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

Stock Code: 489

2021
Annual Report

* For identification purposes only

Contents

Corporate Profile and Summary of Business

I. CORPORATE INFORMATION

COMPANY NAME

Dongfeng Motor Group Company Limited

REGISTERED ADDRESS

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

II. STOCK PROFILE OF THE COMPANY

LISTING DATE

7 December 2005

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

00489

TOTAL SHARE CAPITAL

RMB8,616,120,000

III. OTHER RELATED INFORMATION

COMPANY WEBSITE

www.dfmg.com.cn

JOINT COMPANY SECRETARIES

Yin Yaoliang
Yuen Wing Yan, Winnie (HKFCG)

HONG KONG H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong SAR

IV. SUMMARY OF BUSINESS

Dongfeng Motor Group Company Limited (hereinafter referred to as "Dongfeng Motor Group") was listed on the the Stock Exchange of Hong Kong on 7 December 2005. Dongfeng Motor Group is one of the most complete automobile groups in China's industrial chain, with its business centered on vehicle manufacturing, covering other complete business systems relating to automobile such as R&D of automobile, parts and equipment manufacturing, automobile finance, automobile sales and travel business. In 2021, the total vehicle sales of the Group will reach 2.775 million, ranking third among domestic automobile manufacturers, with a market share of 10.6%. Dongfeng Motor Group's business bases are distributed in more than 20 cities across the country, such as Wuhan, Shiyan, Xiangyang and Guangzhou, etc. As of December 31, 2021, Dongfeng Motor Group has a vehicle production capacity of approximately 3.51 million, occupying a leading position in the industry.

Dongfeng Motor Group is a leading commercial vehicle manufacturer with complete commercial vehicle industry chain layout and excellent product characteristics. The Company carries out commercial vehicle businesses through its holding subsidiaries, such as Dongfeng Commercial Vehicle Co., Ltd., Dongfeng Special Commercial Vehicle Co., Ltd. and Dongfeng Liuzhou Motor Co., Ltd. Dongfeng Motor Group's passenger vehicle product line is complete, and has long been a leader in the domestic automobile industry with a wide range of market influence and high brand awareness. It mainly carries out passenger vehicle business through its branch Dongfeng Passenger Vehicle Company, holding subsidiary Dongfeng Liuzhou Motor Company, joint venture DFL, Dongfeng Honda and Dongfeng PSA. The company has established a joint venture with well-known international automobile enterprises. The main joint venture brands include Dongfeng Nissan, Dongfeng Honda, Dongfeng Infiniti, Dongfeng Peugeot, Dongfeng Citroën and etc.. At the same time, the core competence of the company's self-owned brands has been gradually enhanced, and a new high-end pure electric brand "Voyah" has been successfully launched, which is positioned at high-end new energy vehicles, opening up space for development of the company's self-owned brands.

Dongfeng Motor Group's auto finance business has a good development momentum in recent years. It has realized the online operation of the whole business process, and its supporting role for the vehicle business is increasingly strengthened. It mainly carries out retail financial business, dealer inventory financing business and corporate financial business through its holding subsidiaries Dongfeng Motor Finance, joint venture Dongfeng Peugeot Citroën Finance and affiliated business Dongfeng Nissan Auto Finance.

The Group will create a "source of original technology" around new energy power systems and smart vehicles, further improve in-depth technological innovation that enables to make new breakthrough in the fields of automobile chips, battery and software engineering, and enhance the capability of industry chains that is independent, safe and controllable. The Group will promote the rapid development of the independent business and the upward of the Dongfeng brand.

Corporate Profile and Summary of Business (Continued)

- **Dongfeng Motor Group Company Limited**
  - **Dongfeng Motor Co., Ltd.**
    - Dongfeng Parts and Components (Group) Co., Ltd.
    - Dongfeng Automobile Co., Ltd.
    - Dongfeng Infiniti Motor Co., Ltd.
    - Equipment Company of Dongfeng Motor Co., Ltd.
    - Dongfeng Nissan Passenger Vehicle Company
    - Zhengzhou Nissan Automobile Co., Ltd.
    - Dongfeng Venucia Motor Co., Ltd.
  - Dongfeng Research & Development Centre (Branch)
  - Dongfeng Passenger Vehide Company (Branch)
  - Dongfeng Off-road Vehicle Co., Ltd.
  - Dongfeng Nengdi (Hangzhou) Auto Co., Ltd.
  - Dongfeng Special Commercial Vehicle Co., Ltd.
  - Dongfeng Liuzhou Motor Co., Ltd.
  - Dongfeng Commercial Vehicle Co., Ltd.
  - Dongfeng Peugeot Citroën Automobile Co., Ltd.
  - Dongfeng Motor (Wuhan) Co., Ltd.
  - eGT New Energy Automotive Co., Ltd.
  - Dongfeng Honda Automobile Co., Ltd.
  - Dongfeng Honda Engine Co., Ltd.
  - Dongfeng Honda Auto Parts Co., Ltd.
  - Dongfeng Dinsin Powertrain Technology Co., Ltd.
  - Dongfeng Motor Finance Co., Ltd.
  - Dongfeng Nissan Auto Finance Co., Ltd.
  - China Dongfeng Motor Industry Import & Export Co., Ltd.
  - Dongfeng Changxing (Wuhan) Technology Co., Ltd.
  - Dongfeng Motor Investment (Wuhan) Co., Ltd.
  - Dongfeng Peugeot Citroën Auto Financial Co., Ltd.
  - Dongfeng Peugeot Citroën Sales Co., Ltd.
  - Dongfeng Automobile Trade Co., Ltd.
  - Zhixin Technology Co., Ltd.
  - VOYAH Automobile Sales and Service Co., Ltd.
  - Dongfeng Yuexiang Technology Co., Ltd.
  - Wuhan Dongfeng Hongtai Business Consulting Co., Ltd.
  - Dongfeng ZhuoLian Automobile Service Co., Ltd.
  - VOYAH Automobile Technology Co., Ltd.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the 2021 annual report of Dongfeng Motor Group for your review.

In 2021, the domestic automobile industry was exposed to great challenges such as ongoing COVID-19 pandemic, auto chip shortages, price hikes in raw materials of bulk commodities, all of which have had a significant impact on automobile industry. In 2021, the sales volume of vehicles in the PRC automobile industry amounted to approximately 26,274,800 units, representing a year-on-year increase of 3.8%. Among them, the sales volume of passenger vehicles was approximately 21,481,500 units, representing a year-on-year increase of approximately 6.5%. The sales volume of commercial vehicles was approximately 4,793,300 units, representing a year-on-year decrease of 6.6%.

Amid the complex and volatile external situation, the Dongfeng Motor Group has managed to maintain high quality business development throughout the year by a series of measures including seizing the market, tapping internal potential, reducing costs and increasing efficiency, and enhancing coordination. In 2021, approximately 2,775,100 vehicles were sold, representing a year-on-year decrease of 3.3%. Nevertheless, independent passenger vehicles business scored a fast growth, with the sales volume of approximately 377,000 units, representing a year-on-year increase of 47.1%, 40 percentage points higher than the industry growth. The Group has developed its core independent R&D capabilities in commercial vehicles, whose "Dragon Engine" power technology emerged as the leading position in the industry, marked by the largest market share of national VI products for medium and heavy trucks among the industry. Affected by the upgrading of national regulations and the decline in industry demand, the annual sales of commercial vehicles were approximately 522,600 units, representing a year-on-year decrease of 5.8% which is outperforming the industry decline and an increasing market share year-on-year. As for the new energy business, the Group achieved an explosive growth, with annual sales volume of approximately 160,600 units, up 2.6 times year-on-year, outperforming the industry decline and securing the fourth place in the industry. Specifically, VOYAH FREE, the high-end new energy model, has been successfully launched and its sales volume has been increasing month by month, while demand for Fengshen E70 exceeded supply in online car-hailing market, representing a year-on-year increase of 5 times. The Dongfeng Motor Group, in the face of the chip shortage in joint venture passenger vehicle, has taken proactive actions to adjust sale structure, collaborate and coordinate with upstream and downstream suppliers that ensured stable terminal sales throughout the year, with overall terminal retailing better than the industry decline. Dongfeng Peugeot Citroen Automobile Company Ltd., achieved a recovery in sales and doubled its sales volume for the year through measures such as "Yuan+ Plan, Five Heart Guardian Action".

Acting in line with overall objectives of the "14th Five-Year Plan" and the "One Main Body with Two Wings" business layout, the Dongfeng Motor Group announced its "East Wind Rising" plan in 2021, which aims to build a "Dongfeng of Quality, Smart and Harmony" to make the brand of Dongfeng the backbone of national brands, and make the Group a leading enterprise that enables the innovative development of the automobile industry, and become a partner in creating value for customers, society and employees. The Dongfeng Motor Group remained on track to carve a path toward green and low-carbon technology with high quality development. Under the goal of combining peak carbon, carbon neutrality and the parallel development of pure electric + hybrid + hydrogen power lines, the Dongfeng Motor Group has developed drive motors on its own for total mass production applications, and achieved mass production application with a mix of C15TDR+HD120, which made it possible for Dongfeng Hydrogen Boat, China's first mass-produced full-power fuel-cell passenger car to be put into demonstration operation. The Group also put key core technologies in place like 800V high-voltage platform, wireless charging and solid-state batteries.

In response to the global chip shortage, the Group has formulated a medium to long-term chip strategy and strengthened its R&D capability in chip development and joined hands with CEC and China Information Communication Technologies Group to establish a "chip joint laboratory". Such efforts enabled IGBT (insulated gate bipolar transistor) power semiconductor modules in production, and pressed ahead with the deployment of automotive grade chips.

The industrialisation of intelligent networked vehicles has been accelerated. The Group remained committed to a progressive and leapfrog development path, with its own branded L2 intelligent driving technology in mass production. As the Group took initiatives to release L4 autonomous driving technology to limited areas, Dongfeng Yuexiang driverless platform products were in demonstration operation in more than 30 cities across China, including Xiong'an new district. Robotaxi vehicles of the Dongfeng Autonomous Driving Pilot Project were demonstrated on the open road and had accumulated more than 2 million kilometres of demonstration operation. Dongfeng commercial vehicle's L4 driverless port truck completed iterative development for version 3.0.

Chairman's Statement (Continued)

During the year, the Dongfeng Motor Group continued to optimize its administration system and maintain a high-quality operation, reaching good results in key financial indicators. Revenue increased by 4.2% year-on-year. Profit before income tax for the year was RMB12,760 million, representing a year-on-year increase of 4.7%, with a profit margin of 11.3%. Profit attributable to the parent reached RMB11,387 million, representing a year-on-year increase of 5.8%. Interest-bearing borrowings liabilities decreased by RMB15,968 million from the end of the previous year and the gearing ratio was about 3 percentage points lower than at the end of the previous year. With a sustained improvement in operation efficiency, the turnover days for the receivables (inclusive bills receivables) decreased significantly by 36 days year-on-year and turnover days for inventory decreased by 8 days year-on-year. The Dongfeng Motor Group focused on the areas of new energy, autonomous driving, electrical and electronic architecture and software, automotive styling and design, and continued to increase its investment in R&D, representing a year-on-year increase of 8.4%.

2022 is an important year for the further implementation of the "14th Five-Year Plan" and a "critical year" for the and development of enterprises. The external uncertainties faced by the automobile market continue to exist. The market competition will become more intense. The Dongfeng Motor Group will continue to adhere to the concept of high-quality development and promote the sustainable development of the Company by focusing on the following work.

The Dongfeng Motor Group will continue to boost its technological innovation, expedite the building of its core competitiveness and play its role as the major innovative enterprise in nurturing a national strategic and technological force. The Group will create a "source of original technology" around new energy power systems and smart vehicles, further improve in-depth technological innovation that enables to make new breakthrough in the fields of automobile chips, battery and software engineering, and enhance the capability of industry chains that is independent, safe and controllable. The Group will promote the rapid development of the independent business and the upward of the Dongfeng brand, and ensure successful launch of blockbuster vehicle models such as the VOYAH Dreamer, Fengshen Haoji and Fengxing M4.

The Dongfeng Motor Group will lay the groundwork for the enhancement of profitability and marketability, promising that the annual production and sales targets to be met and the quality of its operations to be maintained. The Group will forge ahead with the action plan for management improvement against world-class enterprises and the three-year action plan for reform of State-owned Enterprises, as well as refine the corporate governance, strengthen incentive mechanism and reinvigorate the enterprise itself.

The Dongfeng Motor Group will continue to increase its dividend payments to earnestly return to shareholders. Considering the Group's profitability and future development, the board of directors proposed to distribute a final dividend of RMB0.30 per share (tax included) to all shareholders.

Finally, we would like to express our my sincere gratitude to all the staff for their efforts and achievements, and to our shareholders for their continued support.

Zhu Yanfeng
Wuhan, the PRC

29 March 2022

BUSINESS OVERVIEW

I. Business Operations during the Year under Review

1. *Sales volume and market share for whole vehicles of Dongfeng Motor Group in 2021*

For the year ended 31 December 2021, the sales volume for whole vehicles of Dongfeng Motor Group were approximately 2,775,100 units. According to the statistics published by China Association of Automobile Manufacturers, Dongfeng Motor Group had a market share of approximately 10.6% in terms of total sales volume of commercial and passenger vehicles made by domestic manufacturers in 2021. The following table sets out the market shares in terms of sales volume of commercial vehicles and passenger vehicles of Dongfeng Motor Group in 2021:

	Sales Volume *(Units)*	**Market share in terms of sales volume** *(%)*[1]
Commercial Vehicles	**522,561**	**10.9**
Trucks	494,817	11.5
Buses	27,744	5.5
Passenger Vehicles	**2,252,496**	**10.5**
Basic passenger cars	1,193,407	12.0
MPV	99,291	9.4
SUV	959,798	9.5
Total	**2,775,057**	**10.6**

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

2. Sales revenue of Dongfeng Motor Group in 2021

The sales revenue of Dongfeng Motor Group for the year ended 31 December 2021:

	2021 Sales revenue *(RMB millions)*	2020 Sales revenue *(RMB millions)* (Restated)
Passenger vehicles	**32,548**	16,941
Commercial vehicles	**71,250**	83,552
Financing service	**8,576**	7,620
Corporate and others	**1,092**	854
Elimination	**(458)**	(526)
Total	**113,008**	108,441

3. Sales and service networks

As at the end of 2021, the sales and after-sales services of motor vehicles of Dongfeng Motor Group were mainly provided through 14 sales and service networks in China. Each of these 14 sales and service networks provided sales and after-sales services of vehicles of a particular whole vehicle manufacturing unit and was independently managed by the relevant whole vehicle manufacturing units, which were not connected with any other members of Dongfeng Motor Group.

