



**東風汽車集團股份有限公司**  
**DONGFENG MOTOR GROUP COMPANY LIMITED\***

Stock Code: 489

# 2020 INTERIM REPORT



\* For identification purposes only

# Contents

Chairman's Statement	2
Corporate Information	5
Report of the Directors	6
Management Discussion and Analysis	17
Directors, Supervisors and Senior Management	25
Unaudited Interim Condensed Consolidated Financial Statements and Notes	27
Definitions	56



# Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the 2020 interim report of the Group for your review.

In the first half of 2020, affected by the COVID-19 epidemic and China's economic downturn, China's automotive industry sold approximately 10,257,000 units vehicles, representing a year-on-year decrease of 16.9%, of which passenger vehicle sales were 7,873,000 units, representing a year-on-year decrease of 22.4%, and commercial vehicle sales totalled 2,384,000 units vehicles, representing a year-on-year increase of 8.6%. Among which, in the first quarter, the impact of the COVID-19 epidemic was obvious, with the industry sales falling by 42.4% year on year; in the second quarter, the epidemic slowed down and was stimulated by consumption release and favourable policies, and therefore, the recovery of the Chinese auto market was accelerated. The development of the automobile industry in the first half of the year showed the following characteristics:

1. Passenger vehicles ended 22-month negative growth, and the sales growth rate in the second quarter turned from negative to positive, reaching 7.2% in May. Meanwhile, the market share of Japanese brands increased by 3.7%, while that of self-developed brands decreased by 5.2%.
2. Major passenger vehicle manufacturers extended their strategy from a single hot model to a product portfolio strategy, making their market response more flexible, with the products complementing each other, relying on the more effective strategy of product mixtures. After the epidemic, various brands improved their accessibility and actively entered the community to get closer to customers.
3. The commercial vehicle market saw double-digit sales growth in the second quarter, reaching 46.4%. Among them, the market share of medium and heavy lorries, whose (traction, cargo, engineering) structural transformation models accelerated and increased significantly.
4. The sales volume of light lorries hit a record high, and policy changes drove changes in the structure of the light lorry market segment.
5. In the export market, as the epidemic spread rapidly around the world, overseas automobile demand shrank sharply. In March, the export market performed better than in the same period last year due to the superimposed effects from the release of backlog orders and the gradual resumption of work; Since April, there has been a significant decline, and the decline has been growing month by month.
6. The new energy vehicle market experienced a year-on-year sharp decline. During the epidemic, the demand for private travel dropped sharply, and the replacement of taxis hailed on the pavement and booked online with new vehicles was affected to some extent. The new car-making forces entered a reshuffle period, and the rapid rise of Tesla affected the domestic market demand for new energy vehicles.

## Chairman's Statement (Continued)

The Group sold 1,144,500 units vehicles in the first half of the year, representing a year-on-year decrease of 16.7%, with the drop slightly lower than the industry's 0.2 percentage point. The Group achieved sales revenue of approximately RMB50,576 million, representing a year-on-year increase of approximately 4.4%. Calculated by analogy and proportional consolidation, the Group achieved sales revenue of approximately RMB106,732 million in the first half of the year, a decrease of 9.7% from the same period last year. This result was not easy to achieve. As the Group was at the centre of the COVID-19 epidemic, it was significantly affected by the epidemic in the first quarter. With its overall resumption of work and production one month later as compared with that in the industry, the Group's sales in the second quarter outperformed the market, with a year-on-year increase of 11.9%, higher than the industry by 1.6 percentage points. In the first half of the year, the Group's passenger vehicle sales revenue was approximately RMB59,435 million, representing a year-on-year decrease of approximately 23.2%; commercial vehicle sales revenue was approximately RMB42,831 million, a year-on-year increase of approximately 11.5%; profit attributable to equity holders of the company was approximately RMB3,018 million, representing a year-on-year decrease of approximately 64.5%. In the first half of the year, the operating characteristics of the Group are as follows:

1. In the first half of the year, the Group ranked third in the industry;
2. On the premise of ensuring safety, we spared no effort to promote the resumption of work and production of the Group, and drive the orderly resumption of work and production in the upstream and downstream sections of the industrial chain; we also adjusted our business strategy for 2020 in a timely manner to minimise our losses from the epidemic.
3. In the passenger vehicle sector, the overall sales of passenger vehicle is 882,300 units, representing a year-on-year decrease of 22.2%, with the drop slightly lower than the industry's 0.2 percentage point. The growth rate of the sales in the second quarter was 2.3 percentage points higher than that in the industry. Dongfeng Nissan sold 437,200 units vehicles in the first half of the year, representing a year-on-year decrease of 17.3%, with the drop slightly lower than the industry's 5.1 percentage point. By the end of July, the market share was approximately 8.4%, representing a year-on-year increase of 0.3 percentage point. Dongfeng Honda sold 302,400 units in the first half of the year, representing a year-on-year decrease of 16.9%, with the drop slightly lower than the industry's 5.5 percentage point.
4. In the commercial vehicle sector, the overall sales of commercial vehicle is 262,200 units, representing a year-on-year increase of 9.0%, with the growth slightly higher than the industry's 0.4 percentage point. Dongfeng Liuzhou Motor's sales growth rate was 29.1 percentage points higher than that of the industry, the growth rate of light lorry sales was 12.3 percentage points higher than that of the industry, and the sales growth of Dongfeng Automobile Co., Ltd. was 12.6 percentage points higher than that of the industry.
5. The pace of development of independent brands accelerated. The Group promoted reforms and adjustments and the creation of strategic models, and strove to solve the difficulties in the development of self-owned brand passenger vehicles. The Group also elevated its brands, launched the new i-Land brand, and made important progress in the high-end electric vehicle project of its own brands.
6. The Group's core capabilities and new development momentum continued to improve while the Group continued to promote the research and development of key core technologies and the collaborative utilisation of key resources. Demonstration operations were carried out on terminal unmanned lorries and micro-buses.

## Chairman's Statement (Continued)

In the first half of the year, the Group went all out to fight the battle for pandemic prevention and control and the resumption of work and production, as well as the tough battle of production, operation and reform and development. It demonstrated its sense of responsibility in the big test and handed in a qualified answer sheet.

In the second half of the year, with the effective control of the domestic epidemic and the implementation of China's policies of "six stabilities" and "six guarantees", the domestic economy will gradually recover. In the second quarter, the country's GDP a year-on-year increased by 3.2%, which indicated that the Chinese economy had taken the lead in getting out of the predicament and re-entering the growth track. It is expected that China's sustained economic growth will not change. However, for the whole year, the auto industry has been affected by the epidemic, economic downturn and short-term damage to residents' incomes and consumer confidence. It is expected that the auto market will still see a large decline in 2020, and the industry predicts that sales growth will be around -7.3%. In 2021, as the domestic economy rebounds, the auto market is expected to return to normal demand and achieve positive growth. By 2025, the overall situation of the auto industry will still be in a slightly upward trend. For the second half of the year, Dongfeng Motor Group's outlook is as follows:

1. To accelerate the catch-up and complete the sales target beyond estimates;
2. To grasp the implementation of auto market policies and increase market share;
3. To increase the sales of its core products of independent brands;
4. Adapt to changes in customer consumption habits, accelerate digital transformation, and build a brand new marketing ecosystem to empower dealers and improve the marketing system capabilities;
5. Control supply chain and project risks, as well as the double risks of compliance and product consistency risks;
6. Conduct work relating to production safety, energy conservation and environmental protection.
7. Conduct work relating to the "14th Five-Year Plan", continue to build the new i-Land brand, and the issuance and listing of A shares.

The goals and tasks for the second half of the year have been determined. Regardless of the severity of the situation, the complexity of the tasks, and the difficulty in achieving the goals, we shall implement them with a strong style. All units will follow the Group's assigned goals by not making excuses, not negotiating for more favourable conditions, sticking to the goals in a determined manner, working hard for victory, and eventually obtaining the best "report card".

**Zhu Yanfeng**  
*Chairman*

28 August 2020

# Corporate Information

<b>REGISTERED NAME</b>	Dongfeng Motor Group Company Limited
<b>REGISTERED ADDRESS</b>	Special No. 1 Dongfeng Road Wuhan Economic and Technology Development Zone Wuhan, Hubei 430056 PRC
<b>PRINCIPAL PLACE OF BUSINESS IN THE PRC</b>	Special No. 1 Dongfeng Road Wuhan Economic and Technology Development Zone Wuhan, Hubei 430056, PRC
<b>PRINCIPAL PLACE OF BUSINESS IN HONG KONG</b>	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong SAR
<b>COMPANY WEBSITE</b>	<a href="http://www.dfmfg.com.cn">www.dfmfg.com.cn</a>
<b>COMPANY SECRETARIES</b>	Lu Feng Yuen Wing Yan, Winnie (FCIS, FCS (PE))
<b>AUDITORS</b>	Pricewaterhouse Coopers
<b>HONG KONG H SHARE REGISTRAR</b>	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor, Hopewell Centre, 183 Queen's Road East Wan Chai, Hong Kong SAR
<b>PLACE OF LISTING</b>	The Stock Exchange of Hong Kong Limited
<b>STOCK CODE</b>	00489

## I. BUSINESS OVERVIEW

### (I) Major Businesses

Dongfeng Motor Group is principally engaged in the businesses of research and development, manufacturing and sales of commercial vehicles, passenger vehicles, engines and other auto parts, automobile equipment manufacturing, import and export of automobile products, logistics services, financing services, insurance agency and used car trading. The principal products include commercial vehicles (heavy trucks, medium trucks, light trucks, mini trucks and buses, special purpose vehicles, semi-trailers as well as auto engines and auto parts related to commercial vehicles) and passenger vehicles (basic passenger vehicles, MPVs, SUVs and auto engines and auto parts related to passenger vehicles).

The commercial vehicle business of Dongfeng Motor Group is mainly operated by Dongfeng Commercial Vehicle Co., Ltd. (a joint venture between the Company and Volvo Cars), Dongfeng Motor Co., Ltd. (a joint venture between the Company and Nissan Motor Co., Ltd. (through Nissan (China) Investment Co., Ltd.)), Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Special Commercial Vehicle Co., Ltd..

