



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

Stock Code: 489



2024

INTERIM REPORT

* For identification purposes only

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Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the 2024 interim results of Dongfeng Motor Group for your review.

In the first half of 2024, the sales volume of the automobile industry maintained a growth at 6.1%, but the growth rate declined month by month, with the industry's demand being differentiated and the situation being more complicated. New energy vehicles and overseas exports became the main growth drivers, growing by 32% and 30.5% year-on-year respectively, with the penetration rate of new energy vehicles reaching 35.2%. Sales volume of the independent brand passenger vehicle business increased by 23.9% year-on-year. Sales volume of the joint-invested non-luxury vehicle segment and internal combustion engine vehicle segment continued to decline. Since the beginning of last year, the terminal price of passenger vehicles has decreased by 15.6%.

Dongfeng Motor Group has actively responded to changes in the industry, accelerated the optimisation of its business layout and structural adjustment, strengthened scientific and technological innovation, achieved an upturn and improvement trend in its operations, and made every effort to promote high-quality development.

The Group sold approximately 966,100 vehicles, representing a year-on-year increase of 2.2%. Among them, the independent brand passenger vehicle business achieved sales volume of approximately 188,000 units, representing a year-on-year increase of 19.9%, with both its sales volume and price increasing, and the gross profit margin increased by 4.7 percentage points over the corresponding period of last year. The commercial vehicle segment recorded sales volume of approximately 191,400 units, representing a year-on-year increase of 8.9%. The new energy vehicle segment achieved sales volume of approximately 153,600 units, representing a year-on-year increase of 28.5%, indicating an improvement of 3.3 percentage points in the contribution to the Group's overall sales performance over the same period. The Group's joint invested vehicle business basically stabilised and halted the decline, recording sales volume of approximately 587,000 units; particularly, sales volume of Dongfeng Nissan dropped year-on-year by 1.4% and Dongfeng Honda increased year-on-year by 4.8%. The export business registered a sales volume of approximately 93,000 vehicles, a year-on-year increase of 14.8% and hitting a record high.

The Group achieved sales revenue of RMB51,145 million, and net profit attributable to equity holders of the Company of RMB684 million. Its asset-liability structure was robust, and the gearing ratio stayed at 51.0%. Its cash reserve¹ was abundant, reaching nearly RMB100 billion at the end of the Period, and its cash flows from operating activities increased by RMB6,991 million year-on-year.

In the first half of the year, the Group made positive progress in its work.

¹ including: i) cash and cash in bank; ii) pledged bank balances and time deposits; iii) financial assets at fair value through profit or loss; and iv) financial assets at fair value through other comprehensive income.

Chairman's Statement (Continued)

The accelerated development of new energy vehicles. The Group accelerated the launch of new products and introduced new products such as Dongfeng NAMMI01, Dongfeng e π 007 and 008, Dongfeng VOYAH FREE318, Dongfeng Aeolus L7 and Dongfeng Forthing Xinghai V9. Among them, the sales volume of e π 007 and 008 saw immediate growth since the launch, with e π 007 ranking among the top 3 in terms of sales among medium and large-sized pure electric sedans of the 150,000~200,000 class, and e π 008 ranking first among 6-seat new energy SUVs priced at less than RMB250,000; the Dongfeng Aeolus L7 has achieved a comprehensive range exceeding 2,000 kilometers, while the VOYAH Dream ranks second in terms of sales among new energy MPV models in the industry. The Group developed a dedicated platform for new energy commercial and passenger vehicles. In the passenger vehicle segment, the M-Hero platform, Quantum Architecture, and DSMA Architecture have successfully enabled the mass production and delivery of multiple models, further enhancing the product deployment. In the commercial vehicle segment, the major commercial vehicle platforms such as T1 platform for heavy, medium, and light-duty vehicles, and the T2 platform for both passenger and commercial use accelerated product layout. Major new energy projects are progressing steadily, with achievement in the in-house manufacturing, industrialization, and localization of key resources for the “three core e-components”.

Swift yet steady structural adjustments. By focusing on its core responsibilities and main business areas, the Group promoted specialized integration and optimization across its independent brand passenger vehicles, commercial vehicles, parts & components, and automotive finance businesses. To this end, the Group has established the Dongfeng Independent Brand Passenger Vehicle Operations Committee, the Commercial Vehicle Division, the Components Division, and the Group's Financial Business Development Committee, further consolidating resources in procurement, manufacturing, and marketing to drive the concentrated development of independent brands and new energy vehicles. The Group also built a “1+n” research and development system, pooling research and development resources to promote a platform-based and modular R&D model. It implemented a PM system to strengthen the entire product lifecycle management and establish mechanisms to create blockbuster models. To optimize the incentive and restraint mechanism, a dual-target system has been introduced, implementing dual-goal rigid assessment management of “current objectives + medium-long-term capability building”. Monthly and quarterly performance assessments were published in “red and black lists”, encouraging teams to strive for high targets.

Solid progress in technological innovation. The Group laid out key core technologies, focused on the two major tracks of new energy and intelligent driving, and advanced national research projects and major internal technology initiatives, with a strong push for the development and application of next-generation technologies such as skateboard chassis, solid-state batteries, hydrogen fuel cell, centralized electronic architecture, proprietary operating systems, proprietary chips, intelligent driving, and 800V/6C ultra-fast charging. The Group has increased its investment in science and technology, strengthened the research and development of new energy vehicles under its independent brand, built a global innovation center, a global modeling center, etc., and comprehensively improved its software and hardware capabilities. It enhanced the docking and cooperation among enterprises, universities and research institutes, carried out joint development and technological research, vigorously cultivated and introduced scientific and technological talents, and promoted the transformation of scientific and technological achievements. At the 4th “China Automotive Summit” hosted by CCTV, the M-Hero 917 and VOYAH Passion PHEV and others won four awards.

Chairman's Statement (Continued)

Fully stabilizing the foundation of joint ventures. To facilitate the electrification transformation of joint venture businesses, Dongfeng Honda has introduced the dual-brand “H+Lingxi”; Dongfeng Nissan has launched the “New Fight 100 Action Plan”; while DPCA has been integrated into Dongfeng’s self-developed models. The Group has made significant strides in exploring the market for fuel-efficient vehicles, continuously optimizing network layouts and speeding up its business network’s “expanding into lower-tier cities” and the “western areas”. We have innovated our business models, improved customer retention and marketing strategies, and elevated after-sales service level. Additionally, we have focused on enhancing profitability, vigorously expanding the aftermarket business, advancing domestic substitution and local supply, and rigorously pursuing cost reductions and efficiency gains. Concurrently, we have enhanced strategic communication among multiple levels, ensuring that foreign shareholders have a deeper understanding of domestic market dynamics, and collaboratively advancing the transformation, upgrading, and sustainable development of joint ventures in the new era.

Next up, the group will focus on its objectives and actively promote extreme cost reduction to enhance profitability, improve sales and profit structures, and fully commit to driving steady and progressive operational development. We will accelerate the pace of transformation and upgrading, and strive for greater dynamism, reform, innovation, and transformation. We are determined to promote high-quality development, aiding all shareholders in achieving value growth.

Finally, on behalf of the Board, I would like to express my sincere gratitude to all shareholders for their continued support and dedication.

Yang Qing
Chairman

Wuhan, the PRC
29 August 2024

Corporate Information

COMPANY NAME	Dongfeng Motor Group Company Limited
REGISTERED ADDRESS	Special No. 1 Dongfeng Road Wuhan Economic and Technology Development Zone Wuhan, Hubei 430056 PRC
PRINCIPAL PLACE OF BUSINESS IN THE PRC	Special No. 1 Dongfeng Road Wuhan Economic and Technology Development Zone Wuhan, Hubei 430056 PRC
PRINCIPAL PLACE OF BUSINESS IN HONG KONG	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong SAR
COMPANY WEBSITE	www.dfmfg.com.cn
JOINT COMPANY SECRETARIES	Liao Xianzhi Yuen Wing Yan, Winnie (FCG, HKFCG (PE))
AUDITORS	Ernst & Young <i>Certified Public Accountants and Registered Public Interest Entity Auditor</i>
HONG KONG H SHARE REGISTRAR	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East Wan Chai, Hong Kong SAR
PLACE OF LISTING	The Stock Exchange of Hong Kong Limited
STOCK CODE	00489

Report of the Directors

I. BUSINESS OVERVIEW

(I) Major Businesses

Dongfeng Motor Group is principally engaged in the businesses of research and development, manufacturing and sales of passenger vehicles, commercial 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 passenger vehicles (basic passenger vehicles, MPV, SUV and auto engines and auto parts related to passenger vehicles) and 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).

Dongfeng Motor Group's passenger vehicle business is currently operated by Dongfeng Passenger Vehicle Company, VOYAH Automobile Technology Co., Ltd., Mengshi Automobile Technology Company, Dongfeng Liuzhou Motor Co., Ltd., Dongfeng Motor Co., Ltd., Dongfeng Honda Automobile Co., Ltd. and Dongfeng Peugeot Citroën Automobile Co., Ltd. etc.

The commercial vehicle business of Dongfeng Motor Group is mainly operated by Dongfeng Commercial Vehicle Co., Ltd., Dongfeng Automobile Co., Ltd., Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Special Commercial Vehicle Co., Ltd..

In recent years, Dongfeng Motor Group has accelerated the development of its new-energy vehicle business of "Five-Modernizations", which is principally operated by Dongfeng Passenger Vehicle Company, VOYAH Automobile Technology Co., Ltd., Mengshi Automobile Technology Company, Dongfeng Motor Co., Ltd., Dongfeng Commercial Vehicle Co., Ltd., Dongfeng Passenger Vehicle Company and Zhixin Technology Co., Ltd. etc.

The financing service business of Dongfeng Motor Group is currently operated by the following companies: Dongfeng Motor Finance Co., Ltd., Dongfeng Auto Finance Co., Ltd., and Dongfeng Nissan Auto Finance Co., Ltd..