Director Report (Continued)

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

	Brand names	No. of sales outlets	No. of after-sales service outlets	No. of provinces covered
Dongfeng Commercial Vehicle Co., Ltd.	Dongfeng (heavy and medium truck)	342	993	31
Dongfeng Liuzhou Motor Co., Ltd.	Chenglong (heavy and medium truck)	363	912	31
Dongfeng Automobile Motor Co., Ltd.	Dongfeng (high-end light truck, light truck, mini truck, pickup)	877	1,427	31
Zhengzhou Nissan Motor Co., Ltd.	Dongfeng	242	437	31
Dongfeng Special Commercial Vehicle Co., Ltd.	Dongfeng	173	750	27

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

	Brand names	No. of sales outlets	No. of after-sales service outlets	No. of provinces covered
Dongfeng Motor Co., Ltd. (Dongfeng Nissan Passenger Vehicle Sales Co., Ltd.)	Dongfeng Nissan	850	850	31
Dongfeng Motor Co., Ltd. (Dongfeng Infiniti Motor Co., Ltd.)	Dongfeng Infiniti	106	103	29
Dongfeng Motor Co., Ltd. (Dongfeng Venucia Automobile Sales Co., Ltd.)	Venucia	221	199	28
Dongfeng Honda Automobile Co., Ltd.	Dongfeng Honda	710	722	31
Dongfeng Peugeot Citroën Automobile Co., Ltd.	Dongfeng Citroën	186	331	31
Dongfeng Peugeot Citroën Automobile Co., Ltd.	Dongfeng Peugeot	211	339	30
Dongfeng Passenger Vehicle Company	Dongfeng Fengshen	307	307	31
Voyah Automobile Technology Co., Ltd.	Voyah	47	18	25
Dongfeng Liuzhou Motor Co., Ltd.	Dongfeng Future	371	885	31

4. *Production capacity, production capacity distribution and future expansion plans*

As at 31 December 2021, the total whole vehicle production capacity of Dongfeng Motor Group was approximately 3,514,000 units, among which the production capacity of commercial vehicles and passenger vehicles was approximately 674,000 units and 2,840,000 units, respectively.

The following table shows the production capacity distribution of vehicles of Dongfeng Motor Group as at 31 December 2021.

(1). Production capacity of the whole commercial vehicles

Company	**Production capacity** *(0'000 units)*
Dongfeng Commercial Vehicle Co., Ltd.	18
Dongfeng Liuzhou Motor Co., Ltd.	7.5
Dongfeng Automobile Co., Ltd.	23
Zhengzhou Nissan Motor Co., Ltd.	15
Dongfeng Special Commercial Vehicle Co., Ltd.	3
Dongfeng Off-road Vehicle Co., Ltd.	0.9

(2). Production capacity of the whole passenger vehicles

Company	**Production capacity** *(0'000 units)*
Dongfeng Motor Co., Ltd.	127
Dongfeng Honda Automobile Co., Ltd.	79
Dongfeng Peugeot Citroën Automobile Co., Ltd.	36
Dongfeng Passenger Vehicle Company	15
Dongfeng Liuzhou Motor Co., Ltd.	16
Voyah Automobile Technology Co., Ltd.	11

Dongfeng Motor Group will expand its production capacity with reasonable utility to meet the demand of its products gradually due to the completion of construction and operation of the Yunfeng factory and the production capacity upgrade of the eGT New Energy Automotive Company. By the end of 2022, it is expected that the production capacity of whole vehicles will be 3,840,000 units.

5. *Capital expenditure*

In 2021, Dongfeng Motor Group adhered to its strategic leading, market-driven, lean and efficient investment strategies, and completed a total investment of RMB15,300 million for the year, with focus on work such as the construction of core R&D capacities, upgrading of manufacturing capacity, strategic commodity layout and control of core resources for new businesses.

(1) Focus on the construction of core R&D capabilities. Targeting at new product functions and new requirements of customers, the Group further improved commodity development verification system to empower the enhancement of its commodity strength. The Group grasped the technological development trend of the industry, and promoted the construction of technology development and verification platform, new energy whole vehicles, three power core components testing system and hydrogen cell testing and inspecting system in combination with the technological plans.

(2) Reasonably arrange investment in new products and strengthen the collaborative development and launch of new products. Introduction of new products was reasonably arranged according to the requirements of relevant regulations and policies of the country and market demand. The Group intensified the construction of new product platform, combined advantageous resources for the development of common technology and the establishment of common resource, and reduced repeated investment of resources so as to enhance market competitiveness.

(3) Implement the concept of high-quality development and promote the intelligent upgrade of existing manufacturing capacity. Dongfeng Motor Group has completed the layout of production capacity to meet the requirements of the "14th Five-Year Plan" and the commodity plan. Since 2022, the Group has started to pool its advantageous resources to carry out the electrification, intelligent and green transformation of the Group's existing production capacity on an ongoing basis, promoting management improvement and manufacturing technology upgrade.

(4) Continue investing in core technologies and resources in the industry chain to provide new momentum for the transformation and upgrading of the Group. The Group promoted the construction of modular structure platform for new energy vehicles, improved the design and development system for new energy vehicles and strengthened core technology reserves. The Group made advance in the constructions of automatic packaging production line for automotive grading IGBT modules, as well as the trial-production and production line of three power core components. The Group also conducted strategic research and investment in intelligent networking and travel services.

In the next two years, Dongfeng Motor Group will optimize its resource allocation, focus on the development of its own business, enhance core innovation capability, deepen efforts in joint venture and cooperation, seize the commanding heights of new energy vehicles, and build the comprehensive competitive advantages under the new situation according to the "14th Five-Year Plan".

II. BUSINESS OUTLOOK

In 2022, the Group's sales volume targets an increase of 25% year on year, among which the sales volume of commercial vehicles targets an increase of 10% and that of passenger vehicles targets an increase of 28%. In respect of commercial vehicles, the Group will fully implement the brand upward by launching four new models, and at the same time vigorously promote the transformation to the sales of new vehicles + power assembly + post market and collaborative work to further enhance the competitiveness of commercial vehicles of Dongfeng. Meanwhile, the Group will accelerate the improvement of the whole process and the whole cycle of marketing strength, maintain the industry leading position of the commercial vehicles of the Group in the National VI field, realize the advantage of the "Longqing" power assembly brand, and achieve the demonstration operation of the GX high-end heavy truck exported to the European market. In terms of passenger vehicles, more than 13 new models will be launched in 2022, including 5 self-owned brands, including key models such as Voyah Dreamer and Fengshen Haoji; and 8 joint venture brands, including blockbuster models such as Dongfeng Nissan ARIYA, Dongfeng Honda e•NS1, a new generation of CRV and D78 of Dongfeng Peugeot Citroën Automobile Co., Ltd.. While launching new models, the Group will also continue to enhance brand recognition and premium, and strengthen digital marketing, bringing a strong momentum for sales.

III. SIGNIFICANT EVENTS

Proposed Final Dividends

The Board of Directors recommends the dividend distribution of RMB0.3 per share in respect of 2021 earnings (the "Final Dividend").

The proposed Final Dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. For the purpose of determining the holders of H shares entitled to receive the Final Dividend, the register of members of the Company will be closed from Thursday, 23 June 2022 to Thursday, 30 June 2022 (both days inclusive). In order to be entitled to the Final Dividend, H shares shareholders who have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on Wednesday, 22 June 2022 (Hong Kong time), being the last share registration date.

Material legal proceedings

For the year ended 31 December 2021, 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.

Dividend distribution by the Company's jointly controlled entities (JCEs)

In 2021, the Company's JCEs, in total, declared and distributed aggregate dividends of approximately RMB9,638 million to the Company. Although the exact amounts of dividend distributions are not set each year, pursuant to each of the joint venture agreements, distributions are required to be paid out of the profit made by the relevant JCEs (after payments of income tax) in accordance with the relevant PRC law as determined at the meetings of the Board of Directors of each JCE as being appropriate dividend distributions on the circumstances of each JCE. When determining dividend distributions, the Board of Directors of each JCE will offset losses of previous years and deduct from the profit made by the relevant JCE the portion of profit to be allocated for applicable legal reserves as required under the PRC laws and regulations and company reserve (including but not limited to amounts allocated to cover the relevant JCE's working capital or to increase capital or expand production), employee bonus and welfare and company development. Pursuant to each of the joint venture agreements, distributions of profit will be made in proportion to the capital contributions paid by the relevant joint venture party and the Company respectively in accordance with the PRC laws.

None of the JCEs has any specific dividend policies other than those disclosed above. However, if both the Company and the joint venture partners agree, the JCEs can declare dividends when there are distributable profits. Since dividend distribution is the primary channel for return of investment to the Company and the relevant joint venture partner in respect of each JCE, in the past, the JCEs have fully paid out all profits for each year after offsetting losses of previous years, after deducting applicable legal reserves as required under the PRC laws and regulations and after allocations were made by each relevant JCE for company reserve (including but not limited to amounts allocated to cover working capital or to increase capital or expand production). In the future, it is the intention of the Company and the relevant joint venture partner to continue to declare dividends when there are distributable profits for the relevant JCE, subject to agreement between the Company and the relevant joint venture partner on the appropriate dividend distributions based on the circumstances of each JCE and pursuant to the provisions of the relevant joint venture agreement and the applicable PRC laws and regulations.

Financial summary

A summary of the Group's operating results, for the last five years ended 31 December 2021 and the assets and the liabilities of are set out on pages 222 to 223 in this annual report.

Bank loans and other borrowings

Details of the bank loans and other borrowings of the Group are set out in note 32 to the audited financial statements.

Property, plant and equipment

Changes in property, plant and equipment of the Group for the year ended 31 December 2021 are set out in note 15 to the audited financial statements.

Designated deposits and overdue term deposits

As at 31 December 2021, the Group had no designated deposits and overdue term deposits in any financial or other authorities.

Reserves

Details of movements in reserves of the Company and the Group for the year ended 31 December 2021 are set out in note 44 to the audited financial statements and the consolidated statement of changes in equity on page 100, respectively. Pursuant to Article 155 of the Articles of Association of the Company, if there are material discrepancies between the financial statements prepared in accordance with the accounting standards and regulations in the PRC and the financial statements prepared in accordance with International Financial Reporting Standards or the accounting standards in other place(s) where the Company is listed, the after-tax profit to be allocated for the relevant accounting period shall be the lower of the after-tax profits in these financial statements. The Board of Directors recommends allocation of 10% of total profit to the statutory surplus reserve and no allocation to the discretionary surplus reserve under the laws and the Articles of Association, subject to consideration and approval at the annual general meeting to be held on 17 June 2022.

Donations

The Group has made total donations of approximately RMB4 million for the year ended 31 December 2021.

Major customers and suppliers

During the year ended 31 December 2021, the revenue attributable to the five largest customers accounted for no more than 30% of the Group's revenue for the year.

During the year ended 31 December 2021, the purchases (other than these of a capital nature) from the five largest suppliers accounted for no more than 30% of the Group's total purchase for the year.

Subsidiaries, JCEs and other companies in which the company has direct equity interests

As at 31 December 2021, details of the subsidiaries and JCEs as well as other companies in which the Company has direct equity interests are set out in notes 19, 20 and 21 to the audited financial statements for the year respectively.

Share capital

As at 31 December 2021, the aggregate share capital of the Company was RMB8,616,120,000, divided into 8,616,120,000 ordinary shares with a nominal value of RMB1 each, of which 5,760,388,000 were Domestic Shares representing approximately 66.86% of the aggregate number of shares in issue, and 2,855,732,000 were H Shares representing approximately 33.14% of the aggregate number of shares in issue. During the year ended 31 December 2021, there is no change in the aggregate share capital of the Company.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC.

Purchase, sale or redemption of securities

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

Interests of substantial shareholders

As at 31 December 2021, the name of the persons (other than directors and supervisors) entitled to exercise 5% or more (class of shares categorized into domestic shares and H shares) of the voting rights at any general meeting of the Company and the number of underlying shares, as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance are set out below:

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

Name	Class of Shares	Number of shares held	Percentage in the class of issued share capital %	Percentage in the total share capital %
DONGFENG MOTOR CORPORATION	Domestic Shares	5,760,388,000 (L)	100.00 (L)	66.86
SCMB Overseas Limited	H Shares	242,282,000 (L)	8.48 (L)	2.81
Standard Chartered Asia Limited	H Shares	242,282,000 (L)	8.48 (L)	2.81
Standard Chartered Bank	H Shares	242,282,000 (L)	8.48 (L)	2.81
Standard Chartered Holding Limited	H Shares	242,282,000 (L)	8.48 (L)	2.81
Standard Chartered Holdings (International) B.V.	H Shares	242,282,000 (L)	8.48 (L)	2.81
Standard Chartered MB Holdings B.V.	H Shares	242,282,000 (L)	8.48 (L)	2.81
Standard Chartered Private Equity Limited	H Shares	242,282,000 (L)	8.48 (L)	2.81
Edinburgh Partners Limited	H Shares	153,514,000 (L)	5.38 (L)	1.78
Brown Brothers Harriman & Co.	H Shares	200,060,650 (L)	7.00 (L)	2.32
		200,060,650 (P)	7.00 (P)	2.32
Reynolds Margaret (Meg)	H Shares	228,452,114 (L)	7.99 (L)	2.65
Ward Bryan	H Shares	228,452,114 (L)	7.99 (L)	2.65
Westwood Global Investments, LLC	H Shares	228,452,114 (L)	7.99 (L)	2.65
Citigroup Inc.	H Shares	195,256,102 (L)	6.83 (L)	2.27
		277,460 (S)	0.00 (S)	0.00
		193,853,155 (P)	6.78 (P)	2.25
FIL Limited	H Shares	197,746,000 (L)	6.92 (L)	2.30
Pandanus Associates Inc.	H Shares	197,746,000 (L)	6.92 (L)	2.30
Pandanus Partners L.P.	H Shares	197,746,000 (L)	6.92 (L)	2.30
Invesco Asset Management Limited	H Shares	172,598,867 (L)	6.04 (L)	2.00
FIDELITY FUNDS	H Shares	170,366,000 (L)	5.97 (L)	1.98
The Bank of New York Mellon Corporation	H Shares	143,508,455 (L)	5.03 (L)	1.67
		139,215,034 (P)	4.87 (P)	1.62

Directors, supervisors and senior management of the Company

The directors and senior management of the Company during the year were:

Directors

Zhu Yanfeng	Executive Director and Chairman
Yang Qing	Executive Director and President (appointed on 18 June 2021)
Li ShaoZhu	Executive Director and President (resigned on 18 June 2021)
You Zheng	Executive Director
Huang Wei	Non-executive Director (appointed on 18 June 2021)
Zong Qingsheng	Independent Non-executive Director
Leung Wai Lap, Philip	Independent Non-executive Director
Hu Yiguang	Independent Non-executive Director

Senior Management

Qiao Yang	Vice President
Feng Changjun	Vice President and Secretary to the Board of Directors
Yin Yaoliang	Joint Company Secretary

Brief biographies of each of the directors and senior management are set out on pages 53 to 55 and 57 to 58 in this annual report.