Dongfeng Motor Group's passenger vehicle business is currently operated by Dongfeng Passenger Vehicle Company, Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Motor Co., Ltd. (through Dongfeng Nissan Passenger Vehicle Company, Dongfeng Infiniti Motor Co., Ltd. and Dongfeng Venucia Motor Company), Dongfeng Peugeot Citroën Automobile Co., Ltd. (a joint venture between the Company and the PSA Peugeot Citroën Group), Dongfeng Honda Automobile Co., Ltd. (a joint venture between the Company and Honda Motor Co., Ltd.) and Dongfeng Renault Automobile Co., Ltd. (a joint venture between the Company and Renault S.A.).

In recent years, Dongfeng Motor Group has accelerated the development of its new-energy vehicle business, which is principally operated by Dongfeng Motor Co., Ltd., Dongfeng Special Commercial Vehicle Co., Ltd., Dongfeng Passenger Vehicle Company and Zhixin Technology Co., Ltd., VOYAH Automobile Technology Co., Ltd., eGT New Energy Automotive Co., Ltd. and Dongfeng Changxing (Wuhan) Technology Co., Ltd..

The financing service business of Dongfeng Motor Group is currently operated by the following companies: Dongfeng Motor Finance Co., Ltd. (a wholly-owned subsidiary of the Company), Dongfeng Nissan Auto Finance Co., Ltd. (an associate company between the Company, Nissan Motor Co., Ltd. and Nissan (China) Investment Co., Ltd.), Dongfeng Nissan Financial Leasing Co., Ltd. (an associate of the Company), Dongfeng Peugeot Citroën Auto Finance Co., Ltd. (a joint venture between the Company, Peugeot Citroën Netherlands Finance Co., Ltd. and Dongfeng Peugeot Citroën Automobile Co., Ltd.), and Chuang'ge Financial Leasing Co., Ltd. (a wholly-owned subsidiary of the Company) and Dongfeng Peugeot Citroën Financial Leasing Co., Ltd. (a joint venture between the Company, Dongfeng Peugeot Citroën Automobile Co., Ltd. and Peugeot Citroën Netherlands Finance Co., Ltd.).

## Report of the Directors (Continued)

### (II) Principal Business Operations during the First Half of 2020

As at 30 June 2020, the production and sales volume for vehicles of Dongfeng Motor Group were approximately 1,121,900 units and 1,144,500 units respectively. According to the statistics published by the China Association of Automobile Manufacturers, Dongfeng Motor Group had a market share of approximately 11.2% in terms of sales volume of commercial and passenger vehicles made by domestic manufacturers in the first half of 2020. The following table sets out the production and sales volumes of commercial and passenger vehicles of Dongfeng Motor Group as well as their respective market shares in terms of sales volume in the first half of 2020:

	<b>Production Volume</b> <i>(Unit)</i>	<b>Sales Volume</b> <i>(Unit)</i>	<b>Market Share</b> <i>(%)</i> <sup>1</sup>
<b>Commercial Vehicles</b>	270,450	262,208	10.9
Trucks	261,738	253,198	11.5
Buses	8,712	9,010	4.8
<b>Passenger Vehicles</b>	851,423	882,277	11.2
Basic passenger cars	40,266	42,790	12.7
MPVs	454,267	469,683	11.7
SUVs	356,890	369,804	10.0
<b>Total</b>	<u>1,121,873</u>	<u>1,144,485</u>	<u>11.2</u>

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

Revenue of the Group for the six months ended 30 June 2020:

<b>Business</b>	<b>Sales Revenue</b> <i>(RMB million)</i>	<b>Contribution to the Group's Sales Revenue</b> <i>(%)</i>
Passenger vehicles	7,606	15.0
Commercial vehicles	39,314	77.7
Financing service	3,479	6.9
Corporate and others	305	0.6
Elimination	(128)	(0.3)
<b>Total</b>	<u>50,576</u>	<u>100.0</u>

# Report of the Directors (Continued)

## (III) Principal Business Achievements during the First Half of 2020

1. In the passenger vehicle sector, the overall sales of passenger vehicle is 882,300 units, representing a year-on-year decrease of 22.2%, with the drop slightly lower than the industry's 0.2 percentage point. The growth rate of the sales in the second quarter was 2.3 percentage points higher than that in the industry. Dongfeng Nissan sold 437,200 units vehicles in the first half of the year, representing a year-on-year decrease of 17.3%, with the drop slightly lower than the industry's 5.1 percentage point. By the end of July, the market share was approximately 8.4%, representing a year-on-year increase of 0.3 percentage point. Dongfeng Honda sold 302,400 units in the first half of the year, representing a year-on-year decrease of 16.9%, with the drop slightly lower than the industry's 5.5 percentage point.
2. In terms of the commercial vehicles sector, the overall sales of commercial vehicle is 262,200 units, representing a year-on-year increase of 9.0%, with the growth slightly higher than the industry's 0.4 percentage point. Dongfeng Liuzhou Motor Co., Ltd.'s growth rate of sales volume was 29.1 percentage points higher than that of the industry, the growth rate of light lorry was 12.3 percentage points higher than that of the industry, and the sales growth of Dongfeng Motor Automobile Co., Ltd 12.6 percentage points higher than that of the industry.
3. Core capability and new development momentum continued to improve.

## (IV) Business Outlook

In the first quarter of 2020, the economy and vehicle industry in China have underwent impact caused by the outbreak of the COVID-19 epidemic. The GDP for the first quarter recorded a year-on-year decrease of 6.8%, representing a significant decrease, of which, the tertiary industry has underwent the greatest loss. In the second quarter, with effective control on the domestic outbreak, as well as the implementation of the national "six stability" and "six protection" policies, the domestic economy resumed progressively, evidenced by a year-on-year increase of 3.2% in the GDP for the second quarter, and China's economy has led the way out of the difficulty and set off for development again. The continuous development trend of China's economy expects no change. In terms of the vehicle industry, influenced by factors including the downturn trend of economy, short term impact on household income and consumption confidence, the vehicle market has faced significant impact in the first half of 2020, and sales volume of the industry represented a year-on-year decrease of 16.9%.

In the second half of the year, given the weakening negative impact of the outbreak and continuous stimulus of policies on consumption, the market gradually returned to normal. Regional policies, such as the relaxing the incremental index in cities with purchase restrictions, issuing subsidy policy of exchanging the old for new vehicles, and national policies, such as the reducing VAT rate of second-hand car sales to 0.5%, the postponing implementation of the national six standards and postponing the reduction in new energy subsidies, have a stimulating effect on the annual sales of passenger vehicles. The commercial vehicle market supported by policies, will bring growth in the second half of the year. Since March, the elimination of vehicles under state-3 standards accelerated significantly, mainly involving Beijing, Tianjin, Hebei, Inner Mongolia and the Yangtze River Delta, and showing the trend of spreading to the surrounding regions. The control of overload will also continue to speed up the renewal of vehicles. The "two new and one heavy" construction, mainly including community reconstruction and large projects, will also increase the sales of commercial vehicles.

# Report of the Directors (Continued)

In respect of the whole year, the automobile market will expect a significant decline in 2020, with the growth rate of the industry's estimated sales volume ranging around -7.3%, and that of Dongfeng Motor Group around 1.4%.

## II. CORPORATE GOVERNANCE

### 1. Overview of Corporate Governance

The Company has been in compliance with the relevant requirements provided by the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Corporate Governance Code of the Stock Exchange of Hong Kong. The Company supervises and regulates its daily operation in strict compliance with the Articles of Association of Dongfeng Motor Group Company Limited and various governing systems of the Company, and regularly reviews the operation and management of the Company. In addition, the Company recognises the importance of transparency in governance and accountability to the shareholders of the Company, and commits to continuously enhancing the standard and effectiveness of corporate governance to ensure that the Company is developing properly on the right path, and the interests of shareholders in the Company will continue to grow and be well protected.

### 2. Corporate Governance Code

For the six months ended 30 June 2020, the Company fully complied with the code provisions as set out in the Corporate Governance Code (the "Code") of 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 and A.5.1.

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 the current 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. Currently, the Company has held the board of directors on 10 September 2020 to nominate candidates for the fifth board of directors and the resolutions had been passed on the extraordinary general meeting held on 25 September 2020.

Pursuant to the Code Provision A.5.1, the nomination committee shall comprise a majority of independent non-executive directors. On 25 May 2020, Mr. Zhang Xiaotie passed away and the only remaining members of the nomination committee was Mr. Zhu Yanfeng (the convenor of the nomination committee) and Mr. Ma Zhigeng, thus failed to meet the composition requirement of a majority of independent non-executive directors. Subsequently, Mr. Leung Wai Lap, Philip ("Mr. Leung") was appointed as a member of the Nomination Committee with effect from 28 August 2020, which was complied with the Code Provision A.5.1.

## Report of the Directors (Continued)

In addition, according to the Code Provisions (I)(f) and (L)(d)(iv) disclosed in the Corporate Governance Code, the Company has failed to meet the requirement with Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules, following the pass away of Mr. Zhang Xiaotie, an independent non-executive director on 25 May 2020. Rule 3.10(1) of the Listing Rules stipulates that the board of directors of the Company shall include at least three independent non-executive directors; Rule 3.10(2) of the Listing Rules stipulates that at least one of the independent non-executive directors shall have appropriate professional qualifications or accounting or related financial management expertise; and Rule 3.21 of the Listing Rules stipulates that the audit and risk management committee of the Company shall include at least three members, of whom at least one shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The Company has appointed Mr. Leung as an independent non-executive director of the Company on 25 August 2020. With the appointment of Mr. Leung, the Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules. Please refer to the relevant announcement on 25 August 2020 for details. In addition, the Company has appointed Mr. Leung as a member of the audit and risk management committee on 28 August 2020, which was in compliance with Rule 3.21.