Report of the Directors (Continued)

(II) Principal Business Operations during the First Half of 2024

As at 30 June 2024, the production and sales volume for vehicles of Dongfeng Motor Group were approximately 951,000 units and 966,000 units respectively. According to the statistics published by the China Association of Automobile Manufacturers, Dongfeng Motor Group had a market share of approximately 6.9% in terms of sales volume of commercial and passenger vehicles made by domestic manufacturers in the first half of 2024. 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 2024:

	Production Volume (Unit)	Sales Volume (Unit)	Market Share (%)*
Commercial Vehicles	178,730	191,355	9.3
Trucks	171,548	183,384	11.9**
Buses	7,182	7,971	3.3
Passenger Vehicles	771,927	774,782	6.5
Basic passenger cars	403,728	398,074	7.8
MPVs	43,751	43,154	9.5
SUVs	324,448	333,554	5.3
Total	950,657	966,137	6.9

* : Calculated based on the statistics published by the China Association of Automobile Manufacturers;

** : Excluding mini trucks.

Report of the Directors (Continued)

(III) Business Outlook

In the first half of 2024, China's automobile industry generally showed a steady growth trend, with total sales volume of 14,047,000 vehicles, representing a year-on-year increase of 6.1%. The sales volume of new energy vehicles recorded a significant year-on-year growth, with the penetration rate of new energy vehicles reaching 35.25%. For the whole year, it is expected that China's automobile industry will maintain its growth momentum, will continue to accelerate the transformation into new energy and intelligent vehicles, and remain as No. 1 in the world in terms of production and sales volume, with the industry's TIV for the whole year being estimated to be 30.9 million vehicles, representing a year-on-year growth of around 2.7%.

The Group achieved significant results in its transformation and upgrading, gaining a pick up in its overall operations in the first half of the year, and attained "year-on-year growth in sales volume, significant progress in the transformation and upgrading of independent brand businesses, rapid development of new energy and overseas businesses, solid advancement in technological innovation, and continuous improvement in the profitability of independent brand businesses". For the whole year, the Group will push forward the optimisation of its layout and the structural adjustment, rapidly promote the development of new energy, further enhance its marketing capabilities, and steadfastly promote the Company's high-quality development.

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 (the "Listing Rules") and the Corporate Governance Code as set out in Appendix C1 of the Listing Rules. The Company supervises and regulates its daily operation in strict compliance with the Articles of Association of the Company 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.

Report of the Directors (Continued)

2. Corporate Governance Code

For the six months ended 30 June 2024, the Company has fully complied with all code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix C1 of the Listing Rules, except for Code Provision B.2.2.

The current Board of Directors was elected on 25 September 2020. According to the provisions of Code Provisions B.2.2 of the Code, each director should be subject to retirement by rotation at least once every three years, which means the term of the current Board should expire on 24 September 2023, and the directors should retire by rotation. However, due to the collective nature of the Board, various factors need to be considered to ensure the smooth continuation of the Company’s senior management. As a result, the Company was unable to complete the Board renewal process on schedule. The Board renewal process is currently underway and will be presented for discussion at the shareholders’ meeting in due course.

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”) under Appendix C3 of the Listing Rules. After specific enquiries of all directors by the Company, all directors have confirmed that they had fully complied with the Model Code throughout the period.

4. Independent Non-executive Directors

During the period from 1 January 2024 to 20 June 2024, the Board of Directors of the Company consists of five 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; with effect from 21 June 2024, the Board of Directors of the Company consists of six Directors as Mr. Zhou Zhiping has hold the position of executive Director of the Company. The composition of the Board of Directors of the Company is in compliance with the requirement of the Listing Rules 3.10(1) that “every board of directors of a listed issuer must include at least three independent nonexecutive directors”, the Listing Rules 3.10A that “an issuer must appoint independent non-executive directors representing at least one-third of the board” and the Listing Rules 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”.

Report of the Directors (Continued)

5. Board Meeting

Three Board meetings were held by the Company in the first half of 2024 and the major matters covered were as follows:

- To consider the proposal regarding the equity integration project of Dongfeng Changxing Science and Technology Co., Ltd. and Chuangge Financial Leasing Co., Ltd.;
- To consider the medium-term business plan for 2023 of the Company;
- To consider the proposal regarding the overall production capacity enhancement project of new energy power assembly of Zhixin Technology;
- To consider the proposal regarding the establishment of a Japanese subsidiary, Shenzhen DFS Industrial Group Co., Ltd.;
- To consider the proposal regarding the purchase of trademarks in the VOYAH series of Dongfeng Motor Group Co., Ltd. by VOYAH Automobile Technology Co., Ltd.;
- To consider the financial report for 2023 and the auditors' report for 2023 of the Company and submit them to the Annual General Meeting for voting;
- To consider the contents of the 2023 Annual Report and preliminary results announcement of the Company, and authorize the Company's representative or the Company Secretary to sign the relevant disclosure documents and submit them to the Annual General Meeting for voting;
- To consider the profit distribution proposal of the Company for 2023 and submit it to the Annual General Meeting for voting;
- To consider the engagement of the Company's presiding auditors for 2024 and submit it to the Annual General Meeting for voting;

Report of the Directors (Continued)

- To consider the annual remuneration proposal of the directors of the Company for the year ended 31 December 2024 and submit it to the Annual General Meeting for voting;
- To assess the independence of Independent Non-executive Directors currently engaged by the Company;
- To approve the time, place and related matters for convening the 2023 Annual General Meeting of the Company;
- To consider the 2023 Environmental, Social and Governance Report;
- To consider the proposal on the plan for bond issuance for 2024;
- To consider the repurchase of the Company for 2024 and submit it to the Annual General Meeting for voting;
- To consider the proposal for the Company's project of capital increase into Zhixin Technology;
- To consider the proposal regarding the adjustment to the senior management of the Company.

Report of the Directors (Continued)

The Board meetings allow effective discussion and prompt and prudent decision. As at 30 June 2024, the attendance of directors at the Board meetings is as follows:

Members of the Board of Directors	Attendance/Number of Meetings	
	The Board of Directors	Attendance Rate Note
Executive Directors		
Yang Qing	3/3	100%
Zhou Zhiping	0/0	/ Appointment on 21 June
You Zheng	3/3	100%
Independent Non-executive Directors		
Zong Qingsheng	3/3	100%
Leung Wai Lap, Philip	3/3	100%
Hu Yiguang	3/3	100%

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.

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 advice 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. Zong Qingsheng and Mr. Hu Yiguang, the Independent Non-executive Directors.

The Audit and Risk Management Committee has reviewed and discussed the interim results and the interim report for the six months ended June 30, 2024.

Report of the Directors (Continued)

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 Remuneration Committee is Mr. Zong Qingsheng, an Independent Non-executive Director, and the other two members are Mr. Yang Qing, an Executive Director, and Mr. Hu Yiguang, an Independent Non-executive Director.

3) Nomination Committee

The Company has established the Nomination Committee in accordance with Rules B.3.1 to B.3.4 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 with a majority of Independent Non-executive Directors. The chairman of the Nomination Committee is Mr. Zong Qingsheng, an Independent Non-executive Director, and the other two members are Mr. Yang Qing, an Executive Director, and Mr. Leung Wai Lap, Philip, an Independent Non-executive Director.

7. Internal Control

In the first half of 2024, 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.

Report of the Directors (Continued)

III. MAJOR MATTERS

INTERIM DIVIDEND

The Board of Directors is pleased to declare an interim dividend of RMB0.05 per share (for the six months ended 30 June 2023: Nil) to the shareholders whose names appear on the register of members of the Company on Monday, 23 September 2024. The interim dividend will be distributed no later than Friday, 25 October 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 September 2024 to Monday, 23 September 2024 (both days inclusive). In order to be entitled to the interim dividend, H shares shareholders who have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on Friday, 13 September 2024 (Hong Kong time), being the last share registration date.

MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

For the six months ended 30 June 2024, there were no material acquisitions and disposals of subsidiaries, joint ventures and associated enterprises by Dongfeng Motor Group.

MATERIAL LEGAL PROCEEDINGS

For the six months ended 30 June 2024, Dongfeng Motor Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against Dongfeng Motor Group as far as Dongfeng Motor Group was aware.

Share Capital

As at 30 June 2024, the total share capital of the Company was RMB8,252,588,000, divided into 8,252,588,000 ordinary shares with a par value of RMB1 each, of which 5,760,388,000 shares were Domestic Shares, representing approximately 69.80% of the total number of shares in issue, and 2,492,200,000 shares were H shares, representing approximately 30.20% of the total number of shares in issue.

Report of the Directors (Continued)

Interests of Substantial Shareholders

As at 30 June 2024, the interest and short positions of the person who hold 5% or more of the class shares in the issued capital of the Company (other than directors and supervisors of the Company), as recorded in the register to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance are set out below:

Name	Class of Shares	Number of shares held	Percentage in the class of issued share capital (%)	Percentage in the total share capital (%)
Dongfeng Motor Corporation	Domestic Share	5,760,388,000 (L)	100.00 (L)	69.80
	H Share	327,864,000 (L)	13.16 (L)	3.97
Reynolds Margaret (Meg)	H Share	231,602,000 (L)	9.29 (L)	2.81
Ward Bryan	H Share	231,602,000 (L)	9.29 (L)	2.81
Westwood Global Investments, LLC	H Share	231,602,000 (L)	9.29 (L)	2.81

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 2024, the directors, supervisors, and key executive officers of the Company, as well as their associates, held the following interests in the share capital or debt securities of the Company or any associated corporations (as defined in the Securities and Futures Ordinance): (a) interests that are required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests deemed or treated as owned under the relevant provisions of the Securities and Futures Ordinance and short positions); or (b) interests that are required to be registered in the register referred to in section 352 of the Securities and Futures Ordinance; or (c) interests that are required to be notified to the Company and the Stock Exchange under the Model Code of the Listing Rules as follows:

Report of the Directors (Continued)

Long positions in shares and underlying shares of the Company:

Name	Position	Class of Shares	Nature of interest	Number of shares held	Percentage in the class of issued share capital (%)	Percentage in the total share capital (%)	Date of Last Notification (up to 30 June 2024)
He Wei	Supervisor	H Share	Beneficial interest	100,000 (L)	0 (L)	0.00	2019/6/21
Jin Jun	Employee Supervisor	H Share	Beneficial interest	80,000 (L)	0 (L)	0.00	2024/4/16

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Reference is made to the circular dated 30 May 2024 relating to the annual general meeting, domestic share class meeting and H share class meeting of the Company, the directors of the Company believe that the reason to repurchase of the Company's H Shares is based on the full confidence in the future development of the Company, and to maintain the Company's investment value and the Company's reputation in the capital market, which is also in line with the Company's future development strategy. The directors of the Company are of the view that the flexibility offered by the H Share Repurchase Mandate would be beneficial to and in the best interest of the Company and its Shareholders. The relevant H Share Repurchase Mandate had been passed at annual general meeting, domestic share class meeting and H share class meeting held on 21 June 2024.