Supervisors

He Wei	Chairman of the Supervisory Committee
Bao Hongxiang	Supervisor
Jin Jun	Employee Supervisor
Zheng Hongyi	Employee Supervisor (resigned on 26 August 2021)

Brief biographies of each supervisor are set out on pages 55 to 56 in this annual report.

Directors' and supervisors' interests in the share capital of the Company

As at 31 December 2021, the interests of Directors, supervisors and chief executives of the Company and their associates in the equity or debt securities of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares and underlying shares of the associated corporations of the Company:

Name	Position	Class of share	Capacity in which shares were/are held	Number of shares bought/sold or involved	Percentage of issued shares in class	Percentage in the total share capital
					%	%
He Wei	Chairman of the Supervisory Committee	H share of the Company	Beneficial owner	100,000 (Long Position)	0.00	0.00
Jin Jun	Employee supervisor	H share of the Company	Beneficial owner	60,000 (Long Position)	0.00	0.00

Confirmations of independence from independent non-executive directors

The Company has received the annual written confirmations of independence from all independent non-executive directors in 2021, namely Mr. Zong Qingsheng, Mr. Leung Wai Lap, Philip, and Mr. Hu Yiguang. They are independent in the view of the Company.

Directors' and supervisors' service contracts

None of directors nor supervisors proposed to be re-elected at the forthcoming annual general meeting have entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' and supervisors' interests in contracts

Except for service contract, none of the directors or supervisors of the Company has direct or indirect material interests in any important contract entered into by the Company or any of its subsidiaries and JCEs during the year ended 31 December 2021.

Remunerations of directors and supervisors

Details of the remunerations of the directors and supervisors of the Company are set out in note 9 to the audited financial statements.

Five highest-paid individuals

Information on the five highest-paid individuals of the Company is set out in note 10 to the audited financial statements.

Employees

As at 31 December 2021, Dongfeng Motor Group had a total of 122,061 full-time employees. The number of employees in various divisions and their percentage of the total number of employees are as follows:

Division	**No. of Employees**	**Percentage of Total**
		(%)
Manufacturing workers	75,234	61.64%
Engineering and technology	17,828	14.60%
Management	28,386	23.26%
Services	613	0.50%
Total	122,061	100.00%

The remuneration package of Dongfeng Motor Group's employees includes salary, bonuses and allowances. In accordance with the relevant national and local laws and regulations on labour and social welfare, each member of Dongfeng Motor Group is required to pay in respect of each of its relevant employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, occupational injury insurance and maternity insurance.

Retirement benefits

Details of the retirement benefits provided by the Group are set out in note 7 to the audited financial statements for the year.

Management contracts

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into with any person, firm or legal person during the year ended 31 December 2021.

Directors' and supervisors' interests in competing businesses

None of the directors of the Company or their associates own any interests in businesses which compete or are likely to compete with the businesses of the Group nor have other interest conflicts with the Group.

Compliance with non-competition agreement

The Company has received from Dongfeng Motor Corporation a written confirmation confirming that during the year ended 31 December 2021, it had complied with Non-competition Agreement signed with the Company.

Public float

As at the date of this report, on the basis of publicly available information and to the best knowledge of the Company and its directors, more than 25% of the Company's total issued share capital is held by the public (as defined in the Listing Rules of the Stock Exchange of Hong Kong).

IV. CONNECTED TRANSACTIONS

For the year ended 31 December 2021, the continuing connected transactions between Dongfeng Motor Group and Dongfeng Motor Corporation and its associates (as defined under the Listing Rules) were as follows (together with the highest annual caps exempted subject to the Listing Rules):

(Unless otherwise specified, the following connected transaction amounts of Dongfeng Motor Group (including joint ventures) are prepared on a full consolidated basis (before adjustment on a proportionate consolidated basis))

1. *Trademarks Licensing*

Date:	29 October 2005
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Dongfeng Motor Corporation granted to Dongfeng Motor Group a non-exclusive right to use certain trademarks owned by and registered in the name of Dongfeng Motor Corporation in order to ensure the commercial activities of the Company, including sales of products, are in compliance with the applicable laws and regulations
Term:	Ten years from 7 December 2005 to 6 December 2015 (the agreement has been automatically renewed for another ten years upon its expiration of the ten-year term)
Pricing:	Nil

2. *Social Insurance Funds*

For the year ended 31 December 2021, Dongfeng Motor Group made payments to the following funds or schemes through the accounts of Dongfeng Motor Corporation according to the applicable laws and regulations in the PRC: (1) basic pension fund; (2) supplementary pension fund; (3) medical insurance; (4) unemployment insurance; and (5) housing provident fund (collectively called “Social Insurance Funds”).

3. *Master Auto Parts Sales Agreement*

On 28 December 2019, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a master agreement (the "Master Auto Parts Sales Agreement") in relation to sales of auto parts and other products, the principal terms of which are set out below.

Date:	28 December 2019
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Master Auto Parts Sales Agreement, Dongfeng Motor Group agreed to sell and procure its subsidiaries to sell auto parts and other products (including, amongst others, fuel tank, exhaust pipes, mounting and other auto parts of commercial vehicles) to Dongfeng Motor Corporation and its subsidiaries. During the term of the Master Auto Parts Sales Agreement, Dongfeng Motor Group may from time to time enter into definitive written agreement(s) with Dongfeng Motor Corporation and/or its subsidiaries in relation to sales of auto parts and other products (including, amongst others, fuel tank, exhaust pipes, mounting and other auto parts of commercial vehicles) to Dongfeng Motor Corporation and/or its subsidiaries, based on both parties' production plan and actual needs
Term:	Three years from 1 January 2020 to 31 December 2022 (both days inclusive)
Pricing:	The transactions under the Master Auto Parts Sales Agreement will be conducted in the ordinary and usual course of business and on normal commercial terms and such terms and conditions will be negotiated on an arm's length basis and will be no less favourable than those available from independent third parties of the Company

The proposed annual caps for sales of auto parts to Dongfeng Motor Corporation and its subsidiaries for the year 2021 was approximately RMB300 million. For the year ended 31 December 2021, the annual actual amount for Dongfeng Motor Corporation and its subsidiaries' purchase of auto parts was approximately RMB3 million.

4. ***Master Auto Parts Procurement Agreement***

On 28 December 2019, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a master agreement (the "Master Auto Parts Procurement Agreement") regarding the procurement of auto parts and other products for the Group, the principal terms of which are set out below.

Date:	28 December 2019
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Master Auto Parts Procurement Agreement, Dongfeng Motor Corporation agreed to provide and procure its subsidiaries to provide auto parts and other products (including, amongst others, event data recorders, electronic products and other customised auto parts) to the Group based on the production plan and actual needs of the Group. During the term of the Master Auto Parts Procurement Agreement, the Group may from time to time enter into definitive agreement(s) with Dongfeng Motor Corporation and/or its subsidiaries in relation to procurement of auto parts and other products (including, amongst others, event data recorders, electronic products and other customised auto parts) for the Group
Term:	Three years from 1 January 2020 to 31 December 2022 (both days inclusive)
Pricing:	The purchase prices to be payable by Dongfeng Motor Group under the Master Auto Parts Procurement Agreement are determined with reference to the market price of comparable products which are available on an arm's length basis and on terms no less favourable than those provided by at least two independent suppliers for comparable products

The proposed annual caps for procurement of auto parts from Dongfeng Motor Corporation and its subsidiaries for the year 2021 was approximately RMB499 million. For the year ended 31 December 2021, the annual actual amount of procurement of auto parts from Dongfeng Motor Corporation and its subsidiaries was approximately RMB338 million.

5. *Master Logistics Services Agreement*

On 28 December 2019, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a master agreement in relation to provision of logistics services (the "Master Logistics Services Agreement"), the principal terms of which are set out below.

Date:	28 December 2019
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Master Logistics Services Agreement, Dongfeng Motor Corporation agreed to provide and procure its subsidiaries to provide logistics services to the Group. During the term of the Master Logistics Services Agreement, Dongfeng Motor Group may from time to time enter into individual agreement(s) or sales orders with Dongfeng Motor Corporation and its subsidiaries in relation to provision of logistics services to the Group
Term:	Three years from 1 January 2020 to 31 December 2022 (both days inclusive)
Pricing:	The price under the Master Logistics Services Agreement will be agreed within the range of the government-guided price (if any) prescribed or approved by state or local price control department and where there is no government-guided price, at market price

The proposed annual caps for the logistics services provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group for the year 2021 is approximately RMB8,500 million. For the year ended 31 December 2021, the annual actual amount for Logistics Service provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group was approximately RMB6,066 million.

6. Master Automobile Inspection Services Agreement

On 28 December 2019, Dongfeng Motor Group and Dongfeng Motor Corporation entered into the master technology consultancy and automobile inspection services agreement (the "Master Automobile Inspection Services Agreement"), the principal terms of which are set out below.

Date:	28 December 2019
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Master Automobile Inspection Services Agreement, Dongfeng Motor Group agrees to engage Dongfeng Motor Corporation and its subsidiaries for provision of technology consultancy and vehicle inspection services. During the term of the Master Automobile Inspection Services Agreement, Dongfeng Motor Group may from time to time enter into definitive written agreement(s) with Dongfeng Motor Corporation and its subsidiaries in relation to the provision of technology consultancy and vehicle inspection services to the Group, subject to the terms and conditions of and in compliance with the Master Automobile Inspection Services Agreement
Term:	Three years from 1 January 2020 to 31 December 2022 (both days inclusive)
Pricing:	The price will be determined with reference to the market prices for comparable services which are available on an arm's length basis and on terms no less favourable than those provided by at least two independent service providers for services of the same type and comparable quality

The annual caps of payment by Dongfeng Motor Group to Dongfeng Motor Corporation and its subsidiaries for the provision of vehicle inspection services by Dongfeng Motor Corporation and its subsidiaries are approximately RMB500 million for the year 2021. For the year ended 31 December 2021, the annual actual amount for vehicle inspection services provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group was approximately RMB490 million.

7. ***Financial Services Master Agreement***

On 28 December 2019, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a financial services master agreement (the "Financial Services Master Agreement"), the principal terms of which are set out below.

Date:	20 December 2019
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Financial Services Master Agreement, Dongfeng Motor Group agreed to provide and procure its subsidiaries to provide financial services to Dongfeng Motor Corporation and its subsidiaries. The parties may from time to time enter into individual financial services agreement in compliance with the principles set out in the Financial Services Master Agreement. Services to be provided by Dongfeng Motor Group to Dongfeng Motor Corporation and its subsidiaries include (i) treasury services, including budget management, settlement, fund allocation and depository; (ii) financing services, including lending, discount, acceptance and factoring; and (iii) financial services in relation to the automobile products of Dongfeng Motor Corporation, including consumer facilities, buyer facilities and leasing
Term:	Three years from 1 January 2020 to 31 December 2022 (both days inclusive)
Pricing:	Financial services to be provided under the Financial Services Master Agreement will be charged at (i) the government-prescribed prices approved by the state or local government; (ii) where there is no government prescribed price but where there is a government guidance price, the government-guidance prices; and (iii) where there is neither a government prescribed price nor a government-guidance price, the market prices; and/or (iv) at rates determined on an arm's length and reasonable basis and comply with the applicable policies and requirements stipulated by the relevant financial regulatory authorities from time to time and other applicable laws, rules and regulations of the PRC

The proposed annual cap for the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Corporation and its subsidiaries to the Company of the year 2021 was RMB1,000 million. As at 31 December 2021, the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group were approximately RMB269 million.

8. ***Deposit Agreement***

On 28 December 2019, Dongfeng Motor Group has entered into the deposit agreement (the "Deposit Agreement") with Dongfeng Nissan Auto Finance Co., Ltd. regarding the procurement of financial services from Dongfeng Nissan Auto Finance, the principal terms of which are set out below.

Date:	28 December 2019
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Nissan Auto Finance Co., Ltd.
Objective:	Pursuant to the Deposit Agreement, Dongfeng Motor Group agreed to purchase and Dongfeng Nissan Auto Finance agreed to provide financial services to the Company and its subsidiaries. The parties may from time to time enter into individual financial services agreement in compliance with the principles set out in the Financial Services Master Agreement. Services to be provided by Dongfeng Motor Group to Dongfeng Nissan Auto Finance and its subsidiaries include (i) placing deposit; (ii) treasury services, including budget management, settlement, fund allocation and depository; (iii) financing services, including lending, discount, acceptance and factoring; and financial services in relation to the automobile products of Dongfeng Nissan Auto Finance Co., Ltd., including consumer facilities, buyer facilities and leasing
Term:	Three years from 1 January 2020 to 31 December 2022 (both days inclusive)
Pricing:	Financial services to be provided under the Deposit Agreement will be charged at (i) the government prescribed prices approved by the state or local government; (ii) where there is no government-prescribed price but where there is a government guidance price, the government-guidance prices; and (iii) where there is neither a government prescribed price nor a government guidance price, the market prices; and/or (iv) at rates determined on an arm's length and reasonable basis and comply with the applicable policies and requirements stipulated by the relevant financial regulatory authorities from time to time and other applicable laws, rules and regulations of the PRC.

The maximum balance of Deposits maintained by Dongfeng Motor Group with Dongfeng Nissan Auto Finance Co., Ltd. shall not exceed RMB2,800 million on any given day for the year 2021. As at 31 December 2021, the outstanding amount of the deposits placed by Dongfeng Motor Group with Dongfeng Nissan Auto Finance Co., Ltd. was RMB1,000 million.