In accordance with Code Provision (I)(g) disclosed in the Corporate Governance Code, Mr. Leung was the business management partner of Ernst & Young (the “Ernst & Young”) Greater China before his retirement in June 2020. According to Rule 3.13(3) of the Listing Rules, if, within two years immediately prior to the date of his appointment as an independent non-executive director, he was a partner of professional adviser which is providing services to subsidiaries of the Company, independence of the director would more likely to be questioned. After assessments of the Board of Directors, in their opinion that although Mr. Leung was a partner of Ernst & Young, which had only provided professional services to one of the non-wholly owned subsidiaries of the Company, and Mr. Leung did not involve in participating such services; in addition, Ernst & Young is not the auditor of the Company and could not access the accounting records of the Company and most of the subsidiaries of the Company, therefore, the independency of Mr. Leung was unanimously agreed. Apart from the abovementioned matters, Mr. Leung meets the independent guideline stated in Rule 3.13 of the Listing Rules, and that independent confirmation letter had been sent to the Hong Kong Exchanges and Clearing Limited.

### 3. 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 by the Company, all directors have confirmed that they had fully complied with the Model Code throughout the reporting period.

# Report of the Directors (Continued)

## 4. Independent Non-executive Directors

The Board of Directors of the Company consists of seven Directors, including three Independent Non-executive Directors. Mr. Leung Wai Lap, Philip, an Independent Non-executive Director, has the qualification and experience of accounting and financial management. The composition of the Board of Directors of the Company is in compliance with the requirement of the Listing Rule 3.10(1) that “every board of directors of a listed issuer must include at least three independent non-executive directors”, the Listing Rule 3.10A that “an issuer must appoint independent non-executive directors representing at least one-third of the board” and the Listing Rule 3.10(2) that “at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise”.

## 5. Board Meeting

Three board meetings were held by the Company in the first half of 2020 and the major matters covered were as follows:

- To consider and approve the financial budget for 2020 of the Company;
- To consider and approve the annual cap for bank credit for 2020 of the Company;
- To consider and approve the interim business plan for 2020 of the Company;
- To consider and approve the annual investment plan for 2020 of the Company;
- To consider and approve investment plan of Shanghai Botai;
- To consider and approve the change of senior management;
- To consider and approve the related transactions with Dongfeng Motor Group Co., Ltd. involved in the logistics integration proposal of Dongfeng Group;
- To consider and approve the proposal of Dongfeng Motor Group Co., Ltd. to establish T3 Technology Platform company;
- To consider and approve the 2019 annual report;
- To consider and approve the issuance and allotment of shares;
- To consider and confirm the independence of Independent Non-executive Directors;

## Report of the Directors (Continued)

- To consider and approve the 2019 Environmental, Social and Governance Report of Dongfeng Motor Group Co., Ltd;
- To consider and approve the plan for adding members of relevant special committees of the fourth board of directors of the Company;
- To consider and approve the remuneration packages of Directors and Supervisors for 2020;
- To consider and approve the convening of 2019 annual general meeting of the Company;
- To consider and approve the reorganization proposal of Dongfeng Renault.

Meetings of Board of Directors allows effective discussion and prompt and prudent decision. For the six months ended 30 June 2020, the attendance of directors at meetings of Board of Directors is as follows:

<b>Members</b>	<b>No. of Attendance/ No. of the Meetings</b>	<b>Attendance rate</b>
<b>Executive Directors</b>		
Zhu Yanfeng	3/3	100%
Li Shaozhu	3/3	100%
You Zheng	3/3	100%
<b>Non-executive Directors</b>		
Cheng Daoran	3/3	100%
<b>Independent Non-executive Directors</b>		
Ma Zhigeng	3/3	100%
Chen Yunfei	3/3	100%
Zhang Xiaotie (Passed away on 25 May 2020)	1/3	33%

The management of the Company is responsible for providing the Board with relevant data and information necessary for the consideration of various resolutions and arranging officers to report on the progress of various tasks, especially updates on major projects of the Company, at the Board meetings.

# Report of the Directors (Continued)

## 6. Committees under the Board

### 1) Audit and Risk Management Committee

The Company has established the Audit and Risk Management Committee in accordance with Rules 3.21 and 3.22 of the Listing Rules. The Audit and Risk Management Committee is mainly responsible for reviewing and monitoring the financial reporting process of the Company, evaluating and determining the nature and level of risks encountered by the Company, reviewing the financial supervision, risk management and internal control system of the Company, and making suggestions and advices to the Board. The Audit and Risk Management Committee is composed of three members, all of whom are Independent Non-executive Directors of the Company. The member of the Audit and Risk Management Committee is Mr. Leung Wai Lap, Philip, an Independent Non-executive Director who has possessed the professional qualification as required under Rule 3.10(2) of the Listing Rules. The other two members are Mr. Chen Yunfei and Mr. Ma Zhigeng, the Independent Non-executive Directors.

The Audit and Risk Management Committee has reviewed the unaudited financial report of the Group for the six months ended 30 June 2020.

### 2) Remuneration Committee

The Company has established the Remuneration Committee in accordance with Rules 3.25 and 3.26 of the Listing Rules. The Remuneration Committee is mainly responsible for formulating the remuneration proposals of directors, supervisors and senior management and medium and long term incentive schemes and submitting the same to the Board for approval. The committee is composed of three members with a majority of Independent Non-executive Directors. The chairman of the committee is Mr. Ma Zhigeng, an Independent Non-executive Director, and the other two members are Mr. Chen Yunfei, an Independent Non-executive Director, and Mr. Li Shaozhu, an Executive Director.

### 3) Nomination Committee

The Company has established the Nomination Committee in accordance with Rules A.5.1 to A.5.4 of Corporate Governance Code. The Nomination Committee is mainly responsible for nominating candidates of Directors, studying and reviewing the criteria and procedures for the nomination and selection of Director candidates, and making recommendations. The committee is composed of three members, a majority of whom are Independent Non-executive Directors. Mr. Zhu Yanfeng, the chairman of the Company, is the chairman of the Nomination Committee. The other two members of the committee are Mr. Ma Zhigeng and Mr. Leung Wai Lap, Philip, both of whom are Independent Non-executive Directors of the Company.

# Report of the Directors (Continued)

## 7. Internal Control

In the first half of 2020, the Board has fully evaluated the effectiveness of the internal control system of the Company through the Audit and Risk Management Committee and the audit department of the Company with focuses on the control environment, risk assessment, control activity, information and communication as well as supervision. According to the evaluation on the internal control system, the Board believes that, during the first half of the year, the Company had a complete and fully effective internal control system covering various aspects including corporate governance, operation, investment, finance, administration and human resources.

The Board also believes that the internal control system aims to manage potential risks instead of eliminating risks. Therefore, the internal control system of the Company provides reasonable protection, rather than absolute guarantee, for the Company to realize its operation goals.

## III. MAJOR MATTERS

### Interim Results and Dividends

The results for the six months ended 30 June 2020 of the Group and the financial position of the Group as at that date are set out in the unaudited interim condensed consolidated financial statements on page 28 to 34 of this interim report.

The Board of Directors declared an interim dividend of RMB0.10 per share (2019: RMB0.10 per share) to the shareholders whose names appear on the register of members of the Company on Saturday, 19 September 2020. The interim dividend will be distributed on Wednesday, 28 October 2020.

### Major Acquisitions and Disposals of Subsidiaries, Joint Ventures and Associates

In April 2020, after amicable negotiation, the Company and Renault entered into a non-binding memorandum and reached preliminary understanding, of which Renault intends to transfer its 50% equity interest in Dongfeng Renault to the Company. Dongfeng Renault will cease to engage in business activities related to the Renault brand. The Company intends to implement business transformation and upgrading with Dongfeng Renault. According to its overall strategic plan, the Company is committed to achieve high-quality development and innovation in technologies and business model.

### Material Legal Proceedings

For the six months ended 30 June 2020, 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 the Group was aware.

# Report of the Directors (Continued)

## Share Capital

As at 30 June 2020, the total share capital of the Company was RMB8,616,120,000 divided into 8,616,120,000 ordinary shares of RMB1 each, of which 5,760,388,000 shares were Domestic Shares, representing approximately 66.86% of the total number of shares in issue, and 2,855,732,000 shares were H Shares, representing approximately 33.14% of the total number of shares in issue.

## Interests of Substantial Shareholders

As at 30 June 2020, as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance, the interest and short positions of persons (excluding directors and supervisors of the Company) who account for 5% or more of the issued share capital of the class are as follows:

The percentage is calculated based on the number of ordinary shares in issue as of 30 June 2020.

## Long Position and Lending Pool

Name	Class of Shares	Number of shares held	Percentage in the class of issued share capital (%)	Percentage in the total share capital (%)
Dongfeng Motor Company	Domestic Share	5,760,388,000(L)	100.00	66.86
SCMB Overseas Limited	H Share	242,282,000(L)	8.48(L)	2.81
Standard Chartered Asia Limited	H Share	242,282,000(L)	8.48(L)	2.81
Standard Chartered Bank	H Share	242,282,000(L)	8.48(L)	2.81
Standard Chartered Holding Limited	H Share	242,282,000(L)	8.48(L)	2.81
Standard Chartered Holdings (International) B.V.	H Share	242,282,000(L)	8.48(L)	2.81
Standard Chartered MB Holdings B.V.	H Share	242,282,000(L)	8.48(L)	2.81
Standard Chartered Private Equity Limited	H Share	242,282,000(L)	8.48(L)	2.81
Edinburgh Partners Limited	H Share	153,514,000(L)	5.38(L)	1.78
Reynolds Margaret (Meg)	H Share	235,443,000(L)	8.24(L)	2.73
Ward Bryan	H Share	235,443,000(L)	8.24(L)	2.73
Westwood Global Investments, LLC	H Share	235,443,000(L)	8.24(L)	2.73
Brown Brothers Harriman & Co.	H Share	228,671,995(L)	8.01(L)	2.65
	H Share	228,671,995(P)	8.01(P)	2.65
FIL Limited	H Share	228,210,000(L)	7.99(L)	2.65
Pandanus Associates Inc.	H Share	228,210,000(L)	7.99(L)	2.65
Pandanus Partners L.P.	H Share	228,210,000(L)	7.99(L)	2.65
Invesco Asset Management Limited	H Share	199,578,867(L)	6.98(L)	2.31
Citigroup Inc.	H Share	197,869,269(L)	6.92(L)	2.29
		892,003(S)	0.03(S)	0.01
		193,095,581(P)	6.76(P)	2.24

# Report of the Directors (Continued)

Name	Class of Shares	Number of shares held	Percentage in the	Percentage
			class of issued share capital (%)	in the total share capital (%)
FIDELITY FUNDS	H Share	172,106,000(L)	6.02(L)	1.99
BlackRock, Inc.	H Share	158,697,678(L)	5.56(L)	1.84
		10,930,000(S)	0.38(S)	0.12
JPMorgan Chase & Co.	H Share	143,679,305(L)	5.03(L)	1.66
		22,798,903(S)	0.79(S)	0.26
		92,901,739(P)	3.25(P)	1.07

Notes:

L-Long Position

S-Short Position

P- Lending Pool

## Directors' and Supervisors' Interests in the Share Capital of the Company

As at 30 June 2020, the interest and short positions of the Directors and Supervisors of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance are set out below:

Name	Position	Class of Shares	Nature of interest	Number of shares held	Percentage in	Percentage
					the class of issued share capital %	in the total share capital %
He Wei	Supervisor	H Shares	Beneficial interest	100,000 (L)	0.00	0.00
Li Ping'an	Employee Supervisor	H Shares	Beneficial interest	60,000 (L)	0.00	0.00

\* Notes: (L) – Long Position, (S) – Short Position, (P) – Lending Pool

## Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor its subsidiaries and joint ventures purchased, sold or redeemed any of the listed securities of the Company during the reporting period.