For the six months ended 30 June 2024, the Company bought back a total of 27,490,000 H Shares on The Stock Exchange of Hong Kong Limited. As at 30 June 2024, the total number of issued H shares of the Company was 2,492,200,000 shares.

Details of Share purchases are as follows:

Month	Number of Shares bought back	Buy-back price per Share (HKD)		Total consideration (before expenses) (HKD)
		Highest	Lowest	
April 2024	27,490,000	2.92	2.72	77,881,733

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2024.

Management Discussion and Analysis

I. OPERATING ENVIRONMENT

In the first half of 2024, China's GDP grew by 5.0% year on year, the overall economy ran steadily and made progress while remaining stable, with the development of new energy vehicles being accelerating and new progress being made in high-quality development, solidly ranking second in the world in terms of overall scale.

In the first half of 2024, China's automobile industry generally showed a steady growth trend, especially in the area of new energy vehicles, with significant year-on-year growth being recorded in sales volume. Production and sales from January to June of the year were 13,891,300 units and 14,047,500 units, respectively, representing a year-on-year growth of 4.9% and 6.1%, with production and sales volumes, which was a record high, remaining the highest in the world.

The passenger vehicles market maintained its growth, with sales of 11,979,100 units throughout the period from January to June, a year-on-year increase of 6.3%. Among which, the sales volume of SUV increased by 11.5% year on year, the sales volume of basic vehicles increased by 1.8% year on year, the sales volume of MPV decreased by 5.9% year on year and the sales volume of CUV (cross-over utility vehicle) decreased by 3.3% year on year.

In the commercial vehicle market, due to the stabilizing and improving macro economy, as well as the recovering demands of the consumer market, the commercial vehicles sales throughout the period from January to June were 2,068,400 units, representing a year-on-year increase of 4.9%. In terms of the production and sales of different models, the sales of buses represented a year-on-year increase of 9.3%, and the sales of trucks represented a year-on-year increase of 4.4%.

The new energy vehicle market sustained its rapid growth, with production and sales of 4,929,000 units and 4,944,000 units of new energy vehicles throughout the year, representing a year-on-year increase of 30.1% and 32%, respectively, with a market share of 35.2%.

Management Discussion and Analysis (Continued)

II. OPERATION ANALYSIS

In the first half of 2024, the sales volume of the industry reached 14,047,500 units, representing a year-on-year increase of 6.1%. In particular, new energy vehicles and outbound exports became the main growth engine for the industry, the market demand differentiation accelerated, and the sales of non-luxury brand vehicles of joint ventures continued to decline. As the competition became more intensive brought about by “reducing price to secure more sales”, the transaction price of passenger vehicles continued to drop. The Group’s transformation and upgrade efforts were remarkably successful, with overall operations showing a positive rebound in the first half of the year. Key achievements included “year-on-year growth in sales volume, significant progress in the transformation and upgrading of independent brand businesses, rapid development of new energy and overseas businesses, solid advancement in technological innovation, and continuous improvement in the profitability of independent brand businesses”.

The Group achieved sales volume of approximately 966,100 units during the period, representing a year-on-year increase of approximately 2.2%, sales revenue of approximately RMB51,145 million, representing a year-on-year increase of approximately 12.1%, gross profit margin of 11.6%, higher than that of the corresponding period of last year, and profit attributable to owners of the parent of approximately RMB684 million. The sales volume of the Group’s independent brand passenger vehicle business was approximately 188,000 units, representing a year-on-year increase of 19.9%, the sales mix and profitability continued to improve, and the gross profit margin of the Group’s independent brand passenger vehicle business increased by 4.7 percentage points. Due to the impact of the continuous decline in the market share of the non-luxury passenger vehicles of joint ventures market, the Group optimized its joint venture business by enhancing network layout, deeply exploring the energy-efficient fuel vehicle market, leveraging the potential of a strong customer base, innovating business models, improving customer retention and marketing strategies, and improving dealer profitability through multiple measures to stabilize the network channels. Despite the overall downward trend in the joint venture industry, the Group’s joint venture passenger vehicle business stabilized and halted the decline, with the sales volume of the joint venture business for the period reaching 587,000 units approximately, of which, Dongfeng Nissan’s sales decreased by 1.4% year-on-year and Dongfeng Honda’s sales increased by 4.8% year-on-year.

Due to the effect of stabilizing and improving macro economy, recovering demands of the consumer market, the commercial vehicle market achieved restorative growth. The sales volume of the Group’s commercial vehicle business was approximately 191,400 units, representing a year-on-year increase of approximately 8.9%. The Group’s commercial vehicle business has the core independent research and development capability of the entire product chain, and the engine brand “Dragon Engine” of commercial vehicles leads the industry in terms of technical performance.

The Group’s overall new energy business achieved rapid development, with sales volume reaching 154,000 units during this period, representing a year-on-year increase of 28.5%. The proportion of new energy vehicle sales volume in the Group’s total sales increased by 3.3 percentage points. In the first half of the year, the Group successively launched new products such as the NAMMI 01, e π 007 and 008, Voyah FREE 318, Dongfeng Aeolus L7, and Dongfeng Forthing Xinghai V9. Among these, the sales volume of e π 007 and 008 saw immediate growth since the launch, and the Voyah DREAM ranked second in terms of sales among new energy MPV models in the industry.

Management Discussion and Analysis (Continued)

III. FINANCIAL ANALYSIS

1. Revenue

The revenue of the Group for the interim period of 2024 was approximately RMB51,145 million, representing an increase of approximately RMB5,505 million, or approximately 12.1%, as compared with approximately RMB45,640 million for the corresponding period of last year. The change in revenue was mainly from VOYAH Automobile Technology Co., Ltd., Dongfeng Motor Group Co., Ltd. Passenger Vehicle Company, Dongfeng Liuzhou Motor Co., Ltd., Dongfeng Commercial Vehicle Co., Ltd., and Dongfeng Automobile Co., Ltd.

	The first half of 2024	The first half of 2023
	Sales Revenue	Sales Revenue
	RMB million	RMB million
Passenger vehicles	21,556	15,858
Commercial vehicles	26,166	25,436
Auto financing service	2,865	3,434
Corporate and others	810	1,104
Elimination	-252	-192
	<hr/>	<hr/>
Total	51,145	45,640
	<hr/> <hr/>	<hr/> <hr/>

1.1 Passenger Vehicle Business

The sales revenue of passenger vehicles of the Group for the interim period of 2024 increased by approximately RMB5,698 million, or approximately 35.93%, to approximately RMB21,556 million from approximately RMB15,858 million for the corresponding period of last year. The increase in revenue was mainly from the passenger vehicles business of VOYAH Automobile Technology Co., Ltd., Dongfeng Motor Group Co., Ltd. Passenger Vehicle Company, and Dongfeng Motor Group Co., Ltd. Mengshi Automobile Technology Company.

Management Discussion and Analysis (Continued)

1.2 Commercial Vehicle Business

Our commercial vehicle business achieved a recovery in growth due to the stabilizing and improving macro economy, as well as the recovering demands of the consumer market. The sales revenue of commercial vehicle business for the interim period of 2024 was approximately RMB26,166 million, representing an increase of approximately RMB730 million or an increase of approximately 2.87% from approximately RMB25,436 million for the corresponding period of last year. The increase in revenue was mainly from the commercial vehicles business of Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Automobile Co., Ltd..

1.3 Auto Financing Service Business

In the first half of 2024, the Group optimised the layout of and made adjustment to its mobile transportation business and subsequently provided customers with entire-process tailor-made financial services for car-buying, car-using and car-exchanging scenarios.

The revenue of auto financing service of the Group for the interim period of 2024 decreased by approximately RMB569 million, or approximately 16.57%, to approximately RMB2,865 million from approximately RMB3,434 million of the corresponding period of last year.

1.4 Information on the Financing Service Business

The financing service business of the Group is primarily conducted through subsidiaries of the Company, Dongfeng Finance Co., Ltd. ("Dongfeng Finance") and Dongfeng Auto Finance Co., Ltd. ("Dongfeng Auto Finance"). Dongfeng Finance and Dongfeng Auto Finance hold financial business permits issued by regulatory authorities and support the sale of the Group's commercial vehicles and passenger vehicles.

Management Discussion and Analysis (Continued)

Business models and loan portfolios

The Group's financial services target both external customers and the Group members. Dongfeng Finance primarily provides four types of services: (i) accepting deposits from the other Group members; (ii) Group members financing, mainly comprising loans, commercial draft discount, acceptance bills and entrusted loans to related parties of the Group; (iii) distributor financing, mainly comprising provision of buyer credit for products purchased by Group members; and (iv) end customers financing, mainly comprising consumer credit loans and financial leasing. Dongfeng Auto Finance primarily provides three types of business: (i) personal motor financing, which includes loans and financing leases for individuals purchasing vehicles and vehicle accessories; (ii) institutional motor financing, which involves loans and financing leases for entities purchasing vehicles and vehicle accessories; and (iii) distributor inventory financing, which involves loan services for inventory procurement, spare parts, and maintenance equipment purchases.