9. *Master Land Lease*

(1) *On 28 December 2019, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a master land lease (the "Master Land Lease"), the principal terms of which are set out below.*

Date:	Date: 28 December 2019
Parties:	(1) Dongfeng Motor Group (excluding Dongfeng Motor Co., Ltd.) (2) Dongfeng Motor Corporation
Subject matter:	Pursuant to the Master Land Lease, Dongfeng Motor Corporation agreed to lease and procure its subsidiaries to lease the land located in Hubei Province (the "Land") to Dongfeng Motor Group and Dongfeng Motor Group agreed to lease the Land from Dongfeng Motor Corporation and its subsidiaries to meet its production and operational needs. The parties will enter into individual land lease for each leased Land pursuant to the terms and conditions of the Master Land Lease. The transactions contemplated under the Master Land Lease and the individual land leases will at all times be conducted subject to and in accordance with the Listing Rules and the applicable guidelines, rules and regulations of the Stock Exchange
Lease term:	Three years from 1 January 2020 to 31 December 2022 (both days inclusive); and three months before the lease term expires, the parties may negotiate to extend or renew the Master Land Lease
Rental:	The annual rental amount paid by Dongfeng Motor Group will not exceed the Proposed Cap. The rental amounts for the Master Land Lease were determined by the parties to the individual land lease on arm's length basis. During the term of the Master Land Lease (as extended or renewed thereafter), the rental amount may be adjusted every three years since the relevant dates of the individual land lease subject to negotiation and agreement between the parties, which will be no more than the fair market value of the leased land as determined by an independent valuer jointly engaged by both parties. During the term of the Master Land Lease, rental payments shall be made semi-annually and within 10 days after half of or the whole calendar year (i.e. 30 June or 31 December). If Dongfeng Motor Group fails to meet their payment obligations under the Master Land Lease, it will pay to Dongfeng Motor Corporation or its subsidiaries a fine on a daily basis at the rate of 5% until the outstanding payment has been made
Sublet:	Without written consent from Dongfeng Motor Corporation or its subsidiaries, Dongfeng Motor Group shall not sublet the land or assign any rights or obligations under the Master Land Lease. And the land shall be used according to the purpose as set out in the Master Land Lease

The annual cap of the net value of right-of-use assets arised from leasing by Dongfeng Motor Group from Dongfeng Motor Corporation was approximately RMB2,500 million in 2021. For the year ended 31 December 2021, the net value of right-of-use assets arised from leasing by Dongfeng Motor Group to Dongfeng Motor Corporation was approximately RMB1,520 million.

(2) Lease land between Dongfeng Motor Co., Ltd. and Dongfeng Motor Corporation

Date:	From 2003 to 2053
Parties:	(1) Dongfeng Motor Co., Ltd. (2) Dongfeng Motor Corporation
Lease Term:	50 years
Pricing:	Dongfeng Motor Co., Ltd. leases land parcels from Dongfeng Motor Corporation for ordinary production and operation
Pricing:	At fair market rate

The Company and the Stock Exchange have agreed that the abovementioned transactions will comply with the annual reporting requirements under Rule 14A.71 of the Listing Rules, and the Company will only disclose annual total amounts of transactions pursuant to waivers stated in the following paragraphs (i) and (iv). It was due to the fact that disclosure of consideration for each transaction of each joint venture may constitute a disclosure of commercial sensitive information of the joint ventures and is not in the interests of the Company nor the joint ventures.

In addition, with respect to transactions mentioned in the following paragraphs (ii) and (iii), disclosing total consideration and additional terms in compliance with Rule 14A.71(4) of the Listing Rules will constitute a disclosure of commercial sensitive information of the joint ventures and is not in the interests of the Company nor the joint ventures. In this regard, the Company has applied to the Stock Exchange for, and has been granted with, a waiver from strict compliance with the requirements under Rule 14A.71(4) of the Listing Rules during each of the transaction periods.

Annual caps of the abovementioned transactions determined in accordance with the requirements stipulated in Rule 14A.53(2) of the Listing Rules will not be in the interests of the Company and relevant joint ventures. In this regard, the Company has applied to the Stock Exchange for, and has been granted with, a waiver from strict compliance with the requirements under Rule 14A.53(2) of the Listing Rules during each of the transaction periods.

For the year ended 31 December 2021, the total net value of right-of-use assets arising from leasing by Dongfeng Motor Company Limited to Dongfeng Motor Corporation was approximately RMB554 million.

10. Mutual Supply between Dongfeng Motor Group and Dongfeng Hongtai Wuhan Holdings Group Limited

Date:	28 November 2006
Parties:	Dongfeng Motor Group Dongfeng Hongtai Holdings Group Limited
Term:	The agreement has been effective from 28 November 2006 and is a continuing contract terminable by agreement between the parties on the occurrence of certain events such as the bankruptcy or reorganisation of a party
Objective:	Dongfeng Motor Group sells whole vehicles and purchases auto parts such as seats for assembly through the whole vehicles selling network of Dongfeng Hongtai. Dongfeng Hongtai purchases related auto parts for assembly from Dongfeng Motor Group
Pricing:	The consideration shall be determined on the following basis: (a) at market price (b) on normal commercial terms

On 22 December 2008, Dongfeng Motor Group was informed by Dongfeng Motor Corporation that Dongfeng Motor Corporation acquired 91.25% interest in Dongfeng Hongtai. As of 31 December 2021, Dongfeng Motor Corporation still owned 87.24% interests in Dongfeng Hongtai. Dongfeng Motor Corporation, being a substantial shareholder of Dongfeng Motor Group. Dongfeng Hongtai, having become a non-wholly-owned subsidiary of Dongfeng Motor Corporation, has also become a connected person and the associate of a connected person of the Company within the meaning of the Listing Rules. As a result, the ongoing transactions contemplated under the Mutual Supply Agreement between Dongfeng Motor Group and Dongfeng Hongtai have become continuing connected transactions of the Company.

As of 31 December 2021, the total consideration paid by Dongfeng Motor Group to Dongfeng Hongtai for purchases of vehicle and auto parts from Dongfeng Hongtai was RMB2,252 million and the total amount paid by Dongfeng Hongtai to Dongfeng Motor Group for purchases of vehicle and auto parts from Dongfeng Motor Group was RMB396 million.

11. Whole Vehicle Sales Agreement

Date:	1 February 2021
Parties:	Dongfeng Motor Group Dongfeng Nissan Financial Leasing Co., Ltd.
Term:	Three years from 1 February 2021 to 31 December 2023 (both days inclusive)
Objective:	Dongfeng Motor Group and its subsidiaries sell whole vehicles to Dongfeng Nissan Financial Leasing Co., Ltd. in accordance with the conditions and methods agreed in this agreement.
Pricing:	The prices of the whole vehicles are determined based on the market price and on an arm's length and reasonable basis. The payment period (such as monthly payment or quarterly payment, etc.) shall be agreed on in the specific supply agreement in accordance with the principle of fairness and reasonableness and the ordinary commercial practice. For Dongfeng Motor Group, the terms of the specific supply agreement shall not be inferior to those received from an independent third party.

As of 31 December 2021, Nissan (China) Investment Co., Ltd. holds 50% equity of Dongfeng Motor Co., Ltd., which is a jointly controlled entity of Dongfeng Motor Group and is also regarded as a subsidiary of the Company. Dongfeng Nissan Financial Leasing Co., Ltd. is a subsidiary of Nissan (China) Investment Co., Ltd., and is the associate of the major shareholders of the subsidiary of Dongfeng Motor Group, and therefore constitutes a connected person at the subsidiary level of the Company in accordance with the Listing Rules. Therefore, the transactions involved in the Supply and Entrusted Loans Agreement between Dongfeng Motor Group and Dongfeng Nissan Financial Leasing is the continuing related party transactions of the Company.

In 2021, the annual caps for the sale of whole vehicles by Dongfeng Motor Group and its subsidiaries to Dongfeng Nissan Financial Leasing Co., Ltd. amounted to RMB1.9 billion. As of 31 December 2021, Dongfeng Nissan Financial Leasing Co., Ltd. purchased whole vehicles from Dongfeng Motor Group and its subsidiaries with the amount of RMB0 billion.

12. *Provision of Entrusted Loans Agreement*

Date:	1 February 2021
Parties:	Dongfeng Motor Group Dongfeng Nissan Financial Leasing Co., Ltd.
Term:	Three years from 1 February 2021 to 31 December 2023 (both days inclusive)
Objective:	Dongfeng Motor Group and its subsidiaries provide entrusted loans to Dongfeng Nissan Financial Leasing Co., Ltd. in accordance with the conditions and methods agreed in this agreement.
Pricing:	Entrusted loans shall be priced based on market rates (government-prescribed rate or government-guidance rate shall prevail if there is any), an arm's length and reasonable basis and in compliance with the applicable policies and requirements stipulated by the relevant financial regulatory authorities from time to time and other applicable laws, rules and policies of the PRC. For Dongfeng Motor Group, the terms of each specific entrusted loan agreement shall not be inferior to those received from an independent third party.

As of 31 December 2021, Nissan (China) Investment Co., Ltd. holds 50% equity of Dongfeng Motor Co., Ltd., which is a jointly controlled entity of Dongfeng Motor Group and is also regarded as a subsidiary of the Company. Dongfeng Nissan Financial Leasing Co., Ltd. is a subsidiary of Nissan (China) Investment Co., Ltd., and is the associate of the major shareholders of the subsidiary of Dongfeng Motor Group, and therefore constitutes a connected person at the subsidiary level of the Company in accordance with the Listing Rules. Therefore, the transactions involved in the Supply and Entrusted Loans Agreement between Dongfeng Motor Group and Dongfeng Nissan Financial Leasing is the continuing related party transactions of the Company.

In 2021, the annual caps for the provision of entrusted loans by Dongfeng Motor Group and its subsidiaries to Dongfeng Nissan Financial Leasing Co., Ltd. amounted to RMB2.8 billion. As of 31 December 2021, the total amount of entrusted loans provided by Dongfeng Motor Group and its subsidiaries to Dongfeng Nissan Financial Leasing Co., Ltd. was RMB1.788 billion.

13. Whole Vehicle and Chassis Master Sales Agreement

On 18 June 2021, Dongfeng Motor Group entered into the master agreement on the sales of whole vehicles and chassis (the "**Whole Vehicle and Chassis Master Sales Agreement**") with Dongfeng Motor Corporation. The principal terms are set out below.

Date:	18 June 2021
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	According to the Whole Vehicle and Chassis Master Sales Agreement, during the validity period of this agreement, Dongfeng Motor Group and its subsidiaries should provide Dongfeng Motor Corporation and its subsidiaries with whole vehicles and/or chassis in accordance with the conditions agreed in this agreement.
Term:	From 18 June 2021 to 31 December 2023 (both days inclusive)
Pricing:	The prices of the whole vehicles and/or chassis are determined based on the market price or/and on an arm's length and reasonable basis. The payment period (such as monthly payment or quarterly payment, etc.) shall be agreed on in the specific supply agreement in accordance with the principle of fairness and reasonableness and the ordinary commercial practice, and ensure that for Dongfeng Motor Group, the terms of the specific supply agreement shall not be inferior to those received from an independent third party.

In 2021, the proposed annual caps for the sales of whole vehicles and chassis to Dongfeng Motor Corporation and its subsidiaries amounted to approximately RMB1.5 billion. As of 31 December 2021, the actual amount paid by Dongfeng Motor Corporation and its subsidiaries for purchasing whole vehicles and chassis was approximately RMB71 million.

14. For the year ended 31 December 2021, the continuing connected transactions relating to the joint ventures include:

The following are additional continuing connected transactions of Dongfeng Motor Group as a result of the Stock Exchange's requirement that its existing and future joint ventures be regulated in a manner consistent with the regulation of subsidiaries of a listed group.

(i) Purchases of auto parts and production facilities by the Company's joint ventures (including subsidiaries, joint ventures and associates) from their joint venture partners (including their subsidiaries and associates)

During the year ended 31 December 2021, each of Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroën Automobile Co., Ltd., Dongfeng Honda Automobile Co., Ltd, Dongfeng Honda Engine Co., Ltd. and Dongfeng Honda Auto Parts Co., Ltd., (including each of these companies' subsidiaries, joint ventures and associates) regularly purchased auto parts or production facilities from the joint venture partners of the Company in the manner described below and such purchases will continue for the duration of the joint venture term.

Once the joint venture partners have agreed that a joint venture will commence the manufacturing of a new vehicle model, representatives of the joint venture will enter into negotiations with the foreign joint venture partner to determine an agreed price list for each component needed to manufacture that model. Pursuant to the contractual provisions of the applicable joint venture agreement, the negotiations between the relevant representatives of the joint venture and the relevant joint venture partners to determine the agreed price list will always be conducted either directly by the Company, as a joint venture partner, or by the relevant joint venture officers nominated by the Company to do so on behalf of the Company. The Company and its joint venture partners are independent from each other for this purpose; no joint venture partner is in a position to influence the Company to agree to terms which may not be in the joint ventures' and the Company's interest. Pursuant to the operating procedures of the Company, the representatives nominated by the Company have been delegated with the power to approve transactions within the ordinary course of business of a joint venture. However, transactions which are outside the ordinary course of business, material or complex must be reported to and approved by the relevant department of the Company. As such, such negotiations are carried out on arm's length commercial terms.

In respect of such transactions, it will be in the interest of the Company and the joint ventures if there is any alternative that can be obtained from local suppliers on better terms since the purchases of components or production equipment from the Company's joint venture partners involve additional freight costs and taxations.

In respect of such transactions, the joint venture will obtain quotes for equivalent components and production equipment that may be available from local PRC suppliers in order to determine whether viable alternatives can be obtained (1) with the highest quality; (2) in a timely manner; (3) at the most competitive prices. If related products are available, the joint venture will carry out a tender before selecting a supplier. During the process of the tender, the joint venture shall treat the partner and other third party suppliers equally.

As a result, the Company will not purchase any auto parts and production equipment from the joint venture partner if the Company can obtain better terms from other suppliers. After a certain period, fewer auto parts and production equipment will be purchased from the joint venture partner since many alternatives with competitive pricing and quality are available in the PRC. The process described above, known as "localisation", is a stated priority of the joint ventures provided in the relevant joint venture contracts.

The joint ventures (including their subsidiaries, joint ventures and associates) may only purchase auto parts and production equipment from the joint venture partners (including their subsidiaries and associates) if it is unable to obtain auto parts of equivalent quality or of the required specifications at a more favourable price (or otherwise on more favourable terms) from a local supplier. The contracts regarding the purchases of auto parts and production equipment by the joint ventures (including their subsidiaries, joint ventures and associates) from the joint venture partners (including their subsidiaries and associates) must be pre-approved by the Company to ensure that the joint venture only enters into transactions on normal commercial terms or terms which are more favourable to the joint venture.

Therefore, purchases of auto parts and production facilities by the joint ventures (including their subsidiaries, joint ventures and associates) from their joint venture partners (including their subsidiary and associates) constitute continuing connected transactions and were made according to fair and reasonable terms. All of these parameters are set out in the joint venture contracts and will remain in place for the duration of the joint venture term.

For the year ended 31 December 2021, the total consideration paid by the joint ventures (including their subsidiaries, joint ventures and associates) in respect of purchases of auto parts and production facilities from the joint venture partners (including their subsidiaries and associates) was RMB64,591 million.

(ii) Sales of auto parts by Dongfeng Honda Auto Parts Co., Ltd. to Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd.

Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd., both of which are based in Hong Kong and engaged primarily in the import and export of Honda products, are subsidiaries of Honda Motor Co., Ltd.. The sales of auto parts by Dongfeng Honda Auto Parts Co., Ltd. to Honda Trading (China) Co., Ltd. constitute continuing connected transactions. One of the primary reasons for the formation of Dongfeng Honda Auto Parts Co., Ltd. was to manufacture auto parts for sales within the PRC and for export to the companies of Honda group overseas, with the corresponding benefits to such companies due to the economies of scale.

Consequently, Dongfeng Honda Auto Parts Co., Ltd. regularly sells auto parts to Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd.. Such auto parts are then exported by Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd. to Honda Motor Co., Ltd..

Dongfeng Honda Auto Parts Co., Ltd. continued to sell auto parts to Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd. as at 31 December 2021. All existing and future negotiations regarding the sales to Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd. were conducted by a Company representative on behalf of Dongfeng Honda Auto Parts Co., Ltd.. Pursuant to the operating procedures of the Company, the representatives nominated by the Company have been delegated with the power to approve transactions within the ordinary course of business of a joint venture. However, transactions which are outside of the ordinary course of business, material or complex must be reported to and approved by the relevant department of the Company. Therefore, such sales were and will be negotiated on arm's length commercial terms and the consideration for sales of auto parts are based on normal market and commercial terms as agreed on a batch basis and without subject to a framework agreement.

(iii) *Sales of passenger vehicle engines and related auto parts from Dongfeng Honda Engine Co., Ltd. to GAC Honda Automobile Co., Ltd. pursuant to the arrangements among Dongfeng Motor Corporation, Honda Motor Co., Ltd. and Guangzhou Automobile Group Co., Ltd.*

The establishment of Dongfeng Honda Engine Co., Ltd. formed part of the arrangements between Dongfeng Motor Corporation, Honda Motor Co., Ltd. and Guangzhou Automobile Group Co., Ltd.. The primary reason for the formation of Dongfeng Honda Engine Co., Ltd. was to manufacture engines and other related auto parts for sale to GAC Honda Automobile Co., Ltd., Honda Motor Co., Ltd.'s another main automotive manufacturing joint venture in the PRC. Dongfeng Motor Corporation's interests in Dongfeng Honda Engine were subsequently transferred to the Company.

Pursuant to the arrangements among Dongfeng Motor Corporation, Honda Motor Co., Ltd. and Guangzhou Automobile Group Co., Ltd., GAC Honda Automobile Co., Ltd. would only purchase from Dongfeng Honda Engine Co., Ltd. engines and other related auto parts necessary for manufacturing of passenger vehicles for the duration of the joint venture term at such prices as would enable the respective investment returns on Dongfeng Honda Engine Co., Ltd. and on GAC Honda Automobile Co., Ltd. to be proportionate to the initial investment in these two companies (US$60,060,000 in the case of Dongfeng Honda Engine Co., Ltd. and US$139,940,000 in the case of GAC Honda Automobile Co., Ltd.). The equity interests of GAC Honda Automobile Co., Ltd. are equally held between Honda Motor Co., Ltd. and Guangzhou Automobile Group Co. Ltd.. As such, GAC Honda Automobile Co., Ltd. is a connected person of the Company under Rule 14A.07 of the Listing Rules and the sales of related auto parts from Dongfeng Honda Engine Co., Ltd. to GAC Honda Automobile Co., Ltd. constitute continuing connected transactions.

Pursuant to the contractual provisions of the relevant joint venture agreement, the negotiations for the sale of engines and other auto parts between Dongfeng Honda Engine Co., Ltd. and GAC Honda Automobile Co., Ltd. will always be conducted by the joint ventures' officers nominated by the Company on behalf of Dongfeng Honda Engine Co., Ltd.. The Company and its joint venture partner are independent from each other for this purpose, so that no joint venture partner is in a position to influence the Company to agree to terms which may not be in the joint ventures' (and therefore the Company's) interests. Pursuant to the operating procedures of the Company, the representatives nominated by the Company have been delegated with the power to approve transactions within the ordinary course of business of a joint venture. However, transactions which are outside the ordinary course of business, material or complex, must be reported to and approved by the relevant department of the Company. As such, negotiations carried out are on arm's length commercial terms.

As of 31 December 2021, GAC Honda Automobile Co., Ltd. continued to purchase from Dongfeng Honda Engine Co., Ltd. engines and auto parts needed by it.

(iv) *Technology license and technical assistance between the joint ventures and their subsidiaries on the one hand and their joint venture partners on the other hand*

The joint ventures make periodic payments of royalties to the foreign joint venture partners pursuant to the technology licence and technical assistance agreements entered into with the foreign joint venture partners of the Company in respect of existing vehicle models manufactured by the joint ventures. The terms of the agreements relating to technology licences and technical assistance are fixed with reference to the expected life cycle of vehicle models. Technology licence and technical assistance fees are negotiated on arm's length commercial terms. Technology licence and technical assistance between the joint ventures and their subsidiaries on the one hand and their joint venture partners on the other hand constitute a continuing connected transaction.

The terms of all technology licence and technical assistance between the joint ventures, their subsidiaries and their joint venture partners are either governed by an umbrella agreement or separately entered into prior to the introduction of a new vehicle model. For one of the joint ventures, the terms of all technology licence and technical assistance which have been entered into, and which in future will be entered into, between joint venture and its foreign joint venture partners are governed by an umbrella agreement, the agreed form of which was negotiated between the Company and the joint venture partner before the parties established the joint venture and agreed by the time the joint venture contract relating to the joint venture was signed. Therefore, the terms of the umbrella agreement were negotiated on an arm's length basis between independent third parties. The umbrella agreement contains detailed terms which govern the determination of consideration for each technology licence to be entered into between the Company and the joint venture partners. The umbrella agreement also provides provisions in relation to the consideration for the technology licensed, which is in the form of a royalty determined in accordance with a fixed formula.

The term of the agreements relating to technology licence and technical assistance are fixed with reference to the expected life cycle of vehicle models.

Pursuant to the contractual provisions of the applicable joint venture agreement, all negotiations relating to technology license and technical assistance between the joint ventures, their subsidiaries and their joint venture partners will only be either done directly by the Company as a joint venture partner, or by the relevant joint ventures' officers delegated by the Company to do so on behalf of the Company. Pursuant to the operating procedures of the Company, the representatives nominated by the Company have been delegated with the power to approve transactions in the ordinary course of business of a joint venture. However, transactions which are outside the ordinary course of business, material or complex must be reported to and approved by the relevant department of the Company. Therefore, such technology license and technical assistance between the joint ventures, their subsidiaries and their joint venture partners were negotiated on arm's length commercial terms.

Generally, the pricing principle for technology license and technical assistance between the joint ventures, their subsidiaries and their joint venture partners and their subsidiaries and associates is that the party providing the technology should be fairly reimbursed for its research and development costs incurred in respect of a particular vehicle model. Furthermore, such research and development costs should be spread evenly over the entire operations of the party providing the technology, and the PRC automotive joint venture should only bear its fair share of such costs.

For the year ended 31 December 2021, the total consideration paid by the joint ventures in respect of purchases of technology license and technical assistance stated above was RMB4,944 million.

In future joint operating periods, such technology license and technical assistance fees will continue to be paid to foreign joint venture partners in accordance with existing umbrella agreements and contracts signed from time to time.

Management Discussion and Analysis

I. OPERATING ENVIRONMENT

2021 marks the start of the “14th Five-Year” Plan. China’s economy has been developing steadily, and the annual GDP growth rate in PRC has increased by 8.1% year on year, with an average growth rate of 5.1% in the two years. The overall economy has maintained a growth trend. The resilience and dynamism of economic development have become more apparent, and major economic indicators have also shown recovering growth.

In 2021, the automotive industry bucked the trend of three consecutive years of declining sales volume and achieved positive growth despite the impact of the resurgence of epidemics in various parts of the world, the decline in global supply chain capacity and the sharp increase in commodity raw material prices. Production and sales for the year were 26,082,200 units and 26,274,800 units, respectively, representing a year-on-year increase of 3.4% and 3.8%, a better-than-expected performance, with production and sales volumes remaining the highest in the world.

The passenger vehicles market maintained growth, with sales of 21,481,500 units throughout the year, a year-on-year increase of 6.5%. Among which, the sales volume of SUV increased by 6.8% year on year, the sales volume of basic vehicles increased by 7.1% year-on-year, and the sales volume of MPV increased by 0.1% year on year.

Affected by the change of national regulations and the decline in demand for the industry environment, the commercial vehicles sales throughout the year were 4,793,300 units, representing a year-on-year decrease of 6.6%. In terms of the production and sales of different models, the sales of buses represented a year-on-year increase of 12.6%, and the sales of trucks represented a year-on-year decrease of 8.5%.

The new energy vehicle market grew strongly, with sales of 3,521,000 new energy vehicles throughout the year, representing a year-on-year increase of 157.5%, among which, the sales of new energy passenger vehicles were 3,334,000, with a year-on-year increase of 167.5%, accounting for 15.52% of total passenger vehicle sales. A total of 186,000 new energy commercial vehicles were sold in the first half of the year, representing a year-on-year increase of 54.0%, accounting for 3.88% of the total commercial vehicle sales.

II. OPERATION ANALYSIS

In 2021, in the face of the complex and volatile external situations, the Group maintained high-quality development in its overall operations throughout the year and achieved a good trend of double increase in revenue and profit as well as double decrease in gearing ratio and interest-bearing liabilities through measures such as seizing the market, tapping internal potentials, actively reducing costs and increasing efficiency, and strengthening resource synergy. The Group achieved sales volume of approximately 2,775,100 units, sales revenue of approximately RMB113,008 million and profit attributable to shareholders of approximately RMB11,387 million for the period.

Affected by the global shortage of chip supply, the sales volume of the passenger vehicle of the Company was approximately 2,252,500 units, representing a year-on-year decrease of approximately 2.6%. Among which, the sales volume of passenger vehicle business of joint ventures was approximately 1,875,100 units, representing a year-on-year decrease of approximately 8.8%.

Affected by the change of national regulations and the decline in industry demand, the sales volume of commercial vehicles of the Group was approximately 522,600 units, representing a year-on-year decrease of approximately 5.8%, which was lower than that of the industry. The commercial vehicle business of the Group has the core independent research and development capabilities of the entire product chain, and the brand of "Longqing" powertrain in commercial vehicles leads the industry in terms of technical performance, with the market share of China VI products for medium and heavy trucks ranking the first in the industry.

The new energy business of the Group has achieved explosive growth this year, with sales volume of new energy vehicles of approximately 160,600 units, representing a year-on-year increase of approximately 263.3%. Among which, the sales volume of new energy passenger vehicles was 143,300 units, representing a year-on-year increase of approximately 313.8%; and the sales volume of new energy commercial vehicles was 17,300 units, representing a year-on-year increase of approximately 80.8%.

III. FINANCIAL ANALYSIS

1. Revenue

The revenue of the Group for 2021 was approximately RMB113,008 million, representing an increase of approximately RMB4,567 million, or approximately 4.2%, as compared with approximately RMB108,441 million for the corresponding period of last year. The increase in revenue was mainly from Dongfeng Motor Group Company Limited Passenger Vehicle Company (Branch), Dongfeng Peugeot Citroën Automobile Sales Co., Ltd., Dongfeng Liuzhou Motor Co., Ltd., VOYAH Automobile Technology Co., Ltd. and Dongfeng Motor Finance Co., Ltd.

	2021	2020
	Sales Revenue	Sales Revenue
	RMB million	*RMB million*
		(Restated)
Passenger vehicles	**32,548**	16,941
Commercial vehicles	**71,250**	83,552
Financing service	**8,576**	7,620
Corporate and others	**1,092**	854
Elimination	**(458)**	(526)
Total	**113,008**	108,441

1.1 Passenger Vehicle Business

The sales revenue of passenger vehicles of the Group for 2021 increased by approximately RMB15,607 million, or approximately 92.1%, to approximately RMB32,548 million from approximately RMB16,941 million for the corresponding period of last year. The increase in revenue was mainly from the passenger vehicles business of Dongfeng Peugeot Citroën Automobile Sales Co., Ltd., Dongfeng Motor Group Company Limited Passenger Vehicle Company (Branch) and Dongfeng Liuzhou Motor Co., Ltd..

1.2 Commercial Vehicle Business

Affected by the change of the China VI regulations and the decline in industry demand, the sales revenue of commercial vehicle business of the Group for current period was approximately RMB71,250 million, representing a decrease of approximately RMB12,302 million or a decrease of approximately 14.7% from approximately RMB83,552 million for the corresponding period of last year. The decrease in revenue was mainly from Dongfeng Commercial Vehicle Co., Ltd., the commercial vehicle business of Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Special Commercial Vehicle Co., Ltd..

1.3 Auto Financing Service Business

Finance company of the Group coordinated development, carried out financial business transformation, extended the value exploration of the automotive aftermarket, and improved the sales support for the automobiles business, with the overall financial business maintaining a stable but upward trend.

The revenue of financing service business of the Group for 2021 increased by approximately RMB956 million, or approximately 12.5%, to approximately RMB8,576 million from approximately RMB7,620 million for the corresponding period of last year. The Group's financing service business maintained its steady growth.

2. Cost of Sales and Gross Profit

The total cost of sales of the Group for 2021 was approximately RMB98,818 million, representing an increase of approximately RMB6,189 million, or approximately 6.7%, as compared with approximately RMB92,629 million of the corresponding period of last year. The total gross profit was approximately RMB14,190 million, representing a decrease of approximately RMB1,622 million, or approximately 10.3%, as compared with approximately RMB15,812 million of the corresponding period of last year. The comprehensive gross profit margin for current period was approximately 12.6%.

3. Other Income

The total other income of the Group for 2021 amounted to approximately RMB5,024 million, representing an increase of approximately RMB223 million compared with approximately RMB4,801 million of the corresponding period of last year.

The increase in other income was mainly due to: 1. Dividends from Stellantis and Faurecia; 2. investment income from the disposal of Xiaokang shares; and 3. the effect of debt restructuring income from Dongfeng Motor (Wuhan) Co., Ltd. in the previous year.

4. Selling and Distribution Expenses

The selling and distribution expenses of the Group for 2021 increased by approximately RMB698 million to approximately RMB5,741 million from approximately RMB5,043 million of the corresponding period of last year.

The increase in selling and distribution expenses was mainly due to: 1. an increase in advertising and promotion expenses for the launch of new models such as Yixuan MAX, T5 EVO and VOYAH FREE; 2. an increase in market development expenses for the high-end VOYAH brand adopting the direct marketing model.

5. Administrative Expenses

The administrative expenses of the Group for 2021 increased by approximately RMB604 million to approximately RMB5,198 million from approximately RMB4,594 million of the corresponding period of last year.

The increase in administrative expenses was mainly due to: 1. the increase in depreciation, amortisation and staff remuneration as a result of increased sales volumes; 2. the withdrawal of various concession measures for the pandemic in 2021.