## I. OPERATING ENVIRONMENT

In mid-2020, the overall situation of China economy remained basically stable when the COVID-19 epidemic brought a serious impact on the global economy. In the interim period, China's GDP growth rate decreased by 1.6% year on year, of which the gross domestic product (GDP) of the PRC increased by 3.2% year on year in the second quarter. China's economy has gradually overcome the adverse effect of the epidemic, showing a trend of recovery growth and steady recovery and seeing more resilient and vital in its development. Major economic indicators also showed recovery growth.

In mid-2020, automobile production and sales in China both exceeded the volume of 10,112,000 units and 10,257,000 units, representing a year-on-year decrease of 16.8% and 16.9%, respectively. The overall performance was better than expected with the continuous narrowed decline rate. China is still the biggest producer and distributor of the world, which, to a certain extent, reflects that the global automobile market has gradually stabilized from explosive development, and tends to be high-end and diversified.

In mid-2020, the passenger vehicles market ran at a low level with a sale volume of 7,872,500 units, representing a year-on-year decrease of 22.4%. Among which, sale volume of SUV decreased by 14.9% year on year; MPV recorded a significant decrease of 45.7% year on year; basic vehicles decreased by 25.9% year on year. From the aspect of market structure, the structure is severely diversified, and the sale volume of passenger vehicles of Chinese brands recorded a year-on-year decrease by 29% to 2,854,100 units, accounting for 36.25% of total sales and the share rate decreased by 3.36 percentage points over the same period of last year. German brands, Japanese brands, American brands, Korean brands and French brands sale value of passenger vehicles amounted to 1,967,900 units, 1,862,700 units, 734,200 units, 328,800 units and 24,800 units, accounting for 25%, 23.66%, 9.33%, 4.18% and 0.31% of the total sales, respectively. Compared with the same period of last year, the year-on-year decrease of passenger vehicles of German brand and Japanese brand was lower than that of the industry, while that of American brand and Korean brand was over 20%, which was higher than that of the industry.

In mid-2020, the overall production and sales of the commercial vehicle market outperformed the passenger vehicle market. Especially since the second quarter of this year, the impact of the epidemic has diminished, and commercial vehicle sales maintain sustained growth. From January to June, the production and sales of commercial vehicles were 2,359,000 units and 2,384,000 units, representing a year-on-year increase of 9.5% and 8.6%, respectively. In terms of production and sales of different models, the production and sales of buses representing a year-on- year decrease of 9.6% and 12.4%, respectively. And the production and sales of trucks representing a year-on-year increase of by 11.5% and 10.8%, respectively.

# Management Discussion and Analysis (Continued)

## II. OPERATION ANALYSIS

In mid-2020, under the severe situation affected by COVID-19 epidemic, the Company maintained its focus on annual goals and achieved high-quality development.

In mid-2020, although the epidemic affected the sales volume of the Company in the first quarter, the Company seized the opportunity in the second quarter, rapidly increased the sales volume, saved the loss in the first quarter, and the sales volume beat the market comprehensively. The sales volume of the passenger vehicle of the Company was approximately 1,144,500 units, representing a year-on-year decrease of 16.7%, which was better than the industry by 0.2 percentage points (the overall descending rate of the industry was about 16.9%). Against the background of negative growth in the market, mostly affected by the epidemic and a large volume base, the Company has fully demonstrated the strength of steady growth and the ability of innovation and development.

The sales performance of passenger vehicles of the Group outperformed the market as a whole. In the interim period, the sales volume of the passenger vehicle of the Company was 882,300 units, representing a year-on-year decrease of 22.2%, which was better than the industry by 0.2 percentage points (the overall descending rate of the passenger vehicles industry was about 22.4%).

The total sales volume of commercial vehicles of the Group outperformed the market. The favorite and preferred choice of commercial vehicles are still the Dongfeng brand in China. In the interim period, the sales of commercial vehicles of Dongfeng brand were 262,200 units, with a year-on-year growth of 9.0%, better than that of the industry by 0.4 percentage points (the overall increasing rate of the commercial vehicles industry was about 8.6%).

# Management Discussion and Analysis (Continued)

## III. FINANCIAL ANALYSIS

### 1. Revenue

The revenue of the Group for the interim period of 2020 was approximately RMB50,576 million, representing an increase of approximately RMB2,129 million, or 4.4%, as compared with RMB48,447 million for the corresponding period of last year. The increase in revenue was mainly caused by the increase in sales revenue of Dongfeng Commercial Vehicles Co., Ltd..

	<b>The first half of 2020 Sales Revenue RMB million</b>	The first half of 2019 Sales Revenue RMB million
Passenger vehicles	<b>7,606</b>	13,563
Commercial vehicles	<b>39,314</b>	32,364
Financing service	<b>3,479</b>	2,484
Corporate and others	<b>305</b>	139
Elimination	<b>(128)</b>	(103)
Total	<b>50,576</b>	48,447

#### 1.1 Passenger Vehicle Business

The sales revenue of passenger vehicles of the Group for the interim period of 2020 decreased by approximately RMB5,957 million, or 43.9%, to approximately RMB7,606 million from approximately RMB13,563 million for the corresponding period of 2019. The decrease in revenue was mainly from the passenger vehicle business of 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 for the interim period of 2020 increased by approximately RMB6,950 million, or 21.5%, to approximately RMB39,314 million from approximate RMB32,364 million for the corresponding period of 2019. The increase in revenue was mainly due to the sales growth of Dongfeng Commercial Vehicles Co., Ltd. and commercial vehicle business of Dongfeng Liuzhou Motor Co., Ltd..

# Management Discussion and Analysis (Continued)

## 1.3 Auto Financing Service Business

As the financial business to financial support by Dongfeng Motor to the vehicle sector has yearly strengthened, and the proportion of financial business profits to the Group's profits has gradually increased, notable growth was achieved in the financing service sector, with 40.1% revenue increase on a year-on-year basis. Dongfeng Motor Finance Co., Ltd. and Chuang'ge Financial Leasing Co., Ltd. achieved their goals of revenue and profit before income tax for 2020 and realized a year-on-year increase.

The revenue of financing service of the Group for the interim period of 2020 increased by approximately RMB995 million, or approximately 40.1%, to approximately RMB3,479 million from approximately RMB2,484 million for the interim period of 2019. The Group's financing service business maintained its steady growth.

## 2. Cost of Sales and Gross Profit

The total cost of sales of the Group for the interim period of 2020 was approximately RMB42,760 million, representing an increase of approximately RMB2,107 million, or 5.2%, as compared with approximately RMB40,653 million in the corresponding period of last year. The total gross profit was approximately RMB7,816 million, representing an increase of approximately RMB22 million, or 0.3%, as compared with approximately RMB7,794 million in the corresponding period of last year. The comprehensive gross profit margin was approximately 15.5%, representing an decrease of 0.6% as compared with the corresponding period of last year. The increase in gross profit margin was mainly due to the impact changes in sales structure.

## 3. Other Income

The total other income of the Group for the interim period of 2020 amounted to approximately RMB1,555 million, representing an increase of approximately RMB683 million compared with approximately RMB872 million in the corresponding period of last year.

The increase in other income was mainly due to the disposal income generated by DF Import & Export to dispose of Dong Honda Logistics in the current period.

## 4. Selling and Distribution Expenses

The selling and distribution expenses of the Group for the interim period of 2020 decreased by approximately RMB445 million to approximately RMB2,070 million from approximately RMB2,515 million in the corresponding period of last year.

The decrease in sales and distribution expenses was mainly due to the decrease in fixed marketing expenses.

# Management Discussion and Analysis (Continued)

## 5. Administrative Expenses

The administrative expenses of the Group for the interim period of 2020 decreased by approximately RMB277 million to approximately RMB1,827 million from approximately RMB2,104 million in the corresponding period of last year.

The decrease in administrative expenses was mainly due to the decrease in wage level of the Group affected by the COVID-19 epidemic.

## 6. Impairment Losses on Financial Assets

The impairment losses on financial assets of the Group for the interim period of 2020 increased by approximately RMB431 million to approximately RMB967 million from approximately RMB536 million in the corresponding period of last year.

The increase in impairment losses on financial assets was mainly due to the increase in provision coverage ratio of Dongfeng Motor Finance Co., Ltd. affected by the COVID-19 epidemic.

## 7. Other Expenses

The other expenses of the Group for the half of 2020 amounted to approximately RMB4,438 million, representing an increase of approximately RMB2,403 million as compared with approximately RMB2,035 million in the corresponding period of last year.

The increase in other expenses was mainly due to the increase in loss of impairment losses of non-financial assets.

## 8. Finance Expenses

The finance expenses of the Group for the interim period of 2020 amounted to approximately RMB599 million, representing an increase of approximately RMB433 million as compared with approximately RMB166 million in the corresponding period of last year.