As at 31 December 2023, the balance of the credit assets of Dongfeng Finance was approximately RMB55.4 billion, approximately 86.82% of which was due from end customers (interest rate range: 2.7%-14.9%; average interest rate: 7.7%), approximately 12.96% of which was due from Group members and their respective suppliers (interest rate range: 2.5%-4.4%; average interest rate: 3.5%) and approximately 0.22% of which was due from distributors (interest rate range: 5.4%-6.8%; average interest rate: 5.7%). In terms of the number of customers, the number of end customers amounted to 820,109, the number of distributors amounted to 118 and the number of Group members and their respective suppliers amounted to 30. In terms of customer types, approximately 84.18% and 15.82% of the financing balance of the Dongfeng Finance was due from individual borrowers and corporate borrowers, respectively. The loans provided to the five largest borrowers, which were all Group members, accounted for approximately 9.44% of the loans.

As at 31 December 2023, the balance of the credit assets of Dongfeng Auto Finance was approximately RMB12.4 billion, 82.4% of which was due from personal motor financing (interest rate range: 0-17.9%; average interest rate: 5.7%), 3.4% of which was due from institutional motor financing (interest rate range: 0-9.9%; average interest rate: 9.5%), and 14.2% of which was due from distributor inventory financing (interest rate range: 5.4%-7.7%; average interest rate: 5.9%). In terms of customer numbers, there are 163,600 personal customers, 214 institutional customers, and 520 distributor customers. Regarding customer types, approximately 82.4% and 17.6% of the financing balances come from individual borrowers and corporate borrowers, respectively. The financing credit exposure provided to the five largest borrowers accounts for about 2.65% of the total financing credit exposure.

Management Discussion and Analysis (Continued)

To reduce the risk for the Group, in general, Dongfeng Finance and Dongfeng Auto Finance required vehicles as collaterals for its financing services to end customers and may require a guarantor depending on the end customer's qualifications. For financing services to vehicle distributors, Dongfeng Finance and Dongfeng Auto Finance required vehicle pledges and custody of the vehicles, vehicle qualification certificates and car keys. For the related parties of the Group, the Company determined the guarantee conditions according to different business types and customer qualifications. The major terms of loans granted include loan amount, interest rate, term of loan, maturity date and guarantee conditions.

The ageing analysis of credit assets of Dongfeng Finance is as follows: (i) the balance of credit assets with maturity of less than one year (including one year) is RMB17,523 million; (ii) the balance of credit assets with maturity of more than one year to less than three years (including three years) is RMB29,177 million; (iii) the balance of credit assets with maturity of more than three years is RMB6,942 million; and (iv) the balance of credit assets with uncertain maturity is RMB1,723 million, which mainly consisted of overdue credit assets, of which the balance overdue for more than 30 days amounted to RMB1,723 million, accounting for 3.11% of the total balance.

The ageing analysis of credit assets of Dongfeng Auto Finance is as follows: (i) the balance of credit assets with maturity of less than one year (including one year) is RMB6,058 million; (ii) the balance of credit assets with maturity of more than one year to less than five years (including five years) is RMB6,323 million; (iii) the balance of credit assets with maturity of more than five years is nil; and (iv) the balance of credit assets with uncertain maturity is RMB42 million, which mainly consisted of overdue credit assets, of which the balance overdue for more than 60 days amounted to RMB33 million, accounting for 0.27% of the total balance.

The Company's auto retail financial pricing standards are demand-oriented with main focus on customer needs and competitiveness of the financial products, and taking into account factors such as loan prime rate (LPR), capital cost, risk cost, and operating expenses.

Management Discussion and Analysis (Continued)

Loan impairment policies

According to the IFRS requirements in respect of financial instruments, the provision for expected credit losses are divided into three stages. The first stage is the “normal credit quality” stage, and only the expected credit losses in the next year need to be calculated. The second stage is the “significant increase in credit risk” stage, and the third stage is the “credit impairment” stage, during which stages the expected credit loss needs to be calculated throughout the life cycle. The Group has developed an impairment model to calculate expected credit losses in accordance with the requirements of the new financial instrument standards based on macroeconomic factors such as the cumulative year-on-year growth rate of GDP and the year-on-year growth rate of consumer price index. A regression model was established with the business climate index to regularly predict three macro scenarios, namely benchmark, optimistic and pessimistic, and applies the impairment model to calculate the expected credit loss under different scenarios. The Group has not yet established separate impairment policies specifically for material loans and therefore, applies the same policies as described above for the assessment of the impairment of all credit assets (including material loans, if any).

For the financial year ended December 31, 2023, the provisions for impairment of loans and receivables recognised by the Group were approximately RMB1.075 billion. For the financial year ended December 31, 2022, the impairment provisions were approximately RMB1.209 billion. Due to increased lending by banks and other financial institutions in the automotive finance sector and intensified market competition, the Group’s automotive financing asset scale has decreased, resulting in a reversal of related asset impairment provisions. Consequently, the financial asset impairment losses for the year 2023 were lower than those for 2022.

Management Discussion and Analysis (Continued)

Risk management and internal control systems

The Group is committed to adhering to a comprehensive set of credit risk management standards, guidelines, and procedures. It has established a risk and compliance management committee to review the credit policies and operational guidelines of each business line, and to set benchmark conditions and approval standards for the Group's financing services. The Group employs an intelligent approval model for individual customers, making loan decisions based on credit information and data from the People's Bank of China and independent third parties. It establishes a scoring model for corporate borrowers, assessing their recoverability based on factors such as on-site due diligence, financial capability, credit performance history, and guarantee capacity. The Group continually conducts quality checks to ensure the effectiveness of risk assessment procedures, regularly monitors risks, and optimizes the loan review model's effectiveness.

The Board is responsible for formulating strategies, making decisions, and preventing risks for the Group, and the audit and compliance committee of the Board (the "Audit and Compliance Committee") is responsible for deliberating matters relating to the Company's internal audit supervision system, comprehensive risk management system, and internal control system.

In order to ensure that the Board and the Audit and Compliance Committee perform effective risk management functions and internal control management responsibilities, at the system and planning level, the Company's "Comprehensive Risk Management Measures", "Internal Control Management Measures" and other internal policies of risk management and internal control management must be implemented after deliberation and approval by the Board. Furthermore, the Company has prepared the "Annual Comprehensive Risk Management Plan" (the "Plan"), which includes risk preference matrix (including risk limit indicators) for seven categories of risks and management matters such as capital, profit and service group level, risk supervision indicators, comprehensive risk management plan and control measures. Such Plan was evaluated and approved by the Board before implementation.

Management Discussion and Analysis (Continued)

In terms of comprehensive risk management and control, the management regularly presents to the Board the “Comprehensive Risk Management Report” which has been reviewed by the Audit and Compliance Committee, and reports to the Board the Company’s overall risk management situation, including the management of various types of risks and management matters and the implementation results, the next stage risk management measures and important risk management matters, for the Board’s deliberation and decision-making. The Board is responsible for formulating and amending the management measures for lending services. The Audit and Compliance Committee carries out comprehensive checks and inspections of financial guarantees on a regular or occasional basis.

The recoverability of loans are continuously monitored by means of information technology, including (i) monitoring the commercial, administrative, judicial and credit information of corporate borrowers through the post-loan management platform; (ii) monitoring the operating efficiency of the end customers segment through the vehicle operation monitoring platform; and (iii) In terms of loan collection, the Group implements classified collection for overdue loans and has established detailed operational rules for overdue loan collection. This includes equipping specialized teams and resources, and employing various methods such as SMS, phone calls, letters, outsourced collection, disposal of mortgaged vehicles, and legal procedures to recover overdue loans.

The Group also has in place a collateral management system built in accordance with the “Commercial Banks’ Collateral Management Guidelines” to guide the Group’s collateral management. The Group monitors and evaluates the adequacy of collateral by regularly conducting residual value assessments of existing collaterals.

Management Discussion and Analysis (Continued)

The Board fulfils its obligations in overseeing lending transactions to safeguard the Company's assets in the following manners:

- (a) the Group has in place an effective risk management and internal control system to evaluate and manage credit risks which is regularly reviewed by the Board and the Audit and Compliance Committee;
- (b) within the internal control policies and systems established by the Board and the Audit and Compliance Committee, the day-to-day operation of the financing business of the Group is delegated to the management of Dongfeng Finance. For material business decisions, the board of directors of Dongfeng Finance shall determine the credit line and clarify the credit conditions based on the pre-lending investigation of the credit business, the operating conditions of the credit business object, the trade background of the credit business, and the use of funds;
- (c) on the Company level, the Group has established a financial industry management committee comprising the department head and managers of the Company's finance department which is primarily responsible for signing off on decisions concerning the financing service business of the Group, reviewing complex loan projects, and signing other relevant legal documents; and
- (d) when a transaction triggers the disclosure requirements under Chapters 14 and 14A of the Listing Rules, it will be presented to the Board for deliberations and approval.

By providing financing services, the Board believes that the Group is able to make its vehicles more affordable for its customers, which will potentially lead to increased sales volumes and enhance customer loyalty. In addition, in a competitive market, having an in-house financing option can differentiate the Company from other companies in the industry.

The Board believes that through the above delegation and division of work, the Company is able to ensure that there is solid commercial rationale for entering into lending transactions on terms that are fair and reasonable, and that the use of funds is in the interests of the Company and its shareholders.

Management Discussion and Analysis (Continued)

2. Cost of Sales and Gross Profit

The total cost of sales of the Group for the interim period of 2024 was approximately RMB45,209 million, representing an increase of approximately RMB4,733 million, or approximately 11.7%, as compared with approximately RMB40,476 million of the corresponding period of last year. The total gross profit was approximately RMB5,936 million, representing an increase of approximately RMB772 million, or approximately 15.0%, as compared with approximately RMB5,164 million of the corresponding period of last year.

In the first half of 2024, the competition in the automobile industry remained fierce, the Group continued to enhance its marketing capabilities and profitability to cope with the fierce competition brought about by “reducing price to secure more sales” in the automobile market, and the gross profit margin for current period was approximately 11.6%, which was higher than that of the corresponding period of last year. The change in gross profit in the current period was mainly attributable to the significant increase in gross profit of the Group's independent brand passenger vehicles (Aeolus series) and new energy business (VOYAH series) compared with the corresponding period of last year.

3. Other Income and gain

The total other income and gain of the Group for the interim period of 2024 amounted to approximately RMB3,115 million, representing an increase of approximately RMB659 million compared with approximately RMB2,456 million of the corresponding period of last year.

The increase in other income and gain was mainly due to the receipt of special subsidies from relevant government in the current period.