6. Net Impairment Losses on Financial Assets

The net impairment losses on financial assets of the Group for the interim period of 2021 increased by approximately RMB538 million to approximately RMB1,900 million from approximately RMB1,362 million in the corresponding period last year.

The increase in net impairment losses on financial assets was mainly due to an increase in provision for impairment of financial business of Dongfeng Motor Finance Co., Ltd..

7. Other Expenses

The other expenses of the Group for 2021 amounted to approximately RMB6,954 million, representing a decrease of approximately RMB1,722 million as compared with approximately RMB8,676 million of the corresponding period of last year.

The decrease in net of other expenses was mainly due to the fact that the Group proactively disposed the non-performing and inefficient assets and made impairment loss on assets of Dongfeng Getrag Transmission Co., Ltd. and impairment loss on assets of Dongfeng Motor (Wuhan) Co., Ltd. in the same period of the previous year.

The Group focused on areas such as new energy, automatic driving, electronic and electrical architecture and software, and automotive styling and design, and continued to increase its investment in research and development, representing a year-on-year increase of 8.4%.

8. Finance Expenses

The finance expenses of the Group for 2021 amounted to approximately RMB265 million, representing a decrease of approximately RMB941 million as compared with approximately RMB1,206 million of the corresponding period of last year.

The decrease in financial expenses in current period was mainly due to the increase in exchange gains on foreign currency borrowings as a result of fluctuations in the Euro to RMB exchange rate.

9. Share of Profits and Losses of Joint Ventures

Share of profits and losses of joint ventures of the Group for 2021 increased by approximately RMB2,305 million to approximately RMB11,800 million, from approximately RMB9,495 million of the corresponding period of last year. The main reasons for the change were that: 1. Dongfeng Peugeot-Citroën Automobile Company Ltd. recorded a decrease in loss of RMB652 million as a result of a substantial increase in sales volume; 2. Dongfeng Honda Automobile Co., Ltd. recorded an increase of RMB505 million over the corresponding period; 3. Dongfeng Motor (Wuhan) Co., Ltd. recorded an increase of RMB893 million over the corresponding period (formerly Dongfeng Renault Automotive Company Limited recorded a loss of RMB893 million in the previous year).

10. Share of Profits and Losses of Associates

Share of profits and losses of associates of the Group for 2021 amounted to approximately RMB1,804 million, representing a decrease of approximately RMB1,156 million as compared with that of approximately RMB2,960 million of the corresponding period of last year, which mainly due to: 1. the investment income of PSA Group of RMB1,953 million in the corresponding period of the previous year, and the equity interest held by the Group in Stellantis is included in the owner's equity based on changes in fair value; 2. the investment income of T3 Fund held by the Group of approximately RMB679 million in the current year, representing an increase of RMB615 million over the corresponding period; 3. the increase of RMB139 million in the investment income of Dongfeng Nissan Auto Finance Co.,Ltd. over the corresponding period.

11. Income Tax Expense

The income tax expense of the Group for 2021 decreased by approximately RMB235 million to approximately RMB1,385 million from approximately RMB1,620 million in the corresponding period of last year. The effective tax rate for the period was approximately10.85%.

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

The profit attributable to the equity holders of the Group for 2021 was approximately RMB11,387 million, representing an increase of approximately RMB629 million, or approximately 5.8% as compared with that of approximately RMB10,758 million of the corresponding period of last year. The net profit margin (a percentage of profit attributable to the equity holders of the Company to total revenue) was approximately 10.1%, representing an increase of approximately 0.2 percentage point as compared with approximately 9.9% of the corresponding period of last year. The return on net assets (a percentage of profit attributable to equity holders of the Company to average equity attributable to equity holders of the Company) was approximately 8.0%, representing a slight decrease as compared with approximately 8.2% of the corresponding period of last year.

13. Total Assets

Total assets of the Group for 2021 amounted to approximately RMB319,767 million, representing an increase of approximately RMB2,458 million, or 0.8%, as compared with RMB317,309 million as at the end of the last year. This was mainly due to an increase of RMB8,693 million in cash and and cash equivalents, pledged bank balances and deposits and financial assets at fair value through profit or loss, an increase of RMB5,809 million in investments in joint ventures/associates and equity investments at fair value through other comprehensive income, a decrease of RMB5,509 million in loans granted by financial businesses, a decrease of RMB3,769 million in trade receivables and bills receivable.

14. Total Liabilities

Total liabilities of the Group for 2021 amounted to approximately RMB167,703 million, representing a decrease of approximately RMB8,369 million or 4.8% as compared with approximately RMB176,072 million at the end of the last year. The decrease was mainly due to a decrease in interest-bearing liabilities of RMB15,968 million, a decrease in trade payables of RMB1,799 million and a decrease in bills payable of RMB8,045 million, an increase in deposits received by finance companies from joint ventures of RMB15,693 million.

15. Total Equity

Total equity of the Group for 2021 amounted to approximately RMB152,064 million, representing an increase of approximately RMB10,827 million or 7.7% as compared with approximately RMB141,237 million as at the end of last year. Equity attributable to equity holders of the Company amounted to approximately RMB147,342 million, representing an increase of approximately RMB11,439 million as compared with approximately RMB135,903 million as at the end of last year.

16. Liquidity and Sources of Capital

	Twelve months ended 31 December 2021 *(RMB million)*	Twelve months ended 31 December 2020 *(RMB million)* (Restated)
Net cash flows generated from operating activities	**8,843**	1,111
Net cash flows generated from investment activities	**5,343**	11,434
Net cash flows (used in)/generated from financing activities	**(11,234)**	7,708
Net increase in cash and cash equivalents	**2,952**	20,253

The Group's net cash flows generated from operating activities was approximately RMB8,843 million. The amount mainly consisted of: (1) profit before taxation amounted to approximately RMB12,760 million, net of depreciation, impairment and other non-cash items; (2) increase in cash flow of RMB1,097 million due to lower balances of inventories; (3) increase in cash flow of RMB9,561 million due to lower balances of trade receivables and prepaid deposits; (4) decrease of trade payables, payable bills and other payables and accruals by approximately RMB10,792 million; (5) decrease of income tax payment by approximately RMB2,365 million.

The Group's net cash flows generated from investment activities was approximately RMB5,343 million. The amount mainly consisted of: (1) receipt of dividend from joint ventures and associates, representing an increase of approximately RMB9,568 million; (2) expense in the purchase of property, plant and equipment and intangible assets of RMB6,648 million; (3) receipt of cash from disposal of stocks and equity of RMB6,667 million; (4) increase of structured deposits and wealth management products by RMB4,912 million.

The Group's net cash flows used in financing activities was approximately RMB11,234 million. This amount mainly reflected: (1) increase of bank borrowings and bonds, resulting in a cash inflow of approximately RMB22,908 million; (2) repayment of bank borrowings and bonds, resulting in a cash outflow of approximately RMB29,741 million; (3) dividend distribution of RMB4,452 million.

As a result of the above, the Group's cash and cash equivalents (excluding non-pledged time deposits with original maturity of three months or more when acquired) amounted to approximately RMB49,030 million as at 31 December 2021, representing an increase of approximately RMB2,634 million as compared with approximately RMB46,396 million as at 31 December 2020. Cash and bank balances (including non-pledged time deposits with original maturity of three months or more when acquired) amounted to approximately RMB50,270 million, representing an increase of approximately RMB2,611 million as compared with approximately RMB47,659 million as at 31 December 2020.

The Group's inventory turnover days was 42 days as at 31 December 2021, a decrease of 8 days compared to the same period last year. The turnover days for trade receivables was 22 days, a decrease of 12 days compared to the same period last year. The turnover days for bills receivable and receivables financing was 42 days, a decrease of 24 days compared to the same period last year. The turnover days for receivables (including bills receivable and financing receivables) was 64 days, a decrease of 36 days from the same period last year.

17. Major Financial Figures Based on Proportionate Consolidation

Based on proportionate consolidation, the revenue of the Group for 2021 was approximately RMB256,049 million, representing a decrease of approximately RMB4,617 million, or approximately 1.8%, as compared with approximately RMB260,666 million of the corresponding period of last year. Profit before income tax was approximately RMB17,404 million, representing an increase of approximately RMB267 million, or 1.6%, as compared with approximately RMB17,137 million of the corresponding period of last year. Total assets were RMB385,352 million, representing a decrease of approximately RMB15,699 million, or approximately 3.9%, as compared with approximately RMB401,051 million as at the end of last year.

Main Work Experience of Directors, Supervisors and Senior Managers of the Issuer

DIRECTORS

Zhu Yanfeng, Executive Director, Chairman and Secretary of the Party

Mr. Zhu Yanfeng, born in 1961, is a researcher-level senior engineer. He is currently the executive director, Chairman and Secretary of the Party committee of the Company. Mr. Zhu graduated from Zhejiang University in1983 with a Bachelor of Engineering degree in Chemical Automation and Instrumentation. From 1999 to 2002, he studied in Harbin University of Technology and obtained the master's degree in Engineering. He has been working in China No.1 Automobile Manufacturing Plant since 1983, acted as general manager of China No.1 Automobile Group Corporation from 1999 to 2007. He was a member of standing committee and executive vice-governor of Jilin provincial Party committee from 2007 to 2012, the deputy secretary of Jilin Provincial Party Committee from 2012 to 2015, executive director, Chairman and Secretary of the Party Committee of the Company, Chairman and Secretary of the Party committee of Dongfeng Automobile Group Co., Ltd., Chairman of Dongfeng Automobile Co., Ltd. since May 2015. Mr. Zhu is an alternate member of the 16th, 17th and 18th CPC Central Committee and a member of the 13th CPPCC Economic Committee.

Yang Qing, Executive Director and President

Mr. Yang Qing, born in 1966, is a senior engineer with a bachelor's degree in engineering. He has worked at the second steam piston bearing factory since 1988. He has served successively as the deputy section chief and deputy chief engineer of the inspection department, the director, branch secretary of the Party Committee, the duty officer of the department of the steel pipe ring of the piston bearing factory of Dongfeng Motor Corporation, the deputy general manager of Dongfeng Motor Piston Bearing Co., Ltd., the general manager of Dongfeng Auto Fasteners Co., Ltd., general manager of Dongfeng Axle Co., Ltd., executive deputy general manager of Dongfeng Dana Axle Co., Ltd., deputy general manager of Dongfeng Commercial Vehicle Co., Ltd., general manager of Dongfeng Motor Co., Ltd., general manager of Dongfeng Commercial Vehicle Co., Ltd., deputy president of Dongfeng Motor Group Co., Ltd. and general manager of Dongfeng Commercial Vehicle Co., Ltd., member of the of the Standing Committee of the Party Committee and deputy general manager of Dongfeng Motor Group Co., Ltd. and general manager and secretary of the Party Committee of Dongfeng Commercial Vehicle Co., Ltd., and director and deputy secretary of the Party Committee of Dongfeng Motor Group Co., Ltd., and director, general manager and deputy secretary of the Party Committee of Dongfeng Motor Group Co., Ltd.

You Zheng, Executive Director and Vice President

Mr. You Zheng, born in 1968, was elected as the executive director of the Company after approval at the extraordinary general meeting held on 29 November 2019. Mr. You graduated from Jilin Institute of technology in 1990 with a Bachelor of Engineering Degree in Metal Materials and Welding. From 2010 to 2012, he studied in-service in the major of Business Administration for senior managers of Business School of Jilin University and obtained a master's degree in Business Administration. Since 1990, he has been working in an automobile body factory, successively as the head of the manufacturing technology department of First Automobile Works Sedan Company and the director of the second factory of First Automobile Works Volkswagen Sedan Company. From April 2009 to July 2015, he served as deputy director of Planning Department of First Automobile Works. From July 2015 to May 2018, served as the director of product planning and project Department of China First Automobile Group Corporation and the assistant to the general manager of China First Automobile Co., Ltd. Since May 2018, member of the Standing Committee of the Party committee and deputy general manager of Dongfeng Motor Group Co., Ltd.

Main Work Experience of Directors, Supervisors and Senior Managers of the Issuer (Continued)

Huang Wei, Non-Executive Director

Mr. Huang wei, born in 1965, is a senior engineer of researcher level. He is currently the director and deputy secretary of the Party Committee of Dongfeng Motor Group Co., Ltd. Mr. Huang graduated from Shanghai Jiaotong University in July 1986 with a bachelor's degree in marine power machinery, and graduated from Chongqing University in January 1989 with a master's degree in thermal engineering, majoring in thermal engineering. From September 2002 to June 2006, he received on-the-job education in the International Business School of Southwest University of Finance and Economics and obtained a doctorate degree in economics. From January 1989 to April 1991, he worked in the complete set design department of the Dongfang Power Equipment Union Company Limited. From April 1991 to October 1995, he worked in the thermal power department of the import and export company of Dongfang Electric Corporation; from October 1995 to June 2000, he served as deputy general manager and general manager of the import and export company of Dongfang Electric Corporation; from June 2000 to February 2007, he served as deputy general manager of Dongfang Electric Corporation; from February 2007 to September 2008, he served as deputy general manager of State Nuclear Power Technology Corporation; from September 2008 to February 2019, he served as deputy general manager of Dongfang Electric Corporation Limited; from February 2019 to April 2021, he served as director of Dongfang Electric Group Corporation (from June 2009 to April 2021, he concurrently served as director of Dongfang Electric Corporation Ltd.; from June 2017 to May 2019, he concurrently served as senior vice president of Dongfang Electric Corporation Limited), and since June 2021, he has served as director and deputy secretary of the Party Committee of Dongfeng Motor Group Co., Ltd.

Mr. Leung Wai Lap, Philip, Independent Non-Executive Director

Mr. Leung Wai Lap, Philip, born in 1959, is currently an independent non-executive director of the Company. Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants. He graduated from the Hong Kong Polytechnic in 1982, joined Ernst & Young in the same year, became a partner in 1994, and retired from the firm in June 2020. From 1994 to 2019, Mr. Leung served a variety of management positions in Ernst & Young, including Managing Partner of Greater China Markets and Managing Partner of Eastern China Region. He currently serves as independent non-executive director of Dingdong (Cayman) Limited; independent non-executive director (designate) of Zhejiang E-Commerce Bank Co., Ltd., and independent non-executive director of Shanghai Chemical Industry Park Industrial Gases Co.,Ltd. Mr. Leung has extensive experience in corporate restructuring and initial public offerings.