The increase in net financial expenses was mainly due to the increase in interest expenses on borrowings payable and increase of exchange net gain of financing activities.

## 9. Share of Profits and Losses of Joint Ventures

Share of profits and losses of joint ventures of the Group for the interim period of 2020 decreased by approximately RMB3,561 million to approximately RMB3,224 million from approximately RMB6,785 million in the corresponding period of last year. The main changes are as follows: 1. the profit decreased by RMB1,674 million year on year as a result of a decrease in sales volume of Dongfeng Motor Co., Ltd. affected by the COVID-19 epidemic; 2. the profit decreased by RMB967 million year on year as a result of a decrease in sales volume of Dongfeng Honda Automobile Co., Ltd. affected by the COVID-19 epidemic; 3. the profit decreased by RMB225 million year on year of Dongfeng Honda Engine Co., Ltd. affected by the decrease in sales volume.

# Management Discussion and Analysis (Continued)

## 10. Share of Profits and Losses of Associates

Share of profits and losses of associates of the Group for the interim period of 2020 amounted to approximately RMB853 million, representing a decrease of approximately RMB1,079 million as compared with that of approximately RMB1,932 million of the corresponding period of last year, mainly due to: 1. the decrease in investment income of RMB1,313 million for investing in PSA Group; 2. the financial investment income of Dongfeng Honda increased by RMB222 million;

## 11. Income Tax

The income tax expense of the Group for the half of 2020 decreased by approximately RMB382 million to approximately RMB792 million from approximately RMB1,174 million in the corresponding period of last year. The effective tax rate for the period was approximately 22.3%, representing an increase of approximately 10.6% as compared with approximately 11.7% in the corresponding period of last year.

## 12. Profit Attributable to Equity Holders of the Company for the Year

The profit attributable to the equity holders of the Company for the interim period of 2020 was approximately RMB3,018 million, representing a decrease of approximately RMB54,81 million, or approximately 64.5% as compared with that of approximately RMB84,99 million for the corresponding period of last year. The net profit margin (a percentage of profit attributable to the equity holders of the Company to total revenue) was approximately 6.0%, representing an increase of approximately 11.5 percentage points as compared with approximately 17.5% of the corresponding period of last year. The return on net assets (a percentage of profit attributable to equity holders of the Company to average equity attributable to equity holders of the Company) was approximately 4.7%, representing a decrease of approximately 9.3 percentage points as compared with approximately 14% of the corresponding period of last year.

## 13. Total Assets

Total assets of the Group for the interim period of 2020 amounted to approximately RMB291,966 million, representing an increase of approximately RMB19,966 million as compared with approximately RMB272,000 million as at the end of last year. The increase was mainly due to the increase in investments in joint ventures/associates, fixed assets, loans from financial business and financial assets at fair value through profit or loss.

## 14. Total Liabilities

Total liabilities of the Group for the interim period of 2020 amounted to approximately RMB156,887 million, representing an increase of approximately RMB18,855 million as compared with approximately RMB138,032 million as at the end of last year. The increase was mainly due to the increase in long-term and short-term interest-bearing borrowings, trade payables and bills payable, among which, the balance of long-term and short-term interest-bearing borrowings increased by approximately RMB15,868 million and the balance of trade payables increased by RMB4,722 million.

# Management Discussion and Analysis (Continued)

## 15. Total Equity

Total equity of the Group for the half of 2020 amounted to approximately RMB135,079 million, representing an increase of approximately RMB1,111 million as compared with approximately RMB133,968 million as at the end of last year. Equity attributable to equity holders of the Company amounted to approximately RMB129,097 million, representing an increase of approximately RMB1,316 million as compared with approximately RMB127,781 million as at the end of last year.

## 16. Liquidity and Sources of Capital

	<b>Six months ended 30 June 2020 (RMB million)</b>	Six months ended 30 June 2019 (RMB million)
Net cash flows used in operating activities	<b>(3,414)</b>	(11,953)
Net cash flows(used in)/generated from investment activities	<b>(2,374)</b>	664
Net cash flows from financing activities	<b>11,663</b>	3,971
Net (increase)/decrease in cash and cash equivalents	<b>5,875</b>	(7,318)

The Group's net cash flows used in operating activities was approximately RMB3,414 million. The amount mainly consisted of: (1) profit before taxation amounted to approximately RMB810 million, net of depreciation, impairment and other non-cash items; (2) net cash inflow of approximately RMB4,379 million due to an increase in balance of trade payables; (3) due to joint ventures decreased by approximately RMB5,807 million; (4) loans generated from financial business increased by approximately RMB5,431 million; (5) income tax payment decreased by approximately RMB879 million.

The Group's net cash outflow generated from investment activities was approximately RMB2,374 million. The amount mainly consisted of: (1) receipt of dividend from joint ventures and associates, representing cash inflow of approximately RMB7,863 million; (2) capital expenditures, purchase of financial assets held for trading and structured deposit expenditures, representing cash outflow of approximately RMB10,016 million.

The Group's net cash flows generated from financing activities was approximately RMB11,663 million. This amount mainly reflected: (1) increase of bank borrowings resulting in a cash inflow of approximately RMB10,258 million; (2) issuance of bonds, resulting in a cash inflow of approximately RMB9,140 million; (3) repayment of bank borrowings and bonds and payment of dividends, resulting in a cash outflow of approximately RMB7,738 million. The increase in financing was mainly to supplement the rapidly growing funding needs of financial business.

## Management Discussion and Analysis (Continued)

As a result of the above, the Group's cash and cash equivalents (excluding non-pledged time deposits with original maturity of three months or more when acquired) amounted to approximately RMB32,008 million as at 30 June 2020, representing an increase of approximately RMB5,878 million as compared with approximately RMB26,133 million as at 31 December 2019. Cash and bank balances (including non-pledged time deposits with original maturity of three months or more when acquired) amounted to approximately RMB32,783 million, representing a decrease of approximately RMB6,015 million as compared with approximately RMB26,768 million as at 31 December 2019.

As at 30 June 2020, the Group's equity ratio (a percentage of total borrowings to equity attributable to equity holders of the Company) was approximately 45.7%, representing an increase of approximately 11.9 percentage points as compared with approximately 33.8% as at 31 December 2019. The Group's liquidity ratio was approximately 1.36 times, which is flat compared to approximately 1.36 times as at 31 December 2019. The Group's quick ratio was approximately 1.25 times, representing a flat with approximately 1.25 times as at 31 December 2019.

The inventory turnover days of the Group as at 30 June 2020 increased by approximately 4 days to approximately 55 days from approximately 51 days as at 31 December 2019. The Group's turnover days of receivables (including bills receivable) decreased by approximately 1 day to approximately 87 days as at 31 December 2020 from approximately 88 days as at 31 December 2019. Among them, the turnover days of receivables (excluding bills receivable) decreased by approximately 1 day to approximately 38 days from approximately 39 days as at 31 December 2019. The turnover days of bills receivables decreased by approximately 1 days to approximately 48 days from approximately 49 days as at 31 December 2019. 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 interim revenue of the Group for 2020 was approximately RMB106,732 million, representing a decrease of approximately RMB11,495 million, or approximately 9.7%, as compared with approximately RMB118,227 million of the corresponding period of last year. Profit before income tax was approximately RMB5,960 million, representing an increase of approximately RMB7,509 million, or approximately 55.8%, as compared with approximately RMB13,469 million of the corresponding period of last year. Total assets was approximately RMB363,974 million, representing an increase of approximately RMB13,845 million, or approximately 4.0%, as compared with approximately RMB350,129 million as at the end of last year.

# Directors, Supervisors and Senior Management

During the disclosure period, of 2020 interim report, the directors, supervisors and senior management of the Company include:

## DIRECTORS

Zhu Yanfeng (竺延風)	Executive Director and Chairman of the Board of Directors
Li Shaozhu (李紹燭)	Executive Director, President
You Zheng (尤擘)	Executive Director, Vice President
Yang Qing (楊青)	Non-Executive Director (The appointment took effect after the approval of the extraordinary general meeting held on 25 September 2020)
Leung Wai Lap, Philip (梁偉立)	Independent Non-executive Director
Zong Qingsheng (宗慶生)	Independent Non-executive Director (The appointment took effect after the approval of the extraordinary general meeting held on 25 September 2020)
Hu Yiguang (胡裔光)	Independent Non-executive Director (The appointment took effect after the approval of the extraordinary general meeting held on 25 September 2020)
Cheng Daoran (程道然)	Non-Executive Director (Resigned after the approval of the extraordinary general meeting held on 25 September 2020)
Ma Zhigeng (馬之庚)	Independent Non-executive Director (Resigned after the approval of the extraordinary general meeting held on 25 September 2020)
Zhang Xiaotie (張曉鐵)	Independent Non-executive Director (Passed away on 25 May 2020)
Chen Yunfei (陳雲飛)	Independent Non-executive Director (Resigned after the approval of the extraordinary general meeting held on 25 September 2020)

## SENIOR MANAGEMENT

Qiao Yang (喬陽)	Vice President
Feng Changjun (馮長軍)	Vice President · Board Secretary
Lu Feng (盧鋒)	The Secretary of the Board of Directors and Joint Company Secretary
Yuen Wing Yan, Winnie (袁穎欣)	Joint Company Secretary

## SUPERVISORS

He Wei (何偉)	Chairman of the Supervisory Committee
Bao Hongxiang (鮑洪湘)	Independent Supervisor (The appointment took effect after the approval of the extraordinary general meeting held on 25 September 2020)
Zheng Hongyi (鄭紅藝)	Employee Supervisor (The appointment took effect after the approval of the extraordinary general meeting held on 25 September 2020)
Zhao Jun (趙軍)	Independent Supervisor (Resigned after the approval of the extraordinary general meeting held on 25 September 2020)
Li Pingan (李平安)	Employee Supervisor (Resigned after the approval of the extraordinary general meeting held on 25 September 2020)

# Directors, Supervisors and Senior Management (Continued)

## HEADS OF DEPARTMENTS

The head of the President's Office of the Company is Mr. Wang Binbin.