Management Discussion and Analysis (Continued)

4. Selling and Distribution Expenses

The selling and distribution expenses of the Group for the interim period of 2024 increased by approximately RMB527 million to approximately RMB4,165 million from approximately RMB3,638 million of the corresponding period of last year.

The increase in selling and distribution expenses was mainly due to: the launch of a number of new car models under the Group's three major passenger vehicle brands (Aeolus, 睿π, Nammi) and the release thereof resulted in an increase in marketing and publicity expenses on new car models.

5. Administrative Expenses

The administrative expenses of the Group for the interim period of 2024 increased by approximately RMB393 million to approximately RMB2,453 million from approximately RMB2,060 million of the corresponding period of last year.

The increase in administrative expenses was mainly due to the improvement in the new energy vehicle and export businesses in the current period and the corresponding increase in staff salaries.

6. Impairment Losses on Financial Assets

The impairment losses on financial assets of the Group for the interim period of 2024 increased by approximately RMB461 million to approximately RMB471 million from approximately RMB10 million in the corresponding period last year.

The changes in impairment losses on financial assets were mainly due to the increase in the amount of impairment losses from financing service of the Group over the corresponding period of last year.

Management Discussion and Analysis (Continued)

7. Other Expenses

The other expenses of the Group for the interim period of 2024 amounted to approximately RMB2,499 million, representing a decrease of approximately RMB209 million as compared with approximately RMB2,708 million of the corresponding period of last year.

The change in net of other expenses in the current period was mainly due to the decrease in exchange (gain)/loss and other expenses as compared with the corresponding period of last year.

The Group attaches great importance to the trend of development towards new energy, digitalisation and intelligentization in the automobile sector, and make continuous investment in research and development in strategic areas and key core technologies, with research and development expenses increasing continuously.

8. Finance Expenses

The finance expenses of the Group for the interim period of 2024 amounted to approximately RMB407 million, representing a decrease of approximately RMB224 million as compared with approximately RMB631 million of the corresponding period of last year.

The decrease in finance expenses in current period was mainly due to the decrease in foreign exchange losses as a result of changes in the exchange rate of Euro against RMB.

9. Share of Profits and Losses of Joint Ventures

Affected by the declining market share of non-luxury vehicles of joint ventures year by year, share of profits and losses of joint ventures of the Group for the interim period of 2024 decreased by approximately RMB650 million to approximately RMB753 million, from approximately RMB1,403 million of the corresponding period of last year. The main reasons for the change were that: (1) Dongfeng Motor Co., Ltd. decreased by approximately RMB265 million over the corresponding period; (2) Dongfeng Honda Automobile Co., Ltd. decreased by approximately RMB175 million over the corresponding period; (3) Dongfeng Honda Engine Co., Ltd. decreased by approximately RMB196 million over the corresponding period.

Management Discussion and Analysis (Continued)

10. Share of Profits and Losses of Associates

The share of profits and losses of associates of the Group for the interim period was approximately RMB320 million, a decrease of about RMB12 million compared to approximately RMB332 million for the same period last year. The primary reason for the change is the fluctuation in investment income from Dongfeng Nissan Auto Finance Co., Ltd..

11. Income Tax Expense

The income tax expense of the Group for the interim period of 2024 was approximately RMB89 million, an increase of about RMB32 million compared to approximately RMB57 million for the same period last year.

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

The profit attributable to shareholders of the Group for the interim period of 2024 was approximately RMB684 million, representing a decrease of approximately RMB630 million as compared with that of approximately RMB1,314 million of the corresponding period of last year. The net profit margin (a percentage of profit attributable to owners of the parent to total revenue) was approximately 1.3%, representing a decrease of approximately 1.6 percentage point as compared with approximately 2.9% of the corresponding period of last year. The return on net assets (a percentage of profit attributable to owners of the parent to average net assets) was approximately 0.9%.

13. Total Assets

Total assets of the Group for the interim period of 2024 amounted to approximately RMB323,370 million, representing a decrease of approximately RMB13,060 million, or 3.9%, as compared with RMB336,430 million as at the end of the last year. This was mainly due to: (1) a decrease in cash and cash equivalents of RMB4,248 million; (2) a decrease in prepayments, deposits and other receivables and other long-term assets of RMB5,123 million; (3) a decrease in bills receivable and (current) financial assets at fair value through other comprehensive income of RMB8,477 million; (4) a decrease in inventories of RMB1,676 million; (5) an increase in trade receivables of RMB8,420 million.

Management Discussion and Analysis (Continued)

14. Total Liabilities

Total liabilities of the Group for the interim period of 2024 amounted to approximately RMB164,832 million, representing a decrease of approximately RMB10,882 million, or 6.19% as compared with approximately RMB175,714 million as at the end of the last year. The decrease was mainly due to: (1) a decrease in trade payables of RMB3,094 million; (2) a decrease in bills payable of RMB1,433 million; (3) a decrease in amount due to joint ventures of RMB3,623 million; (4) a decrease in income taxes payable of RMB1,406 million; (5) a decrease in contract liabilities of RMB862 million.

15. Total Equity

Total equity for the interim period of 2024 amounted to RMB158,538 million, representing a decrease of RMB2,178 million or 1.36% as compared with RMB160,716 million as at the end of last year, of which, equity attributable to owners of the parent of the Company amounted to RMB152,354 million, representing a decrease of RMB1,529 million as compared with RMB153,883 million as at the end of last year; non-controlling interests amounted to RMB6,184 million, representing a decrease of RMB649 million as compared with RMB6,833 million as at the end of last year.

16. Liquidity and Sources of Capital

Net outflow of cash and cash equivalents for the interim period of 2024 was RMB11,872 million, representing a decrease of RMB8,367 million over the interim period of 2023. This included a net cash outflow from operating activities of RMB494 million, a net cash outflow from investing activities of RMB8,254 million and a net cash outflow from financing activities of RMB3,124 million.

Net cash outflow from operating activities amounted to RMB494 million. The amount mainly consisted of: (1) profit before income tax amounted to RMB1,208 million, net of depreciation, impairment and other non-cash items; (2) the decrease of RMB4,736 million in the balance of trade and bills receivables and prepayments and deposits; (3) the decrease of RMB1,799 million in the balance of inventories; (4) the decrease of RMB8,088 million in the balance of trade payables, bills payable and other payables and accruals; (5) the decrease of RMB2,756 million in the balance of the loans granted by Dongfeng Motor Finance Co., Ltd.; (6) the increase of RMB2,680 million in the balance of deposit taking of Dongfeng Motor Finance Co., Ltd.; (7) the decrease of RMB3,606 million in the balance of amounts deposited with finance companies by joint venture; (8) income tax payment of RMB1,712 million; (9) interest payment of RMB203 million.

Management Discussion and Analysis (Continued)

Net cash outflow from investing activities amounted to RMB8,254 million. The amount mainly consisted of: (1) the receipt of Investment dividend of RMB3,611 million; (2) payments for purchase of property, plant and equipment of RMB1,867 million; (3) payments for purchase of intangible assets of RMB1,716 million; (4) payment of RMB1,120 million for acquisition of Chuangge by Dongfeng Changxing; (5) increase of unsecured time deposits with original maturity of over three months, resulting in a decrease in cash outflow of RMB7,858 million.

Net cash outflow from financing activities amounted to RMB3,124 million. This amount mainly consisted of: (1) increase of bank borrowings, resulting in a cash inflow of RMB1,797 million; (2) repayment of bank borrowings and redemption of bonds, resulting in a cash outflow of RMB4,674 million.

As a result of the above, the Group's balance of cash and cash equivalents (excluding non-pledged time deposits with original maturity of three months or more when acquired) amounted to RMB60,561 million as at 30 June 2024, representing a decrease of RMB11,892 million as compared with RMB72,453 million as at the end of the previous period. Cash and bank deposits (including non-pledged time deposits with original maturity of three months or more when acquired) amounted to RMB75,107 million, representing a decrease of RMB4,248 million as compared with RMB79,355 million as at the end of the previous period.

17. Major Financial Figures Based on Proportionate Consolidation

Based on proportionate consolidation, the revenue of the Group for the six months ended 30 June 2024 was approximately RMB87,356 million, representing a decrease of approximately RMB6,324 million, or approximately 6.75%, as compared with approximately RMB93,680 million of the corresponding period of last year. Profit before income tax was approximately RMB599 million, representing a decrease of approximately RMB215 million, or approximately 26.38%, as compared with approximately RMB813 million of the corresponding period of last year. Total assets were approximately RMB364,528 million, representing a decrease of RMB23,494 million, or approximately 6.05%, as compared with approximately RMB388,022 million as at the end of last year.

