,512	(2,963)	-	14,549

Contract liabilities in relation to the deposits placed by the customers and related parties for securing their purchase orders were previously presented as advances from customers.

IFRS 15 provides more detail guidance on identify multiple performance obligations in one contract. Certain transportation and maintenance warranty work were identified as separate performance obligations under IFRS 15, as a result, the cost relating to fulfilling such performance obligations is recognized in cost of sales rather than selling expense. As a consequence compared with IAS 18, selling and distribution expenses for the year ended 31 December 2018 decreased by RMB1,016 million.

2.3 Change in accounting policies and disclosures (continued)

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IFRS 17	Insurance contracts	1 January 2021
Amendments to IFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	Annual Improvements of IFRS 3, IFRS11, IFRS 12 and IFRS 23	1 January 2019
Amendments to IFRS 3	Definition of a Business	1 January 2020
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.3 Change in accounting policies and disclosures (continued)

(ii) New standards and interpretations not yet adopted (continued)

IFRS 16 *Leases*

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases impact.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB5,084 million. Of these commitments, approximately RMB8 million relate to short-term leases will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately RMB2,606 million on 1 January 2019, lease liabilities of RMB2,606 million based on discounted future lease payment (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

The Group expects that profit before income tax will decrease by approximately RMB46 million for 2019 as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows will decrease by approximately RMB190 million as repayment of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjust for any prepaid or accrued lease expenses).

3. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

Revenue on sale of goods represents the invoiced value of goods sold, net of value added tax, consumption tax and other sales taxes, after allowances for goods returns and trade discounts, and after eliminations of all significant intra-Group transactions.

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

The commercial vehicles segment: mainly manufactures and sales of commercial vehicles, and its related engines and other automotive parts

The passenger vehicles segment: mainly manufactures and sales of passenger vehicles, and its related engines and other automotive parts

The financing service segment: mainly provides financing services to external customers and companies within the Group

The corporate and others segment: mainly manufactures and sales of other automobile related products

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating segment profit or loss and is measured consistently with profit or loss in the consolidated financial statements. However, Group financing (including finance costs) and income taxes are managed on a Group basis and are not allocated to operating segments.

As the chief operating decision maker of the Group considers that most of the Group's consolidated revenue and results are attributable to the market in the PRC, the Group's consolidated assets are mainly located inside the PRC, no geographical information is presented.

During the year ended 31 December 2018, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

3. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018

	Commercial vehicles RMB million	Passenger vehicles RMB million	Financing service RMB million	Corporate and others RMB million	Elimination RMB million	Total RMB million
Segment revenue						
Sales to external customers	**60,069**	**40,229**	**3,737**	**508**	**-**	**104,543**
Sales to internal customers	**67**	**10**	**139**	**-**	**(216)**	**-**
	60,136	**40,239**	**3,876**	**508**	**(216)**	**104,543**
Results						
Segment results	**2,314**	**(3,523)**	**1,490**	**(2,880)**	**699**	**(1,900)**
Interest income	**705**	**278**	**1**	**794**	**(836)**	**942**
Finance expenses						**(265)**
Share of profits and losses of:						
Joint ventures	**(941)**	**13,553**	**238**	**(570)**	**-**	**12,280**
Associates	**-**	**2,740**	**403**	**39**	**-**	**3,182**
Profit before income tax						**14,239**
Income tax expense						**(1,661)**
Profit for the year						**12,578**

The group derives revenue from the transfer of goods are mainly at a point in time.

3. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018

	Commercial vehicles RMB million	Passenger vehicles RMB million	Financing service RMB million	Corporate and others RMB million	Elimination RMB million	Total RMB million
Other segment information						
Capital expenditure:						
- Property, plant and equipment	**1,198**	**1,820**	**34**	**37**	**-**	**3,089**
- Intangible assets	**870**	**422**	**24**	**-**	**-**	**1,316**
- Lease prepayments and other non-current assets	**6**	**93**	**342**	**-**	**-**	**441**
Depreciation of property, plant and equipment	**867**	**944**	**5**	**97**	**-**	**1,913**
Amortisation of intangible assets	**333**	**57**	**5**	**149**	**-**	**544**
Provision against inventories	**68**	**47**	**-**	**-**	**-**	**115**
Impairment losses of financial assets	**36**	**241**	**710**	**19**	**-**	**1,006**
Impairment losses of non-current assets	**14**	**303**	**-**	**14**	**-**	**331**
Warranty provisions	**651**	**309**	**-**	**-**	**-**	**960**

3. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2017

	Commercial vehicles RMB million (Restated)	Passenger vehicles RMB million (Restated)	Financing service RMB million (Restated)	Corporate and others RMB million (Restated)	Elimination RMB million (Restated)	Total RMB million (Restated)
Segment revenue						
Sales to external customers	60,711	61,732	2,998	539	-	125,980
Sales to internal customers	79	-	49	-	(128)	-
	60,790	61,732	3,047	539	(128)	125,980
Results						
Segment results	1,663	(2,014)	1,632	(2,452)	722	(449)
Interest income	578	369	-	857	(769)	1,035
Finance expenses						(592)
Share of profits and losses of:						
Joint ventures	210	14,035	231	(902)	-	13,574
Associates	-	1,664	504	39	-	2,207
Profit before income tax						15,775
Income tax expense						(1,148)
Profit for the year						14,627

The group derives revenue from the transfer of goods are mainly at a point in time.

3. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2017

	Commercial vehicles RMB million (Restated)	Passenger vehicles RMB million (Restated)	Financing service RMB million (Restated)	Corporate and others RMB million (Restated)	Elimination RMB million (Restated)	Total RMB million (Restated)
Other segment information						
Capital expenditure:						
- Property, plant and equipment	1,445	1,781	8	58	-	3,292
- Intangible assets	672	347	21	-	-	1,040
- Lease prepayments other non-current assets	17	12	120	25	-	174
Depreciation of property, plant and equipment	803	884	4	72	-	1,763
Amortisation of intangible assets	265	13	4	135	-	417
(Reversal of)/provision against inventories	(7)	223	-	-	-	216
Impairment losses	147	173	116	-	-	436
Warranty provisions	852	529	-	-	-	1,381

4. OTHER INCOME

An analysis of the Group's other income is as follows:

	2018 **RMB million**	2017 RMB million (Restated)
Net income from disposal of other materials	**56**	128
Government grants and subsidies	**1,017**	771
Rendering of services	**224**	237
Interest income	**942**	1,035
Management dispatch fee received from joint ventures	**242**	253
Others	**683**	393
	3,164	2,817

5. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging:

	2018 **RMB million**	2017 RMB million (Restated)
Cost of inventories recognized as expense	**87,940**	109,130
Interest expense for financing services (included in cost of sales)	**372**	275
Provision against inventories	**115**	216
Depreciation	**1,913**	1,763
Amortization of intangible assets	**544**	417
Amortization of lease prepayments	**99**	87
Auditors' remuneration	**17**	20
Net impairment losses on financial assets	**1,006**	-

6. FINANCE EXPENSES

	2018	2017
	RMB million	RMB million
		(Restated)
Interest expenses on bank loans and other borrowings	**86**	87
Interest expenses on short term notes and discounted bills	**128**	77
Exchange net losses of financing activities	**54**	439
Less: Amount capitalized	**(3)**	(11)
Finance expenses	**265**	592

7. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2018	2017
	RMB million	RMB million
Impairment losses of trade receivables	**299**	-
Impairment losses of other receivables	**21**	-
Impairment losses of loans and receivables from financing services	**686**	-
	1,006	-

8. INCOME TAX EXPENSE AND DEFERRED INCOME TAX

	2018	2017
	RMB million	RMB million
		(Restated)
Current income tax	**992**	1,312
Deferred income tax	**669**	(164)
Income tax expense for the year	**1,661**	1,148

8. INCOME TAX EXPENSE AND DEFERRED INCOME TAX (CONTINUED)

(a) Corporate income tax

Under the PRC Corporate Income Tax Law and the respective regulations, the corporate income tax for the Company and its subsidiaries and joint ventures is calculated at rates 15% or 25%, on their estimated assessable profits for the year based on the existing legislation, interpretations and practices in respect thereof.

(b) Hong Kong profits tax

No provision for Hong Kong profits tax (tax rate: 16.5%) has been made as the Group had no assessable profits arising in Hong Kong during the year.

(c) Deferred income tax

Deferred tax assets are mainly recognized in respect of temporary differences relating to certain future deductible expenses for the purpose of corporate income tax.

According to IAS 12 *Income Taxes*, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled.

9. DIVIDEND

	2018 **RMB** **million**	2017 RMB million (Restated)
Proposed final-RMB0.25 (2017: RMB0.25) per ordinary share	**2,154**	2,154

The proposed final dividend for year 2018 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of basic earnings per share is based on:

	2018	2017
	RMB million	RMB million (Restated)
Earnings:		
Profit for the year attributable to ordinary equity holders of the Company	**12,979**	14,061
	Number of shares	
	million	million
Shares:		
Weighted average number of ordinary shares in issue during the year	**8,616**	8,616
Earnings per share	**150.64 cents**	163.20 cents

The Group had no potentially dilutive ordinary shares in issue during these years, so the diluted earnings per share equals the basic earnings per share.

11. TRADE RECEIVABLES

Sales of the Group's commercial and passenger vehicles are normally settled on an advance receipt basis, whereby the dealers are required to pay in advance either in cash or by bank acceptance drafts. However, in the case of long-standing customers with bulk purchases and a good repayment history, the Group may offer these customers credit terms that are generally between 30 and 180 days. For sales of engines and other automotive parts, the Group generally offers its customers credit terms that are generally between 30 and 180 days. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables, net of provision for impairment, of the Group, based on the invoice date, is as follows:

	2018 **RMB million**	2017 RMB million (Restated)
Within three months	**3,544**	4,229
More than three months but within one year	**3,134**	1,595
More than one year	**904**	530
	7,582	6,354

12. TRADE PAYABLES

An aging analysis of the trade payables of the Group, based on the invoice date, is as follows:

	2018 **RMB million**	2017 RMB million (Restated)
Within three months	**15,880**	19,262
More than three months but within one year	**997**	1,696
More than one year	**345**	613
	17,222	21,571

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the annual report of the Group for 2018 for your review.