The head of the Strategic Planning Department of the Company is Mr. You Zheng

The head of the Operation Management Department of the Company is Mr. Gao Guolin

The head of the Human Resource Department of the Company is Mr. Wen Liang.

The head of the Financial Accounting Controlling Department of the Company is Mr. Liao Xianzhi

The head of the Organization and Information Department of the Company is Mr. Yu Jun

The head of the International Business Department of the Company is Mr. Wei Wenqing

The head of the Technical Development Department of the Company is Mr. Liu Guoyuan

The head of the Compliance Audit Department of the Company is Mr. Hu Weidong.

The head of the Corporate Culture Department of the Company is Mr. Zheng Hongyi.

The head of the discipline inspection and supervision is Zeng Xianan.

The head of the Staff Relation Department of the Company is Mr. Yuan Gang.

# Report on Review of Interim Financial Information

## To the Board of Directors of Dongfeng Motor Group Company Limited

(Incorporated in the People's Republic of China with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 28 to 55, which comprises the interim condensed consolidated statement of financial position of Dongfeng Motor Group Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 28 August 2020

# Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB million (Unaudited)	2019 RMB million (Unaudited)
Revenue	2	50,576	48,447
Cost of sales		(42,760)	(40,653)
Gross profit		7,816	7,794
Other income	3	1,555	872
Selling and distribution expenses		(2,070)	(2,515)
Administrative expenses		(1,827)	(2,104)
Impairment losses on financial assets	6	(967)	(536)
Other expenses	7	(4,438)	(2,035)
Finance expenses	5	(599)	(166)
Share of profits and losses of:			
Joint ventures		3,224	6,785
Associates		853	1,932
<b>PROFIT BEFORE INCOME TAX</b>	4	<b>3,547</b>	10,027
Income tax expense	8	(792)	(1,174)
<b>PROFIT FOR THE PERIOD</b>		<b>2,755</b>	8,853
Profit attributable to:			
Equity holders of the company		3,018	8,499
Non-controlling interests		(263)	354
		<b>2,755</b>	8,853
Earnings per share attributable to ordinary equity holders of the Company:	10		
Basic and diluted for the period		<b>35.03 cents</b>	98.64 cents

The notes on pages 35 to 55 form an integral part of this interim consolidated financial information.

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB million</b>	RMB million
	<b>(Unaudited)</b>	(Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>2,755</b>	8,853
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Share of other comprehensive income of investments accounted for using the equity method	<b>218</b>	47
Others	<b>(3)</b>	(13)
	<b>215</b>	34
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	<b>399</b>	(35)
Share of other comprehensive expense of investments accounted for using the equity method	<b>(271)</b>	(74)
	<b>128</b>	(109)
Income tax effect		
Item that will not be reclassified subsequently to profit or loss	<b>1</b>	3
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>344</b>	(72)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>3,099</b>	8,781
Total comprehensive income attributable to:		
Equity holders of the Company	<b>3,365</b>	8,427
Non-controlling interests	<b>(266)</b>	354
	<b>3,099</b>	8,781

The notes on pages 35 to 55 form an integral part of this interim consolidated financial information.

# Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	<i>Notes</i>	<b>30 June 2020</b> <i>RMB million</i> <b>(Unaudited)</b>	31 December 2019 <i>RMB million</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>19,722</b>	17,309
Right-of-use assets		<b>4,375</b>	3,327
Investment properties		<b>226</b>	229
Intangible assets		<b>4,735</b>	5,076
Goodwill		<b>1,749</b>	1,749
Investments in joint ventures		<b>40,346</b>	40,427
Investments in associates		<b>23,658</b>	21,713
Financial assets at fair value through other comprehensive income		<b>215</b>	205
Other non-current assets		<b>35,773</b>	36,470
Deferred income tax assets		<b>2,172</b>	2,356
Due from joint ventures		<b>445</b>	1,035
Total non-current assets		<b>133,416</b>	129,896
<b>Current assets</b>			
Inventories		<b>12,881</b>	12,191
Trade receivables	12	<b>10,621</b>	10,690
Bills receivable		<b>1,192</b>	1,439
Prepayments, deposits and other receivables		<b>54,749</b>	51,550
Financial assets at fair value through other comprehensive income		<b>12,234</b>	12,121
Due from joint ventures		<b>7,941</b>	12,442
Pledged bank balances and time deposits	13	<b>4,089</b>	3,317
Financial assets at fair value through profit or loss		<b>18,521</b>	6,972
Cash and bank balances	13	<b>32,783</b>	26,768
Assets held for sale		<b>3,539</b>	4,614
Total current assets		<b>158,550</b>	142,104
<b>TOTAL ASSETS</b>		<b>291,966</b>	272,000

The notes on pages 35 to 55 form an integral part of this interim consolidated financial information.

# Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2020

	Notes	30 June 2020 <i>RMB million</i> (Unaudited)	31 December 2019 <i>RMB million</i>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital		8,616	8,616
Reserves		19,662	18,336
Retained profits		100,819	100,829
Non-controlling interests		5,982	6,187
<b>TOTAL EQUITY</b>		<b>135,079</b>	133,968
<b>Non-current liabilities</b>			
Interest-bearing borrowings	15	30,478	23,923
Lease liabilities		2,081	2,075
Other long term liabilities		2,784	2,733
Government grants		2,057	2,094
Deferred income tax liabilities		2,097	2,275
Provisions		743	750
Total non-current liabilities		40,240	33,850
<b>Current liabilities</b>			
Trade payables	14	23,942	19,220
Bills payable		26,755	27,369
Lease liabilities		141	154
Other payables and accruals		17,295	12,796
Contract liabilities		4,159	3,402
Due to joint ventures		14,063	19,970
Interest-bearing borrowings	15	28,572	19,259
Income tax payables		641	1,008
Provisions		1,079	1,004
Total current liabilities		116,647	104,182
<b>TOTAL LIABILITIES</b>		<b>156,887</b>	138,032
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>291,966</b>	272,000

The notes on pages 35 to 55 form an integral part of this interim consolidated financial information.

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the company					Non-controlling interests	Total equity
	Issued capital	Capital reserves	Statutory reserves	Retained profits	Total		
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
<b>For the six months ended 30 June 2020</b>							
As at 1 January 2020	8,616	2,727	15,609	100,829	127,781	6,187	133,968
2019 final dividend	-	-	-	(2,154)	(2,154)	-	(2,154)
Total comprehensive income for the period	-	347	-	3,018	3,365	(266)	3,099
Transfer to reserves	-	-	874	(874)	-	-	-
Share of capital reserve of investments accounted for using the equity method	-	43	-	-	43	-	43
Dividends declared to non-controlling shareholders	-	-	-	-	-	(3)	(3)
Capital contribution from non-controlling shareholders	-	5	-	-	5	71	76
Other	-	57	-	-	57	(7)	50
As at 30 June 2020	<u>8,616</u>	<u>3,179</u>	<u>16,483</u>	<u>100,819</u>	<u>129,097</u>	<u>5,982</u>	<u>135,079</u>

The notes on pages 35 to 55 form an integral part of this interim consolidated financial information.

# Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2020

	Attributable to owners of the company					Non-controlling interests	Total equity
	Issued capital	Capital reserves	Statutory reserves	Retained profits	Total		
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>For the six months ended 30 June 2019</b>							
As at 31 December 2018	8,616	2,939	13,473	93,328	118,356	6,569	124,925
Change in accounting policy – IFRS 16	–	–	–	(187)	(187)	(85)	(272)
As at 1 January 2019	8,616	2,939	13,473	93,141	118,169	6,484	124,653
2018 final dividend	–	–	–	(2,154)	(2,154)	–	(2,154)
Total comprehensive income for the period	–	(72)	–	8,499	8,427	354	8,781
Transfer to reserves	–	–	1,135	(1,135)	–	–	–
Share of associates' other equity changes	–	33	–	–	33	–	33
Dividends declared to non-controlling shareholders	–	–	–	–	–	(344)	(344)
Changes in ownership interests in subsidiaries without change of control	–	(22)	–	–	(22)	22	–
As at 30 June 2019	<u>8,616</u>	<u>2,878</u>	<u>14,608</u>	<u>98,351</u>	<u>124,453</u>	<u>6,516</u>	<u>130,969</u>

The notes on pages 35 to 55 form an integral part of this interim consolidated financial information.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 RMB million (Unaudited)	2019 RMB million (Unaudited)
<b>Cash flows from operating activities</b>			
Cash flows used in operating activities		(2,535)	(11,018)
Income tax paid		(879)	(935)
<b>Cash flows used in operating activities – net</b>		<b>(3,414)</b>	<b>(11,953)</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, joint ventures and associates		481	(2,539)
Dividends from joint ventures and associates		7,863	8,559
Other investing cash flows – net		(10,718)	(5,356)
<b>Cash flows (used in)/generated from investing activities – net</b>		<b>(2,374)</b>	<b>664</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings and bonds		19,398	7,887
Repayments of borrowings and bonds		(7,737)	(3,609)
Dividends paid to minority shareholders		(3)	(286)
Other finance cash flows – net		5	(21)
<b>Cash flows generated from financing activities – net</b>		<b>11,663</b>	<b>3,971</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,875</b>	<b>(7,318)</b>
Cash and cash equivalents at beginning of the period		26,133	24,975
<b>Cash and cash equivalents at end of the period</b>	13	<b>32,008</b>	<b>17,657</b>

The notes on pages 35 to 55 form an integral part of this interim consolidated financial information.

# Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

## 1.1 CORPORATE INFORMATION

Dongfeng Motor Group Company Limited (the “Company”) 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 Province, the PRC.

During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were 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.

This interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the Board of Directors on 28 August 2020.

## 1.2 BASIS OF PRESENTATION

The unaudited interim condensed consolidated financial information has been prepared in accordance with International Accounting Standards (“IAS”) 34 Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”).

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial information, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 1.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial information of the Group for the year ended 31 December 2019 (referring to the annual financial statements in the relevant year), as described in those annual financial information except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to IFRSs effective for the financial year ended 31 December 2020.