Directors, Supervisors and Senior Management

During the disclosure period of 2024 interim report, the directors, supervisors and senior management of the Company include:

Yang Qing (楊 青)	Executive Director, Chairman of the Board of Directors
Zhou Zhiping (周治平)	Executive Director, President
You Zheng (尤 崢)	Executive Director, Vice President
Zong Qingsheng (宗慶生)	Independent Non-executive Director
Leung Wai Lap, Philip (梁偉立)	Independent Non-executive Director
Hu Yiguang (胡裔光)	Independent Non-executive Director

SENIOR MANAGEMENT

Feng Changjun (馮長軍)	Vice President
Li Jun (李 軍)	Secretary to the Board of Directors
Liao Xianzhi (廖顯志)	Joint Company Secretary

SUPERVISORS

He Wei (何 偉)	Chairman of the Supervisory Committee
Bao Hongxiang (鮑洪湘)	Independent Supervisor
Jin Jun (靳 軍)	Employee Supervisor (Resigned on 28 August 2024)
Zhou Wei (周 巍)	Employee Supervisor (Appointed on 28 August 2024)

Directors, Supervisors and Senior Management (Continued)

HEADS OF DEPARTMENTS

The head of Office of the Company (Party committee of the Board) is Mr. Li Jun

The deputy head of Office of the Company (Party committee of the Board) is Mr. Mao Jing

The deputy head of the Strategic Planning and Technology Development Department of the Company is Mr. Lv Haitao

The head of the Operation Management Department of the Company is Mr. Zhang Jun

The head of the Human Resource Department of the Company is Mr. Zheng Hongyi

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

The head of the International Business Department of the Company is Mr. Ma Lei

The head of the Compliance Audit Department of the Company is Mr. Zhou Changling

The head of the Legal and Compliance Department of the Company is Mr. Chen Feng

The head of the Corporate Culture Department of the Company is Mr. Wu Jinou

The deputy secretary of the Discipline Inspection Commission and deputy head of the Commissioner of Discipline Inspection Office of the Company is Mr. Chen Tao

The head of the Communist Party Committee Inspection Leading Group Office of the Company is Mr. Li Xiangchun

The head of the Staff Relation Department of the Company is Mr. Zhou Wei

The head (deputy head) of the Governance Department (Deepening Reform Promotion Office) of the Company is Mr. Guo Tao

The secretary for the Communist Youth League of the Company is Mr. Ge Zhe

Independent Review Report

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 36 to 71, which comprises the condensed consolidated statement of financial position of Dongfeng Motor Group Company Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and 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 ("IAS 34") issued by the International Accounting Standards Board ("IASB"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong, 29 August 2024

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB million (Unaudited)	2023 RMB million (Unaudited and restated)
Revenue	3	51,145	45,640
Cost of sales		(45,209)	(40,476)
Gross profit		5,936	5,164
Other income and gain	4	3,115	2,456
Selling and distribution expenses		(4,165)	(3,638)
Administrative expenses		(2,453)	(2,060)
Impairment losses on financial assets	5	(471)	(10)
Other expenses	6	(2,499)	(2,708)
Finance expenses	7	(407)	(631)
Share of profits and losses of:		1,073	1,735
Joint ventures		753	1,403
Associates		320	332
PROFIT BEFORE INCOME TAX	8	129	308
Income tax expense	9	(89)	(57)
PROFIT FOR THE PERIOD		40	251
Attributable to:			
Owners of the parent	10	684	1,314
Non-controlling interests		(644)	(1,063)
		40	251
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted earnings per share	10	8.27 cents	15.30 cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB million	RMB million
	(Unaudited)	(Unaudited and restated)
PROFIT FOR THE PERIOD	40	251
OTHER COMPREHENSIVE INCOME		
<i>Comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>		
Changes in fair value of financial assets at fair value through other comprehensive income	(1,391)	3,010
Others	(14)	(5)
	(1,405)	3,005
<i>Other comprehensive income that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	(8)	(1)
Income tax effect		
Item that will not be reclassified subsequently to profit or loss	347	(752)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(1,066)	2,252
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(1,026)	2,503
Attributable to:		
Owners of the parent	(375)	3,566
Non-controlling interests	(651)	(1,063)
	(1,026)	2,503

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2024

		30 June 2024	31 December 2023
	Notes	RMB million (Unaudited)	RMB million (Unaudited and restated)
ASSETS			
Non-current assets			
Property, plant and equipment	11	25,949	24,941
Investment properties		4,303	4,344
Right-of-use assets		4,848	4,796
Goodwill		3,155	3,155
Intangible assets		11,183	10,531
Investments in joint ventures		37,792	38,814
Investments in associates		16,178	16,611
Financial assets at fair value through other comprehensive income	16	7,603	8,997
Other non-current assets		40,071	37,451
Deferred tax assets		5,337	5,154
Total non-current assets		156,419	154,794
Current assets			
Inventories		12,756	14,432
Trade receivables	12	17,194	8,774
Bills receivable	13	3,518	7,304
Due from joint ventures		993	1,280
Prepayments, deposits and other receivables		32,773	40,516
Financial assets at fair value through other comprehensive income	16	4,557	9,248
Financial assets at fair value through profit or loss		16,596	16,568
Pledged bank balances and time deposits		3,457	4,159
Cash and bank balances		75,107	79,355
Total current assets		166,951	181,636
TOTAL ASSETS		323,370	336,430

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2024

	Notes	30 June 2024 RMB million (Unaudited)	31 December 2023 RMB million (Unaudited and restated)
Current liabilities			
Trade payables	14	24,070	27,164
Bills payable	15	28,100	29,534
Other payables and accruals		18,027	18,505
Contract liabilities		3,456	4,318
Due to joint ventures		16,891	20,513
Interest-bearing borrowings		40,171	34,454
Lease liabilities		328	332
Income tax payables		103	1,509
Provisions		838	1,011
		<hr/>	<hr/>
Total current liabilities		131,984	137,340
		<hr/>	<hr/>
NET CURRENT ASSETS		34,967	44,296
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		191,386	199,090
		<hr/>	<hr/>

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2024

	Notes	30 June 2024 RMB million (Unaudited)	31 December 2023 RMB million (Unaudited and restated)
Non-current liabilities			
Interest-bearing borrowings		23,016	28,518
Lease liabilities		1,999	1,836
Other long-term liabilities		2,487	2,189
Government grants		2,019	2,198
Deferred tax liabilities		1,327	1,691
Provisions		2,000	1,942
Total non-current liabilities		32,848	38,374
Net assets		158,538	160,716
Equity attributable to owners of the parent			
Issued capital	17	8,253	8,302
Reserves		25,647	27,897
Treasury stock		—	(78)
Retained profits		118,454	117,762
Total Equity attributable to owners of the parent		152,354	153,883
Non-controlling interests		6,184	6,833
TOTAL EQUITY		158,538	160,716
TOTAL EQUITY AND LIABILITIES		323,370	336,430

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the company						Non-	Total equity
	Issued capital	Capital reserves*	Treasury stock	Statutory reserves*	Retained profits	Total	controlling interests	
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 31 December 2023	8,302	7,196	(78)	19,709	117,658	152,787	6,822	159,609
Business combination under common control	-	992	-	-	104	1,096	11	1,107
As at 1 January 2024 (As restated)	8,302	8,188	(78)	19,709	117,762	153,883	6,833	160,716
Total profit for the period	-	-	-	-	684	684	(644)	40
Total other comprehensive income for the period	-	(1,059)	-	-	-	(1,059)	(7)	(1,066)
Repurchase of treasury shares	-	-	(71)	-	-	(71)	-	(71)
Cancellation of treasury shares	(49)	(100)	149	-	-	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(37)	(37)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	47	47
Business combination under common control	-	(1,122)	-	-	-	(1,122)	-	(1,122)
Transactions with non-controlling interests holder	-	9	-	-	-	9	(23)	(14)
Share-based payment	-	20	-	-	-	20	5	25
Other	-	2	-	-	8	10	10	20
As at 30 June 2024	<u>8,253</u>	<u>5,938</u>	<u>-</u>	<u>19,709</u>	<u>118,454</u>	<u>152,354</u>	<u>6,184</u>	<u>158,538</u>

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2024

	Attributable to owners of the company						Non-controlling interests	Total equity
	Issued capital	Capital reserves*	Treasury stock	Statutory reserves*	Retained profits	Total		
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)
As at 31 December 2022	8,616	5,359	(93)	19,723	122,247	155,852	9,684	165,536
Restatement for business combination under common control	–	983	–	–	201	1,184	21	1,205
As at 1 January 2023 (As restated)	8,616	6,342	(93)	19,723	122,448	157,036	9,705	166,741
Total profit for the period	–	–	–	–	1,314	1,314	(1,063)	251
Total other comprehensive income for the period	–	2,252	–	–	–	2,252	–	2,252
Repurchase of treasury shares	–	–	(207)	–	–	(207)	–	(207)
Cancellation of treasury shares	(85)	(215)	300	–	–	–	–	–
Final 2022 dividend declared	–	–	–	–	(2,560)	(2,560)	–	(2,560)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	(39)	(39)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	43	43
Other	–	(4)	–	–	–	(4)	9	5
As at 30 June 2023	<u>8,531</u>	<u>8,375</u>	<u>–</u>	<u>19,723</u>	<u>121,202</u>	<u>157,831</u>	<u>8,655</u>	<u>166,486</u>

* These capital reserves and statutory reserves comprise the reserves of RMB25,647 million (30 June 2023: RMB 28,098 million) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

Note	Six months ended 30 June	
	2024 RMB million (Unaudited)	2023 RMB million (Unaudited and restated)
Cash flows from operating activities		
Cash flows used in operating activities	1,218	(5,882)
Income tax paid	(1,712)	(1,531)
Cash flows used in operating activities – net	(494)	(7,413)
Cash flows from investing activities		
Acquisition of subsidiaries – net	(1,122)	–
Acquisition of control over subsidiaries, and investment in joint ventures and associates – net	–	(192)
Dividends from joint ventures and associates	3,039	6,299
Purchase of property, plant and equipment, right-of-use assets and intangible assets	(3,611)	(6,311)
Increase in non-pledged time deposits with original maturity of over three months	(7,858)	1,755
Other investing cash flows – net	1,298	2,022
Cash flows (used in)/generated from investing activities – net	(8,254)	3,573

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
Note	RMB million (Unaudited)	RMB million (Unaudited and restated)
Cash flows from financing activities		
Proceeds from borrowings and bonds	1,797	13,480
Repayments of borrowings and bonds	(4,674)	(12,765)
Dividends paid to non-controlling interests	(20)	(39)
Other financing cash flows – net	(227)	(341)
Cash flows (used in)/generated from financing activities – net	(3,124)	335
Net decrease in cash and cash equivalents	(11,872)	(3,505)
Effects of exchange rate changes on cash and cash equivalents	(20)	139
Cash and cash equivalents at beginning of the period	72,453	65,291
Cash and cash equivalents at end of the period	60,561	61,925

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2024

Note	Six months ended 30 June	
	2024 RMB million (Unaudited)	2023 RMB million (Unaudited and restated)
Cash and bank balances deposits	57,005	49,788
Time deposits	21,559	15,446
	78,564	65,234
Less: Pledged bank balances and time deposits for securing general banking facilities	(3,457)	(2,261)
Cash and bank balances in the interim condensed consolidated statement of financial position	75,107	62,973
Less: Non-pledged time deposits with original maturity of over three months when acquired	(14,546)	(1,048)
Cash and cash equivalents in the interim condensed consolidated statement of cash flow	60,561	61,925

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

1.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standards (“IAS”) 34 Interim Financial Reporting.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

1.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised International Financial Reporting Standards (“IFRS”) for the first time for the current period’s financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of liabilities as current or Non-current (the “2020 Amendments”)</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

1.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

1.3 PRIOR PERIOD RESTATEMENT

In March 2024, the Group acquired a subsidiary from Dongfeng Motor Corporation (“DFM”). Since the subsidiary and the Group are both under control of DFM before and after the acquisition, the acquisition is considered as a business combination under common control, which is mentioned in note 18.