In 2018, there were increasing challenges in the world, while China's economy turned stable with slight changes, and industrial upgrading and transformation in the China's automobile industry was performed as stipulated by policies and regulations. The overall market was affected by factors such as the decline in macroeconomic growth rate, the complete withdrawal of preferential policies for purchase tax, the Sino-US trade friction and lack of consumer confidence, showing a first negative growth in 28 years. The aggregate number of vehicles sold throughout the year amounted to approximately 28,080,600 units, representing a year-on-year decrease of 2.8%. The overall automobile market showed accelerated declining, cross-border competition, transformation and upgrading, as well as differentiation and elimination in the following aspects: the passenger vehicles market continued to decline with fragmented structure. The sales volume of passenger vehicles was 23,709,800 units, representing a year-on-year decrease of 4.1%. The year-on-year cumulative growth rate of luxurious vehicles was relatively rapid, and the sales volume of non-luxurious vehicles of joint venture brand continued to decline, while the survival of fittest of own brand passenger vehicles was becoming more pronounced. The growth rate of production and sales of commercial vehicles declined, and the sales volume of commercial vehicles reached 4,370,800 units throughout the year, representing a year-on-year increase of 5.1%. And the sales volume of new energy vehicles grew steadily and rapidly, with sales volume of 1,256,000 units throughout the year, representing a year-on-year increase of 61.7%. The "New Five Megatrends" (新五化) of automobiles accelerated the replacement and integration, which was reshaping the industrial formation.

In 2018, the total sales of Dongfeng Motor Group for the year were approximately 3,052,200 units vehicles. The sales revenue of the Group was approximately RMB104,543 million, representing an decrease of 17.0% as compared with the corresponding period of last year. Based on the proportionate consolidation method, the sales revenue of the Group for the whole year amounted to approximately RMB252,162 million, representing a decrease of 8.0% as compared with the corresponding period of last year. Among which, the sales revenue of passenger vehicles amounted to approximately RMB175,904 million, representing a decrease of 9.0% as compared with the corresponding period of last year; the sales revenue of commercial vehicles amounted to approximately RMB72,957 million, representing a decrease of 5.4% as compared with the corresponding period of last year. In 2018, profit attributable to shareholders was approximately RMB12,979 million, representing a decrease of 7.7% as compared with the corresponding period of last year.

The operation of Dongfeng Motor Group had the following characteristics in 2018:

1. Maintaining healthy and stable operation. Approximately 3,052,200 units vehicles were sold during the year. Over 10 new products of passenger vehicles such as the new generation of Dongfeng Aeolus AX7, New TEANA, QX50, C4 Aircross, New 408 were launched during the year. The product structure continued to be optimized, and the proportion of medium-to-high-end products increased, resulting in higher added value. The Company continued to build its leading edge in commercial vehicles. The new generation of Tianlong KL heavy-duty truck and Dongfeng Tianjin KR medium-duty truck was launched in the market, and the product strength continued to

improve.

2. Continuing to build core capabilities of self-owned brands and promote new business to achieve new development. The Company continued to enhance the core capability establishment of self-owned brand passenger vehicles in product platforms, technologies, powertrains and electronic structure, focusing on the national six technologies with a variety of self-owned engines achieving SOP. The Company continued to build a leading advantage in commercial vehicles, enhancing capabilities of the full value chain system, and building the leading edge in core technologies and resources such as complete vehicles and engines, gearboxes and axles.

3. Continuing to promote the "Five Megatrends" and actively cultivating innovative ecology. The Company vigorously promoted research on basic technology and forward-looking technology, and closely focused on the development trend of the "Five Megatrends" of the industry to strengthen technical research and application of results. We improved the technical level of "power batteries, electric engines and electronic control systems" of new energy, and accelerated the loading and configuration of core resources. We sped up the development of repeated driving algorithms for self-driving, and developed driverless vehicles. We also formulated and implemented smart network and travel service plans, promote deep integration of digitalization and business , and procured expeditious implementation of new business strategic layout of the Company, and accelerated the shifting of new and old momentum. The Company strengthened collaborative innovation, actively carried out cross-border cooperation, carried out T3 cooperation with FAW and Chang'an, and achieved progressive results in science and technology, manufacturing and travel services.

4. Adhering to active leadership and promoting high standards of openness. The Company enhanced the initiative in strategic planning, resource allocation, cooperation and exchange in the joint venture, promoted the deep reform of the joint venture company, and maintained a healthy development of the joint venture as a whole. We made full use of international partners to enhance our independent development capabilities, jointly developed e-CMP modular platform with PSA, jointly developed EV and PHEV with Renault-Nissan Alliance, and promoted the e-Power localization project in an orderly manner. Business units such as Dongfeng Nissan and Dongfeng Honda withstood downward pressure in the market, and achieved contrarian growth to outperform the market.

Currently, economy in China is steady with slight changes and trepidation, while the external environment is still complex and severe, and the economy is facing downward pressure. The automobile industry has also entered the era of inventory competition with increasing risk challenge. Being confronted with new challenges and opportunities, Dongfeng Motor Group will primarily focus on the following aspects:

1. We will continue to build core capabilities to promote breakthrough development in self-owned business, independently control the core technology to promote the main business unit of self-owned passenger vehicles to enter the leading group in China, and create new leading advantages for commercial vehicles.

2. We will accelerate enhancement of integration and innovation capabilities of "Five Megatrends", increase the application of new technologies and new materials, continue to promote the lightweight of the entire vehicle, and deepen the new ecological construction of entrepreneurship.