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

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. The impact of adopting following standards are disclosed below:

		<b>Effective for annual periods beginning on or after</b>
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IFRS 3	Definition of a Business	1 January 2020

The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

### (ii) New and amended standards that might be relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted

		<b>Effective for annual periods beginning on or after</b>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint venture	To be determined
IFRS 17	Insurance Contracts	1 January 2023

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 1.4 ESTIMATES

The preparation of this interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

## 2. REVENUE AND SEGMENT INFORMATION

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

- The commercial vehicles segment mainly manufactures and sells commercial vehicles, and its related engines and other automotive parts;
- The passenger vehicles segment mainly manufactures and sells 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; and
- The corporate and others segment mainly manufactures and sells 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 information. 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 six months ended 30 June 2019 and 2020, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2020

	Commercial vehicles <i>RMB million</i> (Unaudited)	Passenger vehicles <i>RMB million</i> (Unaudited)	Financing service <i>RMB million</i> (Unaudited)	Corporate and others <i>RMB million</i> (Unaudited)	Elimination <i>RMB million</i> (Unaudited)	Total <i>RMB million</i> (Unaudited)
<b>Segment revenue</b>						
Sales to external customers	39,279	7,555	3,440	302	–	50,576
Sales to internal customers	35	51	39	3	(128)	–
	<u>39,314</u>	<u>7,606</u>	<u>3,479</u>	<u>305</u>	<u>(128)</u>	<u>50,576</u>
<b>Results</b>						
Segment results	<u>1,474</u>	<u>(2,927)</u>	<u>1,197</u>	<u>(749)</u>	<u>706</u>	<u>(299)</u>
Interest income	348	69	2	691	(742)	368
Finance expenses						(599)
Share of profits and losses of:						
Associates	11	403	428	11	–	853
Joint ventures	<u>142</u>	<u>3,012</u>	<u>98</u>	<u>(28)</u>	<u>–</u>	<u>3,224</u>
Profit before income tax						3,547
Income tax expense						<u>(792)</u>
Profit for the period						<u>2,755</u>

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

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2019

	Commercial vehicles <i>RMB million</i> (Unaudited)	Passenger vehicles <i>RMB million</i> (Unaudited)	Financing service <i>RMB million</i> (Unaudited)	Corporate and others <i>RMB million</i> (Unaudited)	Elimination <i>RMB million</i> (Unaudited)	Total <i>RMB million</i> (Unaudited)
<b>Segment revenue</b>						
Sales to external customers	32,349	13,563	2,396	139	–	48,447
Sales to internal customers	15	–	88	–	(103)	–
	<u>32,364</u>	<u>13,563</u>	<u>2,484</u>	<u>139</u>	<u>(103)</u>	<u>48,447</u>
<b>Results</b>						
Segment results	<u>1,329</u>	<u>(1,063)</u>	<u>1,174</u>	<u>(805)</u>	<u>392</u>	<u>1,027</u>
Interest income	377	105	4	443	(480)	449
Finance expenses						(166)
Share of profits and losses of:						
Associates	–	1,720	194	18	–	1,932
Joint ventures	<u>393</u>	<u>6,611</u>	<u>147</u>	<u>(366)</u>	<u>–</u>	<u>6,785</u>
Profit before income tax						10,027
Income tax expense						<u>(1,174)</u>
Profit for the period						<u>8,853</u>

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

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 3. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)
Investment income from disposal of investments in joint ventures and associates	491	5
Interest income	368	449
Government grants and subsidies	125	119
Stationing fee received from the joint ventures	125	132
Others	446	167
	<u>1,555</u>	<u>872</u>

## 4. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)
Cost of inventories recognized as expense	39,851	38,575
Interest expense for financing services (included in cost of sales)	258	149
Provision against inventories	80	12
Depreciation of property, plant and equipment	993	965
Amortisation of intangible assets	438	342
Depreciation of right-of-use assets	111	39
Impairment losses on financial assets	967	536

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 5. FINANCE EXPENSES

	Six months ended 30 June	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)
Interest expenses on bank loans and other borrowings	421	134
Interest expenses on lease liabilities	53	61
Exchange net gain of financing activities	125	(29)
Finance expenses	<u>599</u>	<u>166</u>

## 6. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Six months ended 30 June	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)
Impairment losses of trade receivables	183	201
Impairment losses of other receivables	33	11
Impairment losses of loans and receivables from financing services	751	324
	<u>967</u>	<u>536</u>

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 7. OTHER EXPENSE

	Six months ended 30 June	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)
Impairment losses of non-financial assets	1,614	–
Research costs	1,789	1,819
Others	1,035	216
	<b>4,438</b>	<b>2,035</b>

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)
Current income tax	743	632
Deferred income tax	49	542
Income tax expense for the period	<b>792</b>	<b>1,174</b>

Under the PRC Corporate Income Tax Law and the respective regulations, the corporate income tax for the Company, its subsidiaries and jointly-controlled entities is calculated at the rates ranging from 15% to 25%, on their estimated assessable profits for the existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2020 and 30 June 2019.

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

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

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 9. DIVIDEND

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<i>RMB million</i>	<i>RMB million</i>
	<b>(Unaudited)</b>	(Unaudited)
Proposed interim dividend RMB0.10 (2019:RMB0.10) per ordinary share	<b>862</b>	862

On 28 August 2020, the Board of Directors has declared an interim dividend of RMB0.10 per share (2019: RMB0.10 per share), amounting to 862 million (2019: RMB862 million). The interim financial information does not reflect this liability.

A dividend of RMB2,154 million that was related to the period to 31 December 2019 has been distributed on Tuesday, 25 August 2020.

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

The calculation of basic earnings per share is based on:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<i>RMB million</i>	<i>RMB million</i>
	<b>(Unaudited)</b>	(Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the Company	<b>3,018</b>	8,499
	<b>Number of shares</b>	
	<i>million</i>	<i>million</i>
Shares:		
Weighted average number of ordinary shares in issue during the period	<b>8,616</b>	8,616
Earnings per share	<b>35.03 cents</b>	98.64 cents

Diluted earnings per share equals basic earnings per share as the Company has no dilutive potential ordinary shares for the six months ended 30 June 2020 and 30 June 2019.

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment in an aggregate amount of approximately RMB3,872 million (2019: RMB1,897 million) and disposed of property, plant and equipment with an aggregate net book value of approximately 59 million (2019: RMB377 million), the net gain on disposal is less than 1 million (2019: a net gain RMB16 million). Depreciation was approximately 993 million (2019: RMB965 million) and approximately 407 million impairment was accrued for the six months ended 30 June 2020 (2019: no impairment was accrued).

## 12. 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 their 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:

	<b>30 June 2020 RMB million (Unaudited)</b>	31 December 2019 RMB million
Within three months	<b>6,640</b>	7,431
More than three months but within one year	<b>2,444</b>	2,204
More than one year	<b>1,537</b>	1,055
	<b>10,621</b>	10,690

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 13. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES AND TIME DEPOSITS

	<b>30 June 2020</b>	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
	<b>(Unaudited)</b>	
Cash and bank deposits	<b>31,492</b>	24,958
Time deposits	<b>5,380</b>	5,127
	<b>36,872</b>	30,085
Less: Pledged bank balances and time deposits for securing general banking facilities	<b>(4,089)</b>	(3,317)
Cash and bank balances in the interim condensed consolidated statement of financial position	<b>32,783</b>	26,768
Less: Non-pledged time deposits with original maturity of three months or more when acquired	<b>(775)</b>	(635)
Cash and cash equivalents in the interim condensed consolidated statement of cash flow	<b>32,008</b>	26,133

## 14. TRADE PAYABLES

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

	<b>30 June 2020</b>	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
	<b>(Unaudited)</b>	
Within three months	<b>21,981</b>	17,536
More than three months but within one year	<b>1,260</b>	1,094
More than one year	<b>701</b>	590
	<b>23,942</b>	19,220

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 15. INTEREST-BEARING BORROWINGS

Interest expense on borrowings for the six months ended 30 June 2020 was 421 million (2019: RMB134 million).

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB1,845 million on 16 January 2019, The ABS is divided into tranche A, tranche B. Tranche A, B bear interest from 18 January 2019 at the rate of 3.37%, 3.69%. Interest on the securities is payable monthly on 26th. The Company has already repaid RMB1,803 million by the end of 30 June 2020.

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB2,726 million on 17 July 2019, The ABS is divided into tranche A1, tranche A2 and tranche B. Tranche A1, A2, B bear interest from 19 July 2019 at the rate of 3.03%, 3.19% and 4%. Interest on the securities is payable monthly on 26th. The company has already repaid RMB1,730 million by the end of 30 June 2020.

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB4,350 million on 21 October 2019, The ABS is divided into tranche A1 and tranche A2. Tranche A1, A2 bear interest from 23 October 2019 at the rate of 2.9% and 3.12%. Interest on the securities is payable monthly on 26th. The company has already repaid RMB2,959 million by the end of 30 June 2020.

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB1,710 million on 14 January 2020, The ABS is divided into tranche A1 and tranche A2. Tranche A1, A2 bear interest from 16 January 2020 at the rate of 2.91% and 3.05%. Interest on the securities is payable monthly on 26th. The company has already repaid RMB627 million by the end of 30 June 2020.

## 15. INTEREST-BEARING BORROWINGS (CONTINUED)

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB4,430 million on 20 May 2020, The ABS is divided into tranche A, tranche B. Tranche A, B bear interest from 22 May 2020 at the rate of 2.05%, 2.55%. Interest on the securities is payable monthly on 26th.

The Guaranteed notes (the "Notes") were issued in the aggregate principal amount of EUR100 million on 23 October 2018 and were registered in the denomination of EUR100,000 each and to be expired in 5 years. The Notes bear interest from 23 October 2018 at the rate of 1.606% per annum. Interest on the Notes is payable annually on 23 October each year. The Notes have been listed on the Irish Stock Exchange.

The Guaranteed notes (the "Notes") were issued in the aggregate principal amount of EUR500 million on 23 October 2018 and were registered in the denomination of EUR100,000 each and to be expired in 3 years. The Notes bear interest from 23 October 2018 at the rate of 1.150% per annum. Interest on the Notes is payable annually on 23 October each year, commencing with the first interest payment date falling on 23 October 2018. The Notes have been listed on the Irish Stock Exchange.