Restated interim condensed consolidated statement of comprehensive income:

	For the six months ended 30 June 2023		
	Consolidated statement of comprehensive income		
	As per originally reported <i>RMB million</i>	Retrospective adjustments (Unaudited) <i>RMB million</i>	As restated (Unaudited) <i>RMB million</i>
Profit for the period	206	45	251
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(1)	–	(1)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	2,253	–	2,253
Comprehensive income for the period	<u>2,458</u>	<u>45</u>	<u>2,503</u>
Attributable to:			
Owners of the parent	3,522	44	3,566
Non-controlling interests	(1,064)	1	(1,063)

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

1.3 PRIOR PERIOD RESTATEMENT (CONTINUED)

Restated consolidated statement of financial position:

31 December 2023			
Consolidated statement of financial position			
	As per originally reported	Retrospective adjustments (Unaudited)	As restated (Unaudited)
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Total assets	330,678	5,752	336,430
Total liabilities	171,069	4,645	175,714
Equity attributable to owners of the parent	152,787	1,096	153,883
Non-controlling interests	6,822	11	6,833
Total equity	159,609	1,107	160,716

2. REVENUE ON SALES OF GOODS 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;
- 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 statement. However, Group financing (including finance costs) and income taxes are managed on a Group basis and are not allocated to operating segments.

During the six months ended 30 June 2023 and 2024, 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 Statements (Continued)

For the six months ended 30 June 2024

2. REVENUE ON SALES OF GOODS AND SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2024

	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)
Segment revenue						
Sales to external customers	26,066	21,492	2,805	782	–	51,145
Intersegment sales	100	64	60	28	(252)	–
	<u>26,166</u>	<u>21,556</u>	<u>2,865</u>	<u>810</u>	<u>(252)</u>	<u>51,145</u>
Results						
Segment results	<u>(1,110)</u>	<u>(1,774)</u>	<u>416</u>	<u>202</u>	<u>999</u>	<u>(1,267)</u>
Interest income	230	1,373	–	183	(1,056)	730
Finance expenses						(407)
Share of profits and losses of:						
Associates						320
Joint ventures						<u>753</u>
Profit before income tax						129
Income tax expense						<u>(89)</u>
Profit for the period						<u>40</u>

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

2. REVENUE ON SALES OF GOODS AND SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2023

	Commercial vehicles <i>RMB million</i> (Unaudited and restated)	Passenger vehicles <i>RMB million</i> (Unaudited and restated)	Financing service <i>RMB million</i> (Unaudited and restated)	Corporate and others <i>RMB million</i> (Unaudited and restated)	Elimination <i>RMB million</i> (Unaudited and restated)	Total <i>RMB million</i> (Unaudited and restated)
Segment revenue						
Sales to external customers	25,384	15,750	3,414	1,092	–	45,640
Intersegment sales	52	108	20	12	(192)	–
Total segment revenue	<u>25,436</u>	<u>15,858</u>	<u>3,434</u>	<u>1,104</u>	<u>(192)</u>	<u>45,640</u>
Results						
Segment results	<u>(1,783)</u>	<u>(2,526)</u>	<u>1,673</u>	<u>512</u>	<u>994</u>	<u>(1,130)</u>
Interest income	234	115	–	1,061	(1,076)	334
Finance expenses						(631)
Share of profits and losses of:						
Associates						332
Joint ventures						<u>1,403</u>
Profit before income tax						308
Income tax expense						<u>(57)</u>
Profit for the period						<u>251</u>

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

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

2. REVENUE ON SALES OF GOODS AND SEGMENT INFORMATION (CONTINUED)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2024 and 31 December 2023.

At 30 June 2024

	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)
Segment assets	59,440	94,751	152,817	86,932	(70,570)	323,370
Segment liabilities	49,811	44,475	97,856	43,260	(70,570)	164,832
	<u>9,629</u>	<u>50,276</u>	<u>54,961</u>	<u>43,672</u>	<u>-</u>	<u>158,538</u>

At 31 December 2023

	Commercial vehicles <i>RMB million</i> (Unaudited and restated)	Passenger vehicles <i>RMB million</i> (Unaudited and restated)	Financing service <i>RMB million</i> (Unaudited and restated)	Corporate and others <i>RMB million</i> (Unaudited and restated)	Elimination <i>RMB million</i> (Unaudited and restated)	Total <i>RMB million</i> (Unaudited and restated)
Segment assets	77,541	92,123	159,972	83,319	(76,525)	336,430
Segment liabilities	54,440	49,807	105,945	42,047	(76,525)	175,714
	<u>23,101</u>	<u>42,316</u>	<u>54,027</u>	<u>41,272</u>	<u>-</u>	<u>160,716</u>

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

3. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2024	2023
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited and restated)
Revenue from principal operations	51,145	45,640

Disaggregated revenue information for revenue from contracts with customers:

Types of goods or services:

	Six months ended 30 June	
	2024	2023
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited and restated)
Commercial vehicles	26,066	25,384
Passenger vehicles	21,492	15,750
Financing service	2,805	3,414
Corporate and others	782	1,092
	51,145	45,640

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

4. OTHER INCOME AND GAIN

	Six months ended 30 June	
	2024	2023
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited and restated)
Government grants and subsidies	912	256
Interest income	730	376
Dividends from financial assets at fair value through other comprehensive income	598	1,013
Management dispatch fee received from joint ventures	106	101
Gain on disposal of joint ventures and associates	–	79
Others	769	631
	3,115	2,456

5. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Six months ended 30 June	
	2024	2023
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited and restated)
Impairment losses of trade receivables	(61)	(24)
Impairment losses of other receivables	–	(5)
Impairment losses of loans and receivables from financing services	532	39
	471	10

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

6. OTHER EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited and restated)
Research costs	2,205	2,001
Others	294	707
	2,499	2,708

7. FINANCE EXPENSES

	Six months ended 30 June	
	2024	2023
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited and restated)
Interest expenses on bank loans and other borrowings	278	290
Interest expenses on lease liabilities	59	55
Exchange loss of financing activities, net	70	286
Finance expenses	407	631

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

8. PROFIT BEFORE INCOME TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Six months ended 30 June	
	2024	2023
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited and restated)
Cost of inventories sold	45,209	40,476
Interest expense for financing services (included in cost of sales)	207	354
(Reversal of impairment)/impairment losses of inventories to net realisable value	(110)	292
Research and development costs	2,205	2,001
Depreciation of property, plant and equipment	1,568	1,310
Amortization of intangible assets	840	684
Amortization of long-term deferred expenses	63	56
Depreciation of right-of-use assets	178	187
Depreciation of investment properties	108	35
Impairment losses on financial assets	471	10
Gain on disposal of items of property, plant and equipment, net	(54)	(63)
Government grants	(912)	(256)
Employee expense	3,567	3,479
Exchange differences, net	20	309

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited and restated)
Current income tax	289	449
Deferred income tax	(200)	(392)
Income tax expense for the period	89	57

Under the PRC Corporate Income Tax Law and the respective regulations, the corporate income tax for the Company and its subsidiaries is calculated at a statutory rate of 25% or a preferential rate of 15% where applicable, on their estimated assessable profits for the year based on the existing legislations, interpretations and practices in respect thereof.

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

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

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

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent (excluding interest on perpetual securities), and the weighted average number of ordinary shares of 8,268,178,889 (2023: 8,586,348,456) in issue during the period.

The Company had no potentially dilutive shares or other financial instruments in issue during the periods ended 30 June 2024 and 2023.

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2024	2023
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited and restated)
Earnings:		
Profit attributable to ordinary equity holders of the Company	684	1,314
	Number of shares	
	<i>million</i>	<i>million</i>
Shares:		
Weighted average number of ordinary shares in issue during the period	8,268	8,586
Earnings per share	8.27 cents	15.30 cents

During the six months ended 30 June 2024, 49,664,000 repurchased shares were canceled by the Company.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

11. PROPERTY, PLANT AND EQUIPMENT

	RMB million (Unaudited)
At 31 December 2023, net of accumulated depreciation and impairment	24,477
Restatement for Business combination under common control	464
At 1 January 2024, net of accumulated depreciation and impairment (As restated)	24,941
Additions	2,866
Disposals	(236)
Transfer to investment properties and intangible assets	(48)
Depreciation during the period	(1,568)
Impairment	(6)
At 30 June 2024, net of accumulated depreciation and impairment	25,949

12. TRADE RECEIVABLES

Sales of the Group's commercial and passenger vehicles are normally settled on the basis of payment in advance, 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 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 Group's trade receivables, net of provision for impairment, based on the invoice date, is as follows:

	30 June 2024 RMB million (Unaudited)	31 December 2023 RMB million (Unaudited and restated)
Within three months	9,806	2,785
Over three months but within one year	2,733	2,453
Over one year	4,655	3,536
	17,194	8,774

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

13. BILLS RECEIVABLE

	30 June 2024 <i>RMB million</i> (Unaudited)	31 December 2023 <i>RMB million</i> (Unaudited and restated)
Bills receivable	3,518	7,304

As at 30 June 2024 and 31 December 2023, the age of bills receivable of the Group was all within 1 year and none of the bills receivable was overdue.