3. We will promote healthy and sustainable development of joint venture and continuously improve the level of openness and development, adhere to active leadership and optimize the management of joint venture, leverage the leading role of the plan of the joint venture company to achieve the goal of the business plan.

4. We will continue to promote management improvement, accelerate the construction of digitalization of Dongfeng, deepen knowledge management in key business areas, promote deep integration of digitalization and business, and effectively protect network security.

5. We will adhere to the bottom line of compliance, and continue to build a compliance operating system and capabilities.

In face of a complicated and ever-changing automobile industry market environment, Dongfeng Motor Group will further adhere to reform and innovation, accelerated transformation and upgrading, continue to promote high quality development, and strive to create value to its shareholders.

Zhu Yanfeng

Chairman

27 March 2019

BUSINESS OVERVIEW

I. Business Operations during the Year under Review

1. Sales volume and market share for whole vehicles of Dongfeng Motor Group in 2018

For the year ended 31 December 2018, the sales volume for whole vehicles of Dongfeng Motor Group were 3,052,172 units. According to the statistics published by China Association of Automobile Manufacturers, Dongfeng Motor Group had a market share of approximately 10.9% in terms of total sales volume of commercial and passenger vehicles made by domestic manufacturers in 2018. The following table sets out the market shares in terms of sales volume of Dongfeng Motor Group in 2018:

	Sales Volume (Units)	Market share in terms of sales volume (%)[1]
Commercial Vehicles	**440,565**	**10.1**
Trucks	408,486	10.5
Buses	32,079	6.6
Passenger Vehicles	**2,611,607**	**11.0**
Basic passenger cars	1,278,741	11.1
MPV	170,665	9.8
SUV	1,162,201	11.6
Total	**3,052,172**	**10.9**

1 *Calculated based on the statistics published by the China Association of Automobile Manufacturers.*

2. Market ranking of Dongfeng Motor Group's major segments in domestic market in 2018

	No. of units sold by Dongfeng Motor Group (units)	Ranking in Domestic market[2]
Heavy truck	217,027	2
Medium truck	29,960	1
Light truck	161,396	4
Basic passenger car	1,278,741	3
MPV	170,665	2
SUV	1,162,201	2

2 *Calculated based on the statistics of each manufacturer group published by the China Association of Automobile Manufacturers.*

3. Sales revenue of Dongfeng Motor Group in 2018

The sales revenue of the Group for the year ended 31 December 2018:

Business	**Sales revenue (RMB millions)**	**Contribution to the Group's sales revenue (%)**
Passenger vehicles	40,239	38.5
Commercial vehicles	60,136	57.5
Financing service	3,876	3.7
Corporate and others	508	0.5
Elimination	(216)	(0.2)
Total	**104,543**	**100.0**

4. Sales and service networks

Dongfeng Motor Group has always placed importance on the interest of customers and keeps improving its products and services for speedy, efficient, accurate and quality service support for distributors and customers. As the motor industry entered the era of stock-based competition, each business unit has different capabilities towards market in 2018 with part of irrational network layouts and improper matching between the goods and network. Dongfeng Motor Group will continually adjust and optimize the network layout to cope with the changing automobile market, and reconstruct and develop the vehicle sales networks subject to the changes of the businesses.

As at the end of 2018, the sales and after-sales services of motor vehicles of Dongfeng Motor Group were mainly provided through 14 sales and service networks in China. Each of these 14 sales and service networks provided sales and after-sales services of vehicles of a particular whole vehicle manufacturing unit and was independently managed by the relevant whole vehicle manufacturing units, which were not connected with any other members of Dongfeng Motor Group.

Sales and after-sales services of commercial vehicles are mainly provided through 5 major sales and service networks.

	Brand names	**No. of sales outlets**	**No. of after-sales service outlets**	**No. of provinces covered**
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	Dongfeng (high-end light truck, light truck, mini truck, pickup)	539	1,143	31
Dongfeng Liuzhou Motor Co., Ltd.	Chenglong (heavy and medium truck)	425	741	31
Dongfeng Commercial Vehicle Co., Ltd.	Dongfeng (heavy and medium truck)	275	800	31
Dongfeng Special Commercial Vehicle Co., Ltd.	Dongfeng	135	735	30
Zhengzhou Nissan Motor Co., Ltd.	Dongfeng	214	398	31

Sales and after-sales services of passenger vehicles are mainly provided through 9 major sales and service networks.

	Brand names	No. of sales outlets	No. of after-sales service outlets	No. of provinces covered
Dongfeng Peugeot Citroën Automobile Co., Ltd.	Dongfeng Citroën	313	372	31
Dongfeng Peugeot Citroën Automobile Co., Ltd.	Dongfeng Peugeot	353	386	31
Dongfeng Motor Co., Ltd. (Dongfeng Nissan Passenger Vehicle Sales Co., Ltd.)	Dongfeng Nissan	802	1,020	31
Dongfeng Infiniti Motor Co., Ltd.	Dongfeng Infiniti	131	122	30
Dongfeng Motor Co., Ltd. (Dongfeng Venucia Automobile Sales Co., Ltd.)	Venucia	271	234	30
Dongfeng Liuzhou Motor Co., Ltd.	Dongfeng Future	441	522	31
Dongfeng Honda Automobile Co., Ltd.	Dongfeng Honda	514	637	31
Dongfeng Renault Automobile Co., Ltd.	Dongfeng Renault	253	240	30
Dongfeng Passenger Vehicle Company	Dongfeng Aeolus	295	302	31

5. Production capacity, production capacity distribution and future expansion plans

As at 31 December 2018, the total whole vehicle production capacity of Dongfeng Motor Group was approximately 3,595,000 units. The total production capacity of engines was approximately 3,370,000 units, among which the production capacity of commercial vehicles and commercial vehicle engines was approximately 625,000 units and 370,000 units, respectively; the production capacity of passenger vehicles and passenger vehicle engines were approximately 2,970,000 units and approximately 3,000,000 units respectively.