The Unsecured notes (the "Notes") were public issued in amount of RMB300 million on 30 January 2018 and were offered in the denomination of RMB100 each and to be expired in 3 years. The Notes bear interest from 31 January 2018 at the rate of 5.49% per annum. Interest on the Notes is payable annually on 31 January each year. The Notes have been listed on the Shanghai Stock Exchange.

The Unsecured notes (the "Notes") were public issued in amount of RMB2,000 million on 5 December 2018 and were offered in the denomination of RMB100 each and to be expired in 3 years. The Notes bear interest from 6 December 2018 at the rate of 3.96% per annum. Interest on the Notes is payable annually on 6 December each year. The Notes have been listed on the Shanghai Stock Exchange.

The Unsecured notes (the "Notes") were public issued in amount of RMB1,000 million on 5 December 2018 and were offered in the denomination of RMB100 each and to be expired in 5 years. The Notes bear interest from 6 December 2018 at the rate of 4.21% per annum. Interest on the Notes is payable annually on 6 December each year. The Notes have been listed on the Shanghai Stock Exchange.

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 15. INTEREST-BEARING BORROWINGS (CONTINUED)

The Unsecured notes (the “Notes”) were public issued in amount of RMB2,700 million on 20 March 2019 and were offered in the denomination of RMB100 each and to be expired in 3 years. The Notes bear interest from 21 March 2019 at the rate of 3.78% per annum. Interest on the Notes is payable annually on 21 March each year. The Notes have been listed on the Shanghai Stock Exchange.

The Unsecured notes (the “Notes”) were public issued in amount of RMB4,000 million on 16 October 2019 and were offered in the denomination of RMB100 each and to be expired in 3 years. The Notes bear interest from 17 October 2019 at the rate of 3.58% per annum. Interest on the Notes is payable annually on 17 October each year. The Notes have been listed on the Shanghai Stock Exchange.

The Unsecured notes (the “Notes”) were public issued in amount of RMB3,000 million on 26 February 2020 and were offered in the denomination of RMB100 each and to be expired in 3 years. The Notes bear interest from 27 February 2020 at the rate of 3.05% per annum. Interest on the Notes is payable annually on 27 December each year. The Notes have been listed on the Shanghai Stock Exchange.

## 16. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	<b>30 June 2020</b>	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
	<b>(Unaudited)</b>	
Contracted, but not provided for:		
Property, plant and equipment	<u><u>1,135</u></u>	<u><u>1,426</u></u>

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 17. RELATED PARTY TRANSACTIONS

**(a) Transactions with DMC, its subsidiaries, associates and joint ventures, the Group's joint ventures and associates, non-controlling shareholders of a subsidiary and their subsidiaries and subsidiaries' joint ventures**

Save as disclosed elsewhere in this interim condensed consolidated financial information, during the six months ended 30 June 2020, the Group had the following significant transactions with its related parties:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB million</b>	<i>RMB million</i>
	<b>(Unaudited)</b>	(Unaudited)
Purchases of automotive parts/raw materials from and the payment of royalty fee to:		
DMC, its subsidiaries, associates and joint ventures	<b>367</b>	357
Joint ventures	<b>6,903</b>	7,733
Associates	<b>57</b>	31
Subsidiaries' joint ventures	<b>2,467</b>	2,230
Non-controlling shareholders of a subsidiary and their subsidiaries	<b>12</b>	8
	<b>9,806</b>	10,359
Purchases of automobiles from:		
Joint ventures	<b>1,887</b>	5,989
DMC, its subsidiaries, associates and joint ventures	<b>–</b>	1
Subsidiaries' joint ventures	<b>2</b>	–
	<b>1,889</b>	5,990

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 17. RELATED PARTY TRANSACTIONS

- (a) Transactions with DMC, its subsidiaries, associates and joint ventures, the Group's joint ventures and associates, non-controlling shareholders of a subsidiary and their subsidiaries and subsidiaries' joint ventures (Continued)

	Six months ended 30 June	
	2020 <i>RMB million</i> (Unaudited)	2019 <i>RMB million</i> (Unaudited)
Purchases of water, steam and electricity from DMC	—	358
Purchases of items of property, plant and equipment and intangible assets from:		
DMC, its subsidiaries, associates and joint ventures	9	2
Joint ventures	197	112
	<b>206</b>	114
Purchases of services from:		
DMC, its subsidiaries, associates and joint ventures	301	310
Joint ventures	170	367
Non-controlling shareholders of a subsidiary and their subsidiaries	18	43
	<b>489</b>	720

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 17. RELATED PARTY TRANSACTIONS

- (a) Transactions with DMC, its subsidiaries, associates and joint ventures, the Group's joint ventures and associates, non-controlling shareholders of a subsidiary and their subsidiaries and subsidiaries' joint ventures (Continued)

	Six months ended 30 June	
	2020 <i>RMB million</i> (Unaudited)	2019 <i>RMB million</i> (Unaudited)
Sales of automotive parts/raw materials to:		
DMC, its subsidiaries, associates and joint ventures	76	55
Joint ventures	1,875	1,925
Associates	5	–
Subsidiaries' joint ventures	11	9
	<b>1,967</b>	1,989
Sales of automobiles to:		
DMC, its subsidiaries, associates and joint ventures	490	828
Joint ventures	90	268
Non-controlling shareholder of a subsidiary and their subsidiaries	448	765
	<b>1,028</b>	1,861
Provision of services to:		
DMC, its subsidiaries, associates and joint ventures	4	2
Joint ventures	95	33
Associates	1	–
Subsidiaries' joint ventures	2	2
	<b>102</b>	37

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 17. RELATED PARTY TRANSACTIONS

(a) Transactions with DMC, its subsidiaries, associates and joint ventures, the Group's joint ventures and associates, non-controlling shareholders of a subsidiary and their subsidiaries and subsidiaries' joint ventures (Continued)

	Six months ended 30 June	
	2020 <i>RMB million</i> (Unaudited)	2019 <i>RMB million</i> (Unaudited)
Interest expense paid to:		
DMC, its subsidiaries, associates and joint ventures	93	5
Joint ventures	55	45
Non-controlling shareholder of a subsidiary and their subsidiaries	-	5
	<u>148</u>	<u>55</u>
Interest incomes from:		
DMC, its subsidiaries, associates and joint ventures	12	18
Joint ventures	23	51
Associates	-	1
Subsidiaries' joint ventures	3	3
	<u>38</u>	<u>73</u>
Fee and commission incomes from joint ventures	<u>5</u>	<u>4</u>
Dispatch Fee received from joint ventures	<u>125</u>	<u>132</u>
Interest expenses of lease liabilities to DMC	<u>54</u>	<u>62</u>

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 17. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Outstanding balances with related parties

	<b>30 June 2020</b>	31 December 2019
	<i>RMB million</i>	<i>RMB million</i>
	<b>(Unaudited)</b>	
Receivables from related parties included in trade receivables:		
DMC, its subsidiaries, associates and joint ventures	<b>227</b>	155
Associates	<b>10</b>	24
Non-controlling shareholders of a subsidiary and their subsidiaries	<b>178</b>	218
	<b>415</b>	397
Receivables from related parties included in prepayments, deposits, other receivables:		
DMC, its subsidiaries, associates and joint ventures	<b>500</b>	436
Associates	<b>3</b>	156
Non-controlling shareholders of a subsidiary and their subsidiaries	<b>2</b>	4
	<b>505</b>	596
Receivables from related parties included in other non-current assets:		
DMC, its subsidiaries, associates and joint ventures	<b>210</b>	210
Associates	<b>701</b>	988
	<b>911</b>	1,198

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 17. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Outstanding balances with related parties (Continued)

	30 June 2020 <i>RMB million</i> (Unaudited)	31 December 2019 <i>RMB million</i>
Payables to related parties included in trade payables:		
DMC, its subsidiaries, associates and joint ventures	532	321
Associates	53	109
Non-controlling shareholders of a subsidiary and their subsidiaries	13	4
	<u>598</u>	<u>434</u>
Payables to related parties included in other payables and accruals and contract liabilities:		
DMC, its subsidiaries, associates and joint ventures	253	346
Associates	–	1
Non-controlling shareholders of a subsidiary and their subsidiaries	86	145
	<u>339</u>	<u>492</u>
Payables to DMC, its subsidiaries, associates and joint ventures included in lease liabilities:	<u>2,041</u>	<u>2,042</u>
Payables to non-controlling shareholders of a subsidiary and their subsidiaries included in other long term liabilities:	<u>135</u>	<u>147</u>
Payables to related parties included in Interest-bearing borrowings		
DMC, its subsidiaries, associates and joint ventures	6,814	6,113
Associates	15	7
Non-controlling shareholders of a subsidiary and their subsidiaries	–	38
	<u>6,829</u>	<u>6,158</u>

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

## 17. RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020 <i>RMB thousand</i> (Unaudited)	2019 <i>RMB thousand</i> (Unaudited)
Short-term employee benefits	4,386	2,489
Post-employment benefits	121	159
Total compensation to key management personnel	<u>4,507</u>	<u>2,648</u>

# Definitions

In this interim report, unless the context otherwise requires, the following terms shall have the meanings set out below.

“the Company”	東風汽車集團股份有限公司(Dongfeng Motor Group Company Limited), a joint stock limited company registered in the PRC on 12 October 2004 in accordance with the laws of the PRC or where the context refers to any time prior to the date of incorporation, those entities and businesses which were contributed to and conducted by the Company upon its establishment;
“Dongfeng Joint Venture Companies”	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 30 June 2020.
“the Group” or “Dongfeng Motor Group”	the Company and its subsidiaries, Dongfeng Joint Venture Companies and their respective subsidiaries and associates.
“Joint Venture”	A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
“Dongfeng Motor Corporation” or “DMC”	東風汽車集團有限公司(Dongfeng Motor Corporation), a state-owned enterprise incorporated under the laws of the PRC and the Controlling Shareholder of the Company.
“PRC” or “China”	the People’s Republic of China. Except where the context requires, geographical references in this interim report to the PRC or China exclude Hong Kong, Macau or Taiwan
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time;
“Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time.