14. TRADE PAYABLES

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

	30 June 2024 <i>RMB million</i> (Unaudited)	31 December 2023 <i>RMB million</i> (Unaudited and restated)
Within three months	19,075	24,342
Over three months but within one year	3,711	1,892
Over one year	1,284	930
	24,070	27,164

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

15. BILLS PAYABLE

	30 June 2024 <i>RMB million</i> (Unaudited)	31 December 2023 <i>RMB million</i> (Unaudited and restated)
Bills payable	28,100	29,534

As at 30 June 2024 and 31 December 2023, the age of bills payable of the Group was all within 1 year.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2024 <i>RMB million</i> (Unaudited)	31 December 2023 <i>RMB million</i> (Unaudited and restated)
Non-current:		
Listed equity investments at fair value through other comprehensive income		
– Stellantis N.V. ⁽ⁱ⁾	7,082	8,182
– FORVIA SE	334	623
Unlisted equity investments at fair value through other comprehensive income	187	192
	7,603	8,997
Current:		
Unlisted debt instruments at fair value through other comprehensive income	4,557	9,248
	12,160	18,245

- (i) The Group held 49,223,907 shares of Stellantis at 30 June 2024. The Group is unable to directly participate in or exercise significant influence over the financial and operating decisions of Stellantis and hence the investment is accounted for as financial assets at fair value through other comprehensive income.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

17. SHARE CAPITAL

During the six months ended 30 June 2024, the Company repurchased 27,490,000 shares of its shares on the Hong Kong Stock Exchange at a total consideration of RMB71 million.

During the six months ended 30 June 2024, the Company canceled 49,664,000 repurchased shares, resulting in a decrease in share capital of RMB49 million and capital reserve of RMB100 million.

18. BUSINESS COMBINATION

On 29 January 2024, Dongfeng Changxing Science and Technology Co., Ltd. ("Dongfeng Changxing") (a non-wholly owned subsidiary of the Company) and DFM entered into an equity transfer agreement, pursuant to which Dongfeng Changxing agreed to acquire 100% equity interests in Chuangge Financial Leasing Co., Ltd. ("Chuangge Financial Leasing") from DFM at a consideration of RMB1,122 million. The equity transfer of Chuangge Financial Leasing was completed in March 2024 and Chuangge Financial Leasing becomes a subsidiary of the Group hereafter.

Chuangge Financial Leasing and the Group are both under control of DFM before and after the equity transfer, pooling of interests method was applied to account for the business combination under common control. The assets and liabilities of Chuangge Financial Leasing are reflected by the Group using their respective carrying amounts as recognised by DFM, and the difference between the carrying amounts of the net assets of Chuangge Finance Leasing as recognised by DFM and the purchase consideration paid are credited to the Group's reserve. The comparative amounts of the Group's consolidated financial statements have also been restated as a result of the business combination under common control.

19. COMMITMENTS

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

	30 June 2024 RMB million (Unaudited)	31 December 2023 <i>RMB million</i> (Unaudited and restated)
Plant and equipment	<u><u>2,371</u></u>	<u><u>653</u></u>

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

20. RELATED PARTY TRANSACTIONS

- (a) **Transactions with Dongfeng Motor Corporation (“DFM”), 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 2024, the Group had the following significant transactions with its related parties:

	Six months ended 30 June	
	2024	2023
	RMB million	RMB million
	(Unaudited)	(Unaudited and restated)
Purchases of automotive parts/raw materials from and the payment of royalty fee to:		
DFM, its subsidiaries, associates and joint ventures	430	198
Joint ventures	2,389	2,384
Associates	182	207
Subsidiaries’ joint ventures	3,895	3,890
Non-controlling shareholders of a subsidiary and their subsidiaries	31	–
	6,927	6,679
Purchases of automotive from:		
DFM, its subsidiaries, associates and joint ventures	4	3
Joint ventures	2,400	4,462
Associates	868	588
Non-controlling shareholders of a subsidiary and their subsidiaries	2	–
	3,274	5,053
Purchases of items of property, plant and equipment and intangible assets from:		
DFM, its subsidiaries, associates and joint ventures	287	12
Joint ventures	563	323
	850	335

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with DFM, 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	
	2024	2023
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited and restated)
Purchases of services from:		
DFM, its subsidiaries, associates and joint ventures	751	373
Joint ventures	326	279
Associates	7	5
Subsidiaries' joint ventures	17	–
Non-controlling shareholders of a subsidiary and their subsidiaries	–	1
	1,101	658
Sales of automotive parts/raw materials to:		
DFM, its subsidiaries, associates and joint ventures	14	21
Joint ventures	364	1,033
Associates	157	18
Subsidiaries' joint ventures	127	50
Non-controlling shareholders of a subsidiary and their subsidiaries	19	–
	681	1,122
Sales of automotive to:		
DFM, its subsidiaries, associates and joint ventures	1	–
Joint ventures	163	125
Associates	156	65
Non-controlling shareholders of a subsidiary and their subsidiaries	19	5
	339	195

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) **Transactions with DFM, 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	
	2024	2023
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited and restated)
Income from provision of services to and rental income from:		
DFM, its subsidiaries, associates and joint ventures	55	47
Joint ventures	294	279
Associates	2	6
Subsidiaries' joint ventures	24	–
	<u>375</u>	<u>332</u>
Interest expense charged by:		
DFM, its subsidiaries, associates and joint ventures	114	117
Joint ventures	55	166
Subsidiaries' joint ventures	1	–
	<u>170</u>	<u>283</u>
Interest incomes from:		
DFM, its subsidiaries, associates and joint ventures	33	29
Joint ventures	65	64
Subsidiaries' joint ventures	1	–
	<u>99</u>	<u>93</u>
Fee and commission incomes from joint ventures	<u>2</u>	<u>5</u>
Management dispatch fee received from joint ventures	<u>94</u>	<u>101</u>

These transactions were conducted in accordance with the terms and conditions agreed between the Group and its related parties.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

	30 June 2024 RMB million (Unaudited)	31 December 2023 RMB million (Unaudited and restated)
Receivables from related parties included in trade receivables:		
DFM, its subsidiaries, associates and joint ventures	32	70
Associates	359	283
Non-controlling shareholders of a subsidiary and their subsidiaries	132	101
	<u>523</u>	<u>454</u>
Receivables from related parties included in prepayments, deposits, other receivables:		
DFM, its subsidiaries, associates and joint ventures	92	88
Associates	136	85
Non-controlling shareholders of a subsidiary and their subsidiaries	39	–
	<u>267</u>	<u>173</u>

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (Continued)

	30 June 2024 RMB million (Unaudited)	31 December 2023 RMB million (Unaudited and restated)
Payables to related parties included in trade payables:		
DFM, its subsidiaries, associates and joint ventures	534	632
Associates	431	181
Non-controlling shareholders of a subsidiary and their subsidiaries	42	—
	<u>1,007</u>	<u>813</u>
Payables to related parties included in other payables and accruals and contract liabilities:		
DFM, its subsidiaries, associates and joint ventures	252	293
Associates	24	38
	<u>276</u>	<u>331</u>
Payables to DFM, its subsidiaries, associates and joint ventures included in lease liabilities	<u>1,365</u>	<u>1,423</u>
Payables to related parties included in interest-bearing borrowings:		
DFM, its subsidiaries, associates and joint ventures	8,095	16,979
Associates	1,017	—
	<u>9,112</u>	<u>16,979</u>

Receivables from and payables to related parties are unsecured and interest-free, except for those deposit-taking from related parties and loans granted to the subsidiaries of DFM engaging in financial businesses.

For the deposit-taking from to aforesaid related parties, the interest rate was 0.35%–3.5% per annum. The deposits are unsecured and have no fixed terms of payment.

For the loans granted to aforesaid related parties, the interest rate was 2.4%–4.35% per annum. The loans are unsecured and the original terms within 1–3 years.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2024 <i>RMB thousand</i> (Unaudited)	2023 <i>RMB thousand</i> (Unaudited and restated)
Short-term employee benefits	3,478	3,629
Post-employment benefits	203	195
Total compensation to key management personnel	3,681	3,824

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortization ("EV/EBITDA") multiple and price to sales ("P/S") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the interim condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2024 and 31 December 2023:

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Unlisted equity investments:

Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Valuation multiples	Average P/S multiple of peers	0.75 to 6.55 (31 December 2023: 0.57 to 6.75)	5% (31 December 2023: 5%) increase/decrease in multiple would result in increase/decrease in fair value by RMB17 million (31 December 2023: RMB17 million)
	Discount for lack of marketability	70% to 100% (31 December 2023: 70% to 100%)	5% (31 December 2023: 5%) increase/decrease in discount would result in decrease/increase in fair value by RMB23 million (31 December 2023: RMB23 million)

The discount for lack of marketability represents the amounts of discounts determined by the Group that market participants would take into account when pricing the investments.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2024	Level 1 RMB million (Unaudited)	Level 2 RMB million (Unaudited)	Level 3 RMB million (Unaudited)	Total RMB million (Unaudited)
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
Structured deposits	–	14,984	–	14,984
Equity securities	1,121	–	491	1,612
Financial assets at fair value through other comprehensive income (FVOCI)				
Bills receivable	–	4,557	–	4,557
Equity securities	7,416	–	187	7,603
Total financial assets	8,537	19,541	678	28,756

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments: (Continued)

Assets measured at fair value: (Continued)

As at 31 December 2023	Level 1 <i>RMB million</i> (Unaudited and restated)	Level 2 <i>RMB million</i> (Unaudited and restated)	Level 3 <i>RMB million</i> (Unaudited and restated)	Total <i>RMB million</i> (Unaudited and restated)
Financial assets				
Financial assets at FVPL				
Structured deposits	–	14,899	–	14,899
Equity securities	1,176	–	493	1,669
Financial assets at FVOCI				
Bills receivable	–	9,248	–	9,248
Equity securities	8,805	–	192	8,997
Total financial assets	9,981	24,147	685	34,813

The Group's policy is to recognize transfers in and out of the fair value hierarchy at the end of the reporting period. During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2023: Nil).

22. APPROVAL OF INTERIM FINANCIAL INFORMATION

The Interim financial statements were approved and authorised for issue by the Board of Directors on 29 August 2024.

Definitions

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

“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-venture Entities in which the Company, its subsidiaries or Jointly-venture Entities (including their respective subsidiaries and Jointly-venture Entities) have equity interests as at 30 June 2024;
“Group” or “Dongfeng Motor Group”	the Company and its subsidiaries, the Dongfeng Joint Venture Companies and their respective subsidiaries and associates;
“Joint Venture Company”	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 parent 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;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time.