The following table shows the production capacity distribution of vehicles and engines of Dongfeng Motor Group as at 31 December 2018.

(1) Production capacity of commercial vehicles

(1.1) Whole vehicle

Company	Production capacity (0'000 units)
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	25
Dongfeng Commercial Vehicle Co., Ltd.	24
Dongfeng Liuzhou Motor Co., Ltd.	6
Dongfeng Special Commercial Vehicle Co., Ltd.	7.5

Note: The production capacity of special commercial vehicle decreased by approximately 10,000 units due to the consolidation of production.

(1.2) Engines

Company	Production capacity (0'000 units)
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	28
Dongfeng Commercial Vehicle Co., Ltd.	9

(2) Production capacity of passenger vehicles

(2.1) Whole vehicle

Company	Production capacity (0'000 units)
Dongfeng Motor Co., Ltd.	123.5
Dongfeng Liuzhou Motor Co., Ltd.	33
Dongfeng Peugeot Citroën Automobile Co., Ltd.	60
Dongfeng Honda Automobile Co., Ltd.	48
Dongfeng Passenger Vehicle Company	21.5
Dongfeng Renault Automobile Co., Ltd.	11

(2.2) Engines

Company	Production capacity (0'000 units)
Dongfeng Motor Co., Ltd.	104
Dongfeng Peugeot Citroën Automobiles Co., Ltd.	65
Dongfeng Honda Automobile Co., Ltd.	51
Dongfeng Passenger Vehicle Company	12
Dongfeng Honda Engines Co., Ltd.	53
Dongfeng Renault Automobile Co., Ltd.	7
Dongfeng Liuzhou Motor Co., Ltd.	8

Dongfeng Motor Group will expand its production capacity with reasonable utility to meet the demand of its products gradually based on automobile market forecast and its business plan. By the end of 2019, it is expected that the production capacity of whole vehicles will be 3,715,000 units.

6. Capital expenditure

In 2018, Dongfeng Motor Group adhered to the principle of rationality and profitability. Total investment in fixed assets during the year amounted to approximately RMB14,006 million (including all members of Dongfeng Motor Group), resulting in steady progress in the following aspects of investment project development:

（1）Introduction of new products and development of new models timely according to the requirements of the relevant regulations and policies of the PRC and the market demand.

（2）Strictly managing the rhythm in production capacity expansion or construction to minimize overcapacity risks in accordance with the needs of strategic development and arrangements of commodity plans to achieve the production and sales targets. Refining the Plan of production capacity, optimizing the layout of production capacity, and studying the proposal for synergy of production capacity to resolve the problem of imbalance of production capacity utilization.

（3）Strengthening the investment to improve the core competitiveness and sustainability of Dongfeng Motor Group, including continuing investment in the new energy commodity and "power batteries, electric engines and electronic control systems" (三電) and gradual transformation of power of development as well as carrying out the strategic project in terms of intelligent connectivity and service businesses.

In the next two years, Dongfeng Motor Group will, according to its strategies and business plans, continue to improve its innovation and new energy capability, explore the service of vehicle travel and horizontal business, to introduce new models and new products rationally, to upgrade intelligent manufacturing technology and to optimize its investment structure. The total investment of Dongfeng Motor Group is expected to be approximately RMB19,600 million (including all members of Dongfeng Motor Group) for each of 2019 and 2020.

II. Business Outlook

Faced with the changing international macro environment and increasing uncertainties, the 2019 overall trend of China's automobile market is expected to be basically the same with last year. In the next five years, the average annual growth of the industry is expected to be around 2-3%, with an average annual growth rate of approximately 4% in passenger vehicles and an average annual growth rate of approximately -2% in commercial vehicles.

According to the judgement of motor market development trend and new pattern of motor industry in the future, Dongfeng Motor Group has set up detailed strategic plans, and determined the strategic deployment of "Three Leading, One being the First". The Company will strive for achieving the leading position in the operating quality, self-owned brand business and new business, and ensure that employees can enjoy priority with a better life in a new era. In order to implement the strategy, the Company will deepen the strategic research and market bench-marking, together with the actual rolling updates on the interim business plan to maintain steady and healthy development in the fierce market competition. The Company will maintain its strategy with its focus of business and development on the following four aspects in the future:

First, consolidating the core capability to promote the self-owned brand business to make a breakthrough.

Second, accelerating the development of new energy business, enhancing the layout of intelligent connectivity and service businesses, further improving the integration and innovation of "Five Megatrends" and possessing core technology.

Third, promoting sustainable development of joint venture and improving the level of joint venture cooperation.

Fourth, continuously enhancing management and speeding up the construction of digital Dongfeng.

Confronted by the complex industry situation, Dongfeng Motor Group will adhere to the reform and innovation and accelerated transformation and upgrading to achieve "Three Leading, One being the First", and continuously promote high quality development of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Revenue

In 2018, the production and sales volume of China automobile industry registered approximately 27,809,200 units and 28,080,600 units respectively.