Mr. Zong Qingsheng, Independent Non-Executive Director

Mr. Zong Qingsheng, born in 1959, currently serves as an independent non-executive director of the Company, and is a senior international business engineer. Mr. Zong graduated from Nanjing University in 1982 with a Bachelor's degree in Chinese Language and Literature, and graduated from the HEC (Hautes Etudes Commerciales) Paris in 2007 with a Master's degree in Business Administration. Mr. Zong has successively served as a cadre, chief officer and deputy director of the Ministry of Foreign Economic Relations of the People's Republic of China, personnel bureau and personnel education department of Ministry of Foreign Economic Trade of the People's Republic of China; the director of the organization division and the director of the labour and salary division of the personnel education and labour department of the Ministry of Foreign Economic Cooperation of the People's Republic of China; the director of the president's office of China National Metals and Minerals Import and Export Corporation(中國五金礦產進出口總公司), the general manager of Minmetals Investment & Development Co. Ltd. (五礦投資發展有限責任公司), the general manager, assistant to the president of the investment management department, general manager of the human resources department and secretary of the board of directors of China Minmetals Corporation (中國五礦集團公司).

Hu Yiguang, Independent Non-Executive Director

Mr. Hu Yiguang, born in 1971, currently serves as an independent non-executive director of the Company, he graduated from the school of Law of Renmin University of China and obtained a master's degree in civil law. He is currently a senior partner and managing partner of Beijing Lifang & Partners Law Firm. He served as the perennial legal adviser to the National Railway Administration (國家鐵路局), the Ministry of Human Resources and Social Security of the People's Republic of China, the former Ministry of Railways of the People's Republic of China, China Minsheng Bank Co., Ltd. (中國民生銀行股份有限公司), China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司), China National Commercial Foreign Trade Corporation (中國商業對外貿易總公司) and other government departments as well as large-scale state-owned enterprises, providing them with daily and special legal services. Mr. Hu also serves as an external director of Sinosteel Group Co., Ltd.

SUPERVISORS

He Wei, Chairman of the Board of Supervisors

Mr. He Wei, born in 1963, he is currently a employee supervisor of the Company. Mr. He took part in the work in 1982.From 2002 to 2004, he studied in-service in the Business Administration major of the School of Management of Huazhong University of Science and Technology and obtained a master's degree in Business Administration for senior managers. He has successively served as the director and Deputy Secretary of the Youth League Committee of the Second Automobile Equipment Factory, the secretary of the Secretary Office, deputy-level secretary and general-level Secretary of the Party Committee Office of the Second Automobile Equipment Factory, the director, deputy secretary and secretary of the Youth League Committee of Dongfeng Motor Corporation, the secretary of the Party committee and Discipline Inspection Committee of Dongfeng Motor Fastener Co., Ltd., the general manager of Dongfeng Motor Fastener Co., Ltd., and the deputy general manager of Dongfeng Motor parts business department, deputy secretary of the Party committee, Secretary of the Discipline Inspection Commission, Chairman of the labor union, Secretary of the Party committee, deputy general manager, Secretary of the Discipline Inspection Commission, Chairman of the labor union of the parts business department of Dongfeng Motor Co., Ltd., director of Dongfeng Motor Office (Party Committee Office), director of Dongfeng Motor military products business platform, and director of Dongfeng Motor personnel (cadre) department. Since August 2016, he has been the Deputy Secretary of the Party committee of the Company, and since September 2018, he has been the Chairman of the labor union of Dongfeng Motor Group Co., Ltd.

Main Work Experience of Directors, Supervisors and Senior Managers of the Issuer (Continued)

Jin Jun, Employee Supervisor

Mr. Jin Jun, born in 1967. Mr. Jin obtained a bachelor of engineering degree in machinery manufacturing, technology equipment and automation from Xi'an Jiaotong University. He subsequently took an automotive engineering course at Wuhan University of Technology through on-the-job learning, and obtained a master's degree in engineering. He is a senior engineer. From 1988 to 2002, Mr. Jin served as an equipment technician in the repair workshop of Xinjiang Automobile Factory (新疆汽車廠), deputy head of the chief engineer office, deputy division manager and division manager at the design division, manager of Dongte Company (東特公司), and manager of Urumqi Dongfeng Special Vehicle Co., Ltd. (烏魯木齊市東風特種汽車公司). From 2002 to 2018, Mr. Jin served as deputy secretary of the Party Committee and secretary of the Disciplinary Inspection Committee, chairman of the Labor Union and general manager of Dongfeng Xinjiang Automobile Co., Ltd. (東風新疆汽車有限公司). From 2018 to 2019, Mr. Jin served as the director of the Xinjiang Factory of Dongfeng Commercial Vehicle (Xinjiang) Co., Ltd. (東風商用車新疆有限公司). From 2019 to April 2021, Mr. Jin served as deputy general manager of the personnel (cadres) department, deputy general manager of the human resources department, and deputy head (in charge of work) of the work department of the Party Committee of the Company. Since April 2021, Mr. Jin has served as the head of the work department of the Party Committee and the head of the corporate culture department of the Company.

Bao Hongxiang, Supervisor

Mr. Bao Hongxiang, born in 1959. He graduated from the Infrastructure Economics Department of Liaoning University of Finance and Economics with a bachelor's degree in economics, and then graduated from the Open University of Hong Kong with a master's degree in business administration. From 1984 to 1994, Mr. Bao served as a clerk, section member, chief section member and deputy director of the Adult Education Division of the Personnel and Education Department of the Ministry of Finance. From 1994 to 1999, he served as deputy director of the Comprehensive System Division, director and office director of the Administrative Retirement Division of the Social Security Department of the Ministry of Finance. From 1999 to 2000, he served as the assistant to the special inspector of the General Office of the State Council. From 2000 to 2018, he served as a full-time supervisor of the board of supervisors of key state owned large-scale enterprises. From 2018 to now, He served as director of the United Front Audit Bureau of the National Audit Office.

SENIOR MANAGEMENT

Qiao Yang, Vice President and Finance Director

Mr. Qiao Yang, born in 1962 with a college degree, is currently the vice president of the Company. Mr. Qiao took part in the work in 1982. He has successively held the assistant director and deputy director of Dongfeng Automobile Finance and Accounting Department, general director and secretary of the Party Committee of DFM Finance and Accounting Headquarters, and assistant general manager of DFM. From December 2008 to January 2018, he was the general manager of the Financial Accounting Department of the Company. And since August 2016, he has been the vice president of the Company. Mr. Qiao concurrently serves as the Standing Committee member and deputy general manager of Dongfeng Motor Group Co., Ltd..

Feng Changjun, Vice President, Secretary to the Board

Mr. Feng Changjun, born in 1978, professor senior accountant, is currently the vice president and secretary to the Board of the Company. From July 2001 to January 2007, Mr. Feng served as deputy director of the budget office of the finance and audit department and deputy director of the budget office of the finance department of China South Industries Group Corporation. From January 2007 to March 2010, he served as deputy financial officer, director and deputy general manager of Jinan Qingqi Motorcycle Co., Ltd. From March 2010 to February 2016, he served as deputy director and deputy general manager of the finance department of China South Industries Group Corporation. From February 2016 to June 2020, he served as director, general manager and chairman of Chang'an Automobile Finance Co.,Ltd. He has been the chief accountant of Ounei Dongfeng Motor Co., Ltd. since June 2020, and vice president and Secretary to the Board of the Company since August 2020.

Yin Yaoliang, Secretary of Joint Company

Mr. Yin Yaoliang, born in 1964, joined the Group since 1987, and has been engaged in accounting, financial management, operation management positions and management positions. He has more than 30 years of experience in the daily operations and financial management of the Group. In addition, Mr. Yin currently serves as the deputy director of the board of directors' office and company secretary of the company office.

Main Work Experience of Directors, Supervisors and Senior Managers of the Issuer (Continued)

Yuen Wing Yan, Winnie, Joint Company Secretary

Ms. Yuen Wing Yan, Winnie has been appointed as a joint company secretary of the Company since 31 December 2019 and is responsible for the company secretary services of the Group. Ms. Yuen is currently a director of the corporate services division of Tricor Services Limited ("Tricor"), which is a global professional provider of integrated business, corporate and investor services. Ms. Yuen has over 25 year of experience in corporate services and has provided professional corporate services for listed companies in Hong Kong and multi-national companies, private companies and offshore companies. Ms. Yuen graduated from Lingnan College (currently known as Lingnan University). Ms. Yuen is a Chartered Secretary and a fellow of both of The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Chartered Governance Institute in the United Kingdom. Ms. Ms. Yuen holds a practitioner certificate from the Hong Kong Institute of Chartered Secretaries ("HKICS").

HEADS OF DEPARTMENTS

The general manager of Strategic Planning Department and the Technical Development Department of the Company is Mr. Zhou Feng

The director of the President's Office of the Company (Party Committee Office) is Mr. Zhang Xiaofan

The deputy general manager of the Strategic Planning Department of the Company (responsible for daily operations) is Mr. Zhang Jun

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

The head of the Governance Department (the office of deepening reform and promoting of the Company) is Mr. Guo Tao

The deputy general manager of the International Business Department of the Company (responsible for daily operations) is Mr. Ma Lei

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

The head of the Corporate Culture Department of the Company is Mr. Jin Jun

The deputy director of the Supervisory Department of the Company (Discipline Inspection Committee) is Mr. Chen Tao

The head of the Communist Party Committee Inspection Leading Group Office of the Company is Ms. Xu Liuning

The deputy director of the Staff Relation Department of the Company (responsible for daily operations) is Mr. Sun Sanbao

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

Report of the Supervisory Committee

Dear shareholders,

In 2021, the Supervisory Committee has carried out its supervisory and other duties in accordance with the Company's Articles of Association to ensure the sound, stable and sustainable development of the Company as well as to safeguard the legal interests of all shareholders. It has performed effective supervision, through the inspection of relevant documents and information of the Company, financial reports, and attending meetings of the Board of Directors and the shareholders' general meetings, on the operation status, financial positions, connected transactions and internal control of the Company. The Supervisory Committee expressed the following independent opinion of such matters of the Company during the reporting period:

I. PERFORMANCE OF THE SUPERVISORY COMMITTEE

In 2021, the Supervisory Committee held three meetings, among which two meetings were held in the form of on-site meetings and one meeting was held in the form of video. The number of attended supervisors formed quorums of the meetings as stipulated by the Company Law.

In 2021, the Supervisory Committee has reviewed and approved: the 2020 report of the Supervisory Committee of the Company; the 2020 financial report of the Company, which was audited by PricewaterhouseCoopers Zhong Tian LLP and the 2020 auditor's report of the Company, which was audited by PricewaterhouseCoopers and reviewed and approved by the Audit Committee; the 2020 annual report and preliminary results announcement of the Company; the 2020 profit distribution and payment of dividend proposal of the Company; the 2021 interim report and results announcement of the Company; the special distribution proposal of 2021 dividend of the Company; the triennial audit report and related reports of the Company; the related party transactions during the reporting period; the Internal Control Self-evaluation Report of the Company during the reporting period; the plan of the initial public offering of Renminbi ordinary Shares (A Shares) and listing of the Company; the Extraordinary General Meeting ("EGM") and Shareholders Class Meetings authorize the Board of Directors and persons authorized by the Board of Directors the discretion to deal with the matters in relation to the initial public offering of Renminbi ordinary Shares (A Shares) and listing of the Company; the use of proceeds raised from the initial public offering of Renminbi ordinary Shares (A Shares) and listing and its feasibility analysis report of the Company; the accumulated profits distribution plan prior to the initial public offering of Renminbi ordinary Shares (A Shares) and listing of the Company; the three-year dividend distribution plan for Shareholders after the initial public offering of Renminbi ordinary Shares (A Shares) and listing of the Company; the dilution of immediate returns due to initial public offering of Renminbi ordinary Shares (A shares) and listing and remedial measures of the Company; A Share price stabilization plan within three years after the initial public offering of Renminbi ordinary Shares (A Shares) and listing of the Company; the amendments to the Articles of Association of Dongfeng Motor Group Company Limited; the undertakings as to the initial public offering of Renminbi ordinary Shares (A Shares) and listing of the Company; the amendments to the Rules of Procedure of the Meeting of Supervisory Committee of Dongfeng Motor Group Company Limited; spinning off the financial leasing business.

II. THE INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE LAWFUL OPERATION OF THE COMPANY

During the reporting period, the Supervisory Committee has supervised the convening procedures and resolutions of shareholders' general meetings and meetings of the Board of Directors, the implementation of the resolutions of the shareholders' general meetings by the Board of Directors, the legality and compliance of rules and regulations by the senior management during their performance of duty, and the performance of all control systems of the Company in accordance with relevant laws and regulations of the PRC and listing rules of Stock Exchange and normative documents of the Company for governing legally.

After the supervision on the directors and senior management of the Company, the Supervisory Committee is of the view that the Board of Directors was in compliance with the Company Law, the Securities Law, the Listing Rules of the Stock Exchange of Hong Kong, the Articles of Association of the Company and other relevant laws, rules and regulations and all Directors diligently performed their duties in 2021. The Supervisory Committee also considers that through scientific and democratic decision making of the Board of Directors, the internal management and internal control system of the Company have been further improved and a better internal control mechanism was established. The major decision of the Company was reasonable and procedures of decision-making were in compliance with laws and valid. Most of the Directors and the senior management of the Company complied with the laws, regulations, the Article of Association of the Company and the resolutions passed at the Shareholders' General Meeting and Board Meeting during their performance of duty. They were devoted to performing their duties diligently and precisely and performed their duties cautiously and aggressively.

III. THE INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE OF THE FINANCIAL POSITION OF THE COMPANY

The members of the Supervisory Committee has attended all meetings of the Board during the reporting period, examined the financial system, financial position and internal audit of the Company and reviewed the 2020 annual financial report and 2021 interim financial report of the Company. The Supervisory Committee considers that the financial statements of the Company were prepared in accordance with the Listing Rules, Company Ordinance and International Accounting Principles and Standards. The financial system of the Company was sound and the management measures and internal control system were effective and could ensure the smooth operation and production of the Company. The Supervisory Committee also considers that the 2021 annual financial report gives a full, true and fair view of the operating results and financial position of the Company for the year and that the unqualified opinion in the financial report issued by PricewaterhouseCoopers, the auditors of the Company, are objective and fair.

The Supervisory Committee is of the opinion that the connected transactions between the Company and its connected persons have been conducted at fair market price and on transaction terms, and is not aware of any circumstances prejudicial to the interests of the Company and the shareholders.

In 2021, the Company overcame the adverse effects such as the tight supply of chips, and achieved better operating results and asset conditions than the previous year, which the Supervisory Committee acknowledged. In 2022, the Supervisory Committee will strictly follow the relevant provisions, such as the Company Law, Securities Law and the Articles of Association of the Company and carry out supervision on the performance and conduct of the Board of Directors and senior management in accordance with laws. The Supervisory Committee will also supervise the Company to refine the corporate governance structure based on the requirements of modern enterprise system, in order to enhance the corporate governance level. In addition, the Supervisory Committee will carry out supervision and perform their duties diligently and attend meetings of the Board of Directors according to the law, so as to ensure the decision-making procedures of material matters of the Company to be in compliance with laws and protect the interests of our shareholders. Besides, the Supervisory Committee will continue to enhance its supervision and inspection on the Company through supervising on the financial situation of the Company and maintaining the communication with the internal audit department and external audit institution, etc., facilitate the Company to enhance its internal control to prevent operational risk, and further protect the interests of the Company and our shareholders, in order to consolidate its solid foundation for steady and sustainable development.