With respect to the passenger vehicle market, in 2018, a sales volume of approximately 23,709,800 units was achieved, representing a year-on-year decrease of 4.1%. Among which, the sales volume of standard sedan recorded a year-on-year decrease of 2.7%. the sales volume of MPV declined by 16.2% year on year; and the sales volume of SUV decreased by approximately 2.5% compared with the corresponding period of last year; the cross passenger vehicle fell by 17.3% year on year, representing continued market shrinkage.

As for the commercial vehicle market, the sales volume accumulated to approximately 4,370,800 units in 2018, representing a year-on-year increase of 5.1%. Among which, the sales volume of trucks increased by 6.9% year-on-year and the sales volume of buses decreased by 8.0% year-on-year.

In 2018, the Group managed to overcome various risks and challenges and its operation remained steady growth. The total sales volume of the Group for the year was approximately 3,052,200 units. Sales volume of passenger vehicles was approximately 2,611,600 units, representing a decrease of approximately 7.7% over last year. Sales of commercial vehicles were approximately 440,600 units, representing a year-on-year decrease of approximately 3.2%. The domestic market share of the Group in terms of sales volume was approximately 10.9%, representing a decrease of approximately 0.5 percentage points over last year. The market share of its passenger vehicles was approximately 11.0%, representing a decrease of approximately 0.4 percentage points over last year. The market share of its commercial vehicles was 10.1%, representing a decrease of approximately 0.8 percentage points over last year.

In 2018, the revenue of the Group was approximately RMB104,543 million, representing a decrease of approximately RMB21,437 million, or 17.0%, as compared with approximately RMB125,980 million of the corresponding period of last year. The decrease in revenue was mainly due to the decrease in sales volume from Dongfeng Peugeot Citroën Automobile Sales Co., Ltd. and Dongfeng Liuzhou Motor Co., Ltd..

Business	2018 Sales revenue RMB million	2017 Sales revenue RMB million (Restated)
Passenger vehicles	40,239	61,732
Commercial vehicles	60,136	60,790
Financing service	3,876	3,047
Corporate and others	508	539
Elimination	(216)	(128)
Total	**104,543**	**125,980**

1.1 Passenger Vehicle Business

The sales revenue of passenger vehicles of the Group decreased by approximately RMB21,493 million, or 34.8%, to approximately RMB40,239 million from approximately RMB61,732 million of 2017. The decrease in revenue was mainly due to the decrease in sales revenue from Dongfeng Peugeot Citroën Automobile Sales Co., Ltd. and Dongfeng Liuzhou Motor Co., Ltd..

1.2 Commercial Vehicle Business

The sales revenue of commercial vehicles of the Group decreased by approximately RMB654 million, or 1.1%, to approximately RMB60,136 million from approximately RMB60,790 million of 2017. The decrease in revenue was mainly due to the decline in the business of Dongfeng Special Commercial Vehicles Co., Ltd..

1.3 Financial Business

The revenue of financial business of the Group increased by approximately RMB829 million, or 27.2%, to approximately RMB3,876 million from approximately RMB3,047 million of 2017. The financial business of the Group maintained its steady growth.

2. Cost of Sales and Gross Profit

The total cost of sales of the Group for 2018 was approximately RMB91,128 million, representing a decrease of approximately RMB18,588 million, or 16.9%, as compared with approximately RMB109,716 million of last year. The total gross profit was approximately RMB13,415 million, representing a decrease of approximately RMB2,849 million, or 17.5%, as compared with approximately RMB16,264 million of last year. The comprehensive gross margin was approximately 12.8%, basically same as the corresponding period last year of 12.9%.

3. Other Incomes

The total other incomes of the Group for 2018 amounted to approximately RMB3,164 million, representing an increase of approximately RMB347 million as compared with approximately RMB2,817 million of last year, representing an increase of 12.3%.

The increase in other incomes was mainly due to the increase of subsidies.

4. Selling and Distribution Costs

The selling and distribution costs of the Group for 2018 decreased by approximately RMB1,118 million to approximately RMB6,342 million from approximately RMB7,460 million of last year, representing an decrease of approximately 15.0%.

The decrease in selling and distribution costs was mainly due to the decrease in the transportation expenses and advertising expenses.

5. Administrative Expenses

The administrative expenses of the Group for 2018 decreased by approximately RMB104 million to approximately RMB4,506 million from approximately RMB4,610 million of last year.

6. Other Expenses

The other expenses of the Group for 2018 amounted to approximately RMB5,683 million, representing an decrease of approximately RMB742 million as compared with approximately RMB6,425 million of last year.

The decrease in other expenses was mainly attributable to the decrease in technology royalties of Dongfeng Peugeot Citroën Automobile Sales Co., Ltd.

7. Staff Costs

The staff costs of the Group for 2018 amounted to approximately RMB7,753 million, representing an increase of approximately RMB314 million as compared with approximately RMB7,439 million of last year.

The increase was mainly attributable to additional salaries and benefits for labor. The increase in staff costs was also due to the regular wages adjustment.

8. Finance Expenses

The net finance expenses of the Group for 2018 amounted to approximately RMB265 million, representing a decrease of approximately RMB327 million as compared with net finance expenses of approximately RMB592 million of the corresponding period of last year.

The decrease in net finance costs was mainly due to the decrease in exchange loss from Euro-denominated borrowings of the Group as compared with last year.

9. Share of Profits and Losses of Joint Ventures

Share of profits and losses of joint ventures of the Group for 2018 amounted to approximately RMB12,280 million, representing a decrease of approximately RMB1,294 million as compared with that of approximately RMB13,574 million of the corresponding period of last year, mainly due to the facts that: 1. the investment loss of the Group was approximately RMB884 million, representing a year-on-year decrease of RMB814 million, as a result of the year-on-year decrease of 32.9% of sales of Dongfeng Peugeot Citroën Automobile Co., Ltd.; 2. the investment gain of the Group was RMB5,081 million, representing a year-on-year decrease of approximately RMB97 million, as a result of the sales volume of Dongfeng Honda Automobile Co., Ltd. amounting to approximately 720,700 units vehicles, representing an increase of 0.9% as compared with the same period last year, the decrease in profit was mainly affected by the “throttle” incident; 3. the investment gain of the Group increased by approximately RMB714 million year-on-year as a result of the increase of 4.2% of sales of Dongfeng Motor Co., Ltd., and the continuous and steady increase in operating profit; 4. impairment of assets related to new-energy vehicle business has been recognized by affiliated joint venture Dongfeng Special Vehicle (Shiyan) Special Vehicle Co. Ltd..

10. Share of Profits and Losses of Associates

Share of profits and losses of associates of the Group for 2018 amounted to approximately RMB3,182 million, representing an increase of approximately RMB975 million as compared with that of approximately RMB2,207 million of the corresponding period of last year, mainly due to the increase in investment gain of approximately RMB1,099 million generated from the investment in PSA.

11. Income Tax

The income tax expense of the Group for 2018 amounted to approximately RMB1,661 million, representing a decrease of approximately RMB513 million as compared with approximately RMB1,148 million of the corresponding period of last year. The effective tax rate for the period was approximately 11.7%, representing an increase of approximately 4.4% as compared with approximately 7.3% of last year.

12. Profit for the Year

The profit attributable to shareholders of the Group for 2018 was approximately RMB12,979 million, representing a decrease of approximately RMB1,082 million, or 7.7% as compared with that of approximately RMB14,061 million for the corresponding period of last year. The net profit margin (a percentage of profit attributable to shareholders to total revenue) was approximately 12.4%, representing an increase of approximately 1.2% as compared with approximately 11.2% of the corresponding period of last year. The return of equity (a percentage of profit attributable to shareholders to average net assets) was approximately 11.4%, representing a decrease of approximately 2.3% as compared with approximately 13.7% of the corresponding period of last year.

13. Total Assets

Total assets of the Group as at the end of 2018 amounted to approximately RMB226,517 million, representing an increase of approximately RMB12,609 million as compared with approximately RMB213,908 million of the end of last year. The increase was mainly due to the increase in prepayments, deposits and other receivables, investments in joint ventures and associates, trade receivables, and property, plant and equipment.

14. Total Liabilities

Total liabilities of the Group as at the end of 2018 amounted to approximately RMB101,592 million, representing an increase of approximately RMB3,008 million as compared with approximately RMB98,584 million of the end of last year. The increase was mainly due to the increase in interest-bearing borrowings and government grants, among which interest-bearing borrowings increased by approximately RMB9,374 million, trade payables decreased by approximately RMB4,349 million; bills payable decreased by approximately RMB2,645 million.

15. Total Equity

Total equity of the Group as at the end of 2018 amounted to approximately RMB124,925 million, representing an increase of approximately RMB9,601 million as compared with approximately RMB115,324 million at the end of last year. Equity attributable to equity holders of the parent amounted to approximately RMB118,356 million, representing an increase of approximately RMB9,841 million as compared with approximately RMB108,515 million at the end of last year.

16. Liquidity and Sources of Capital

	Twelve months ended 31 December 2018 (RMB million)	Twelve months ended 31 December 2017 (RMB million) (Restated)
Net cash flows (used in)/generated from operating activities	(22,249)	3,646
Net cash flows generated from investing activities	12,680	1,708
Net cash flows generated from/(used in) financing activities	2,903	(3,495)
Net (decrease)/increase in cash and cash equivalents	(6,666)	1,859

Net cash outflows from operating activities of the Group amounted to approximately RMB22,249 million, reflecting mainly: (1) profit before taxation of approximately RMB1,038 million, net of depreciation, impairment and other non-cash items; (2) decrease of approximately RMB8,353 million of trade and bills payables, and other payables and accruals; (3) the loans and receivables generated from financial business increased by approximately RMB15,170 million; (4) deposit taking increased by approximately RMB3,618 million; (5) income tax payment of approximately RMB1,475 million;

Net cash inflows from investing activities of the Group amounted to approximately RMB12,680 million, mainly reflecting: (1) spending approximately RMB4,846 million on property, plant and equipment and intangible assets to increase productivity and develop new products; (2) receipt of dividend from joint ventures and associates, representing an increase of approximately RMB11,532 million; (3) decrease in pledged bank balances and time deposits and financial assets at fair value through profit or loss, resulting in cash inflow of approximately RMB5,112 million;

Net cash inflows from financing activities of the Group amounted to approximately RMB2,903 million, mainly reflecting (1) increase of bank borrowings and bond issuance resulting in a cash inflow of approximately RMB12,662 million; (2) repayment of bank borrowings and bonds resulting in a cash outflow of approximately RMB6,698 million; and (3) approximately RMB3,286 million of dividends to shareholders.

As a result of the above, the Group's cash and cash equivalents (excluding time deposits with an original maturity of three months or more) amounted to approximately RMB24,975 million as at 31 December 2018, representing a decrease of approximately RMB6,666 million as compared with approximately RMB31,641 million as at 31 December 2017. Cash and bank balances (including time deposits with an original maturity of three months or more) amounted to approximately RMB27,251 million, representing a decrease of approximately RMB6,190 million as compared with approximately RMB33,441 million as at 31 December 2017. Net cash (cash and cash equivalents, pledged bank balances and time deposits, financial assets at fair value through profit or loss less borrowings) of the Group amounted to approximately RMB6,650 million, representing a decrease of approximately RMB20,629 million compared with approximately RMB27,279 million as at 31 December 2017.

As at 31 December 2018, the Group's equity ratio (as a percentage of total borrowings to total shareholders' equity) was approximately 22.1%, representing an increase of approximately 6.6 percentage points as compared with approximately 15.5% as at 31 December 2017. The Group's liquidity ratio was approximately 1.36 times, representing an increase of approximately 0.09 times from approximately 1.27 times as at 31 December 2017. The Group's quick ratio was approximately 1.24 times, representing an increase of approximately 0.09 times from approximately 1.15 times as at 31 December 2017.

The inventory turnover days of the Group increased by approximately 8 days to approximately 43 days as at 31 December 2018, from approximately 35 days as at 31 December 2017. The Group's turnover days of receivables (including bills receivable) increased by approximately 18 days to approximately 79 days as at 31 December 2018, from approximately 61 days as at 31 December 2017. The turnover days of receivables (excluding bills receivable) increased by approximately 9 days to approximately 27 days from approximately 18 days as at 31 December 2017. The turnover days of bills receivable increased by approximately 9 days to approximately 52 days from 43 days as at 31 December 2017. The Group adopts stringent policies for the management of bills receivable and only accepts applications by trustworthy banks and customers with financial strengths, while the credit risks related to bank promissory notes are assumed by the customers' banks.

17. Major Financial Figures Based on Proportionate Consolidation

Based on proportionate consolidation, the revenue of the Group for 2018 was approximately RMB252,162 million, representing a decrease of approximately RMB21,924 million, or 8.0%, as compared with approximately RMB274,086 million of last year. Profit before income tax for 2018 was approximately RMB19,827 million, representing a decrease of approximately RMB1,754 million, or 8.1%, as compared with approximately RMB21,581 million of last year. Total assets for 2018 were RMB304,595 million, representing an increase of approximately RMB6,301 million, or 2.1%, as compared with approximately RMB298,294 million of last year.

PROPOSED FINAL DIVIDENDS

The Board of Directors proposes a dividend of RMB0.25 per share for the year ended 31 December 2018 (RMB0.25 per share for 2017).

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The register of members of the Company will be closed from Tuesday, 25 June 2019 to Thursday , 4 July 2019 (both days inclusive). In order to be entitled to the final dividend, H shares shareholders who have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on Monday, 24 June 2019 (Hong Kong time), being the last share registration date.

MATERIAL LEGAL PROCEEDINGS

As at 31 December 2018, Dongfeng Motor Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against Dongfeng Motor Group as far as Dongfeng Motor Group was aware.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

CORPORATE GOVERNANCE

During the year, the Company had been in compliance with all Code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for Code Provision A.4.2.

The current session of the Board of Directors was appointed on 10 October 2013. According to Code Provision A.4.2, every director should be subject to retirement by rotation at least once every three years. The term of office of session of the Board of Directors (including Mr Zhu Yanfeng who was appointed on 19 June 2015) should end on 9 October 2016 and the directors should be subject to retirement by rotation. As this process includes the entire Board such that many factors have to be considered in ensuring the smooth continuation of the senior management of the Company, the Company has not yet completed the above process with regard to the Board. Currently, the Board is undertaking the procedure of electing the new session and will be submitted to the general meeting for approval in due course.

SECURITIES TRANSACTION OF THE DIRECTORS

The Company has adopted a code of conduct regarding the directors' securities transactions on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"). After specific enquiries of all directors by the Company, all directors have confirmed that they have fully complied with the Model Code throughout the period.

ANNUAL GENERAL MEETING

The Annual General Meeting for the year 2018 of the Company will be held on Friday, 14 June 2019. In order to determine the name list of shareholders who are entitled to attend the annual general meeting, the register of members of the Company will be closed from Wednesday, 15 May 2019 to Friday, 14 June 2019 (both days inclusive). In order to be qualified to attend and vote at the annual general meeting, holders of H shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4: 30 pm on Tuesday, 14 May 2019 (Hong Kong time), being the last share registration date.

REVIEW OF THE ACCOUNTS

The audit and risk management committee has reviewed the audited financial reports for the year ended 31 December 2018 of the Company and the Group.

BOARD OF DIRECTORS

As at the date of this announcement, Mr Zhu Yanfeng and Mr Li Shaozhu are the 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.

On behalf of the Board of Directors
Zhu Yanfeng
Chairman

Wuhan, the PRC, 27 March 2019

** For identification only*