By Order of the Supervisory Committee
He Wei
Chairman of the Supervisory Committee
Wuhan, the PRC
29 March 2022

Corporate Governance Report

1. OVERVIEW OF CORPORATE GOVERNANCE

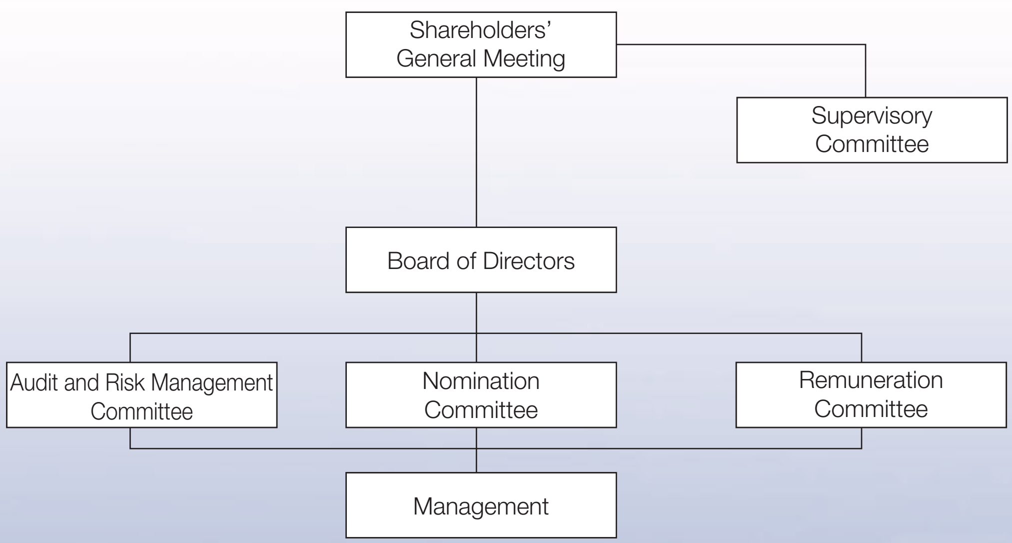
The Company has been in compliance with the Company Law of the People's Republic of China (the "Company Law"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Corporate Governance Code of the Stock Exchange of Hong Kong and the Articles of the Association of the Company, in order to improve its corporate value and bring good return to shareholders. Under the principles of integrity, transparency, openness and efficiency for corporate governance, the Company is dedicated to maintaining a high level of corporate governance so as to ensure its sustainable development in the long run.

The Board of Directors has reviewed the corporate governance practices of the Company and adopted a number of improved practices, details of which are set out in this report. During the financial year ended 31 December 2021, the Company had been in compliance with all Code provisions of the revised Corporate Governance Code as of 31 December 2021 as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. STRUCTURE OF CORPORATE GOVERNANCE

1. General Structure of Corporate Governance

The highest authority of the Company is the shareholders' general meeting. The Board of Directors and the Supervisory Committee are under the supervision of the shareholders' general meeting. The Board of Directors has its Audit and Risk Management Committee (the "Audit Committee"), Nomination Committee and Remuneration Committee. As authorised by the Articles of Association, the Board of Directors is responsible for major business decision and the supervision on daily operation and management of the senior management. The Supervisory Committee is mainly responsible for the supervision on the performance of the Board of Directors and senior management. The Board of Directors and the Supervisory Committee are independently accountable to the shareholders' general meeting.



2. Shareholders and Shareholders' General Meeting

(1) Shareholders

As at 31 December 2021, Dongfeng Motor Group Company Limited, the controlling shareholder of the Company, held approximately 66.86% equity interest in the Company both directly and indirectly. The remaining approximately 33.14% equity interest in the Company was held by public shareholders.

Information of other shareholders and persons who are entitled to exercise 5% or more (class of shares classified into domestic shares and H shares) of the voting power at shareholders' general meeting during the reporting period is set out on page 20 in this annual report.

Dongfeng Motor Corporation, a controlling shareholder of the Company, has exercised its rights and fulfilled its obligations in accordance with laws, and has never, directly or indirectly, interfered with the Company's operations beyond the authorisation of the shareholders' general meetings. The Board of Directors, Supervisory Committee and internal organisations of the Company can operate independently.

(2) Rights of Shareholders

The Company treats all shareholders equally and ensures that shareholders can fully exercise their rights to protect their legal interests. The Company has convened shareholders' general meetings strictly in accordance with laws and regulations. The governance structure of the Company ensures that all shareholders, particularly minority shareholders, enjoy equal rights and bear corresponding obligations.

In addition to the rights provided in the Articles of Association of the Company, pursuant to the Rules of Procedures of Shareholders' General Meeting, our shareholders shall also enjoy the following rights:

1) Two or more shareholders holding in aggregate more than 10% (inclusive) of the shares carrying voting rights at the proposed meeting may sign one or several written requests in the same form requesting the Board of Directors to convene an extraordinary general meeting or a class shareholders' meeting, specifying the matters to be considered at the meeting;

2) Where the Board of Directors fails to issue notice to convene the meeting within 30 days upon the receipt of the written request, the requisitionists may convene a meeting within 4 months from the date of the receipt of the requisitionists by the Board of Directors. The meeting shall be convened by the requisitionists in accordance with the same procedures, as nearly as possible, as that to be followed by the Board of Directors for convening meetings;

3) Where the shareholders decide to convene shareholders' general meeting on their own, they should inform the Board of Directors in writing, and the Board of Directors and the secretary to the Board of Directors shall be cooperative for the purpose of the meeting;

4) When the Company convenes an annual general meeting, shareholder(s) holding more than 5% (inclusive) of the total number of shares of the Company carrying voting rights shall be entitled to propose new motions in writing and explanations to the Board of Directors;

5) Shareholders may raise enquiries about the Company at shareholders' general meeting and, except for trade secrets of the Company which may not be disclosed at the meeting, the chairman of the meeting shall instruct the directors, supervisors or other attendees to answer such enquiries;

6) A shareholder or shareholders present in person or by proxy holding shares, severally or jointly, of more than 10% (inclusive) conferring the right to attend and vote at shareholders' general meeting may demand a poll.

(3) Communication with Shareholders/Investor Relations

The Company strengthens its communication with investors through active investor relationship management. Investors will be informed of the results and operation of the Company promptly and will also be invited to have meetings with investment analysts, to attend press meeting and non-deal roadshows, to visit the Company and to attend reverse roadshows. Through these arrangements, shareholders, investors and general public are introduced of the operation of the Company and have the chances to raise their questions for answers. Meanwhile, the Company submits monthly return on movements in its shareholdings in accordance with the regulatory requirement of the Stock Exchange; In addition, due to the issuance of super & short-term commercial paper the Company regularly discloses quarterly reports within the duration in accordance with the regulatory requirements of National Association of Financial Market Institutional Investors.

Shareholders may also inquire about any information of the Company within the scope of their rights. The H share registrar of the Company is Computershare Hong Kong Investor Services Limited, the address and contact details are as follows:

Correspondence address: Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Telephone No.: (+852) 2862 8628

(4) *Shareholders' General Meeting*

The Company attaches great importance to the communication between our directors and shareholders. The Chairman of the Board of Directors, convenors of all committees, representative of auditors and management representatives shall attend all annual general meetings and give detailed answers and explanations to shareholders' questions.

During the reporting period, the Company convened two general meetings, including one annual general meeting and one extraordinary general meeting. The date, time and venue of the general meetings and the poll results in respect of the resolutions proposed at the general meetings are as follows. The 2020 annual general meeting was held at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, the People's Republic of China, at 9:00 a.m. on Friday, 18 June 2021. The matters considered at the meeting and the percentages of voters for and against the relevant resolutions are as follows:

Resolutions		For	Percentages (%)	Against	Percentages (%)
I.	As more than half (1/2) of the votes from the shareholders who attended and voted at the annual general meeting were cast in favour of the following resolutions, the resolutions were duly passed as ordinary resolutions:				
1	To consider and approve the report of the Board of Directors of the Company for the year ended 31 December 2020.	7,514,559,505	99.41%	44,728,000	0.59%
2	To consider and approve the report of the Supervisory Committee of the Company for the year ended 31 December 2020.	7,514,559,505	99.41%	44,728,000	0.59%
3	To consider and approve the independent auditor's report and audited financial statements of the Company for the year ended 31 December 2020.	7,513,632,245	99.40%	45,655,260	0.60%
4	To consider and approve the profit distribution proposal of the Company for the year ended 31 December 2020 and to authorise the Board to deal with issues in relation to the Company's distribution of final dividend for the year 2020.	7,556,770,505	99.97%	2,517,000	0.03%

Resolutions		For	Percentages (%)	Against	Percentages (%)
5	To consider and approve the authorisation to the Board to deal with all issues in relation to the Company's distribution of interim dividend for the year 2021 in its absolute discretion (including, but not limited to determine whether to distribute interim dividend for the year 2021).	7,556,770,505	99.97%	2,517,000	0.03%
6	To consider and approve the re-appointments of PricewaterhouseCoopers as the overseas auditor of the Company and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor of the Company for the year 2021 to hold office until the conclusion of the annual general meeting for the year 2021 and to authorise the Board to determine its remuneration.	7,459,515,116	98.68%	99,772,389	1.32%
7	To consider and approve the authorisation to the Board to determine the remuneration of the directors and the supervisors of the Company for the year 2021.	7,556,054,245	99.96%	3,233,260	0.04%
8	To consider and approve the appointment of Mr. Huang Wei as non-executive director.	7,213,526,127	95.43%	345,761,378	4.57%
9	To consider and approve the re-designation of Mr. Yang Qing as executive director from non-executive director.	7,265,545,739	96.11%	293,741,766	3.89%
II. As more than two-thirds (2/3) of the votes from the shareholders who attended and voted at the annual general meeting were cast in favour of the following resolutions, the resolutions were duly passed as special resolutions:					
10	To grant a general mandate to the Board to approve the issuance of, allotment of and dealing with additional shares not exceeding 20% of the respective total number of Domestic Shares and H Shares in issue of the Company,,and to authorize the Board to make corresponding amendments to the Articles of Association of the Company as it thinks appropriate so as to reflect the new capital structure upon the allotment or issuance of shares.	6,163,118,753	81.53%	1,396,168,752	18.47%

The 2021 first extraordinary general meeting was held at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, the People's Republic of China, at 9:00 a.m. on Wednesday, 15 September 2021. The matters considered at the meeting and the percentages of voters for and against the relevant resolutions are as follows:

Resolutions	For	Percentages (%)	Against	Percentages (%)
As more than half (1/2) of the votes were cast in favour of the following resolution, the resolution was duly passed as ordinary resolution:				
To consider and approve the proposal for the special dividend for 2021	7,534,592,228	99.96%	3,112,000	0.04%

All the resolutions proposed at the 2020 annual general meeting and the 2021 first extraordinary annual general meeting, were approved. There was no restriction on shareholders to cast votes on the resolutions proposed at the 2020 annual general meeting and the 2021 first extraordinary annual general meeting. Computershare Hong Kong Investor Services Limited, the share registrar of the Company, retained lawyer Wu Daini from Computershare Hong Kong Investor Services Limited, lawyer Tong Hao from Computershare Hong Kong Investor Services Limited as the scrutineer for the vote-taking at the 2020 annual general meeting and the 2021 first extraordinary annual general meeting. Poll results were announced at the meeting and on the websites of the Company and the Hong Kong Stock Exchange on the day of the meeting.

(5) ***Shareholders' Calendar***

The following table sets out the tentative key dates for shareholders for the financial year ending 31 December 2022. The dates are subject to changes in situation. Shareholders should refer to our announcements issued from time to time.

2022 Shareholders' Calendar

Date	Events
29 March	Announcement of final results and final dividend for the year ended 31 December 2021
Late April	Upload of the 2021 annual report on the websites of the Company and the Hong Kong Stock Exchange
Late April	Dispatch of the 2021 annual report to shareholders
17 June	2021 annual general meeting
Late August	Payment of final dividends for the year ended 31 December 2021
26 August	Announcement of interim results and interim dividends for the six months ending 30 June 2022, if any
Mid-October	Payment of interim dividends for the six months ending 30 June 2022, if any

3. Directors and Board of Directors

(1) ***Directors***

1) *Composition and Term of Office of Directors*

Pursuant to the Articles of Association, directors shall be elected at shareholders' general meeting for a term of three years and shall be eligible for re-election upon expiry of their terms.

The current session of the Board of Directors is the fifth session since the establishment of the Company and the fourth session of the Board of Directors was re-elected on 25 September 2020. The current fifth session of the Board of Directors consists of seven directors, including Mr. Zhu Yanfeng, Mr. Yang Qing and Mr. You Zheng as executive directors, Mr. Huang Wei as non-executive director, Mr. Zong Qingsheng, Mr. Leung Wai Lap, Philip and Mr. Hu Yiguang as independent non-executive directors. The term of the fifth session of the Board of Directors will expire on 25 September 2023. Prior to the re-election of the new session of the Board of Directors, the above directors shall perform their duty in good faith. In addition, independent non-executive directors are all independent parties who do not have any related-party relationship with the Company and substantial shareholders and their term of office does not exceed nine years.

There are no financial, business, family or other material relationships among members of the Board of Directors of the Company. The Company has purchased liability insurance for all directors and senior management.

Members of the Board of Directors of the Company have different industry backgrounds, having expertise and extensive experience in areas of corporate management, financial accounting, laws and investment. The Board of Directors has formulated the Board Diversification Policy and reviews its composition at least once a year. Brief biographies of each of the directors are set out on pages 53 to 55 in this annual report.

2) *Chairman and President*

The Chairman and President of the Company are acted by different persons with a clear division of duties. In particular, the Chairman is responsible for supervising the daily operation of the Board of Directors, examining the execution of the Board resolutions and other duties, while the President is responsible for the daily operation management of the Company and implementing the resolutions of the Board of Directors under the Chairman's leadership. Details of the senior management of the Company are set out on pages 57 to 58 in this annual report.

3) *Independent non-executive directors*

Currently, the Company has three independent non-executive directors, representing more than one-third of the total members of the Board of Directors. The Company complied with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors (accounting for at least one-third of the Board), at least one of which possessing appropriate professional qualifications or accounting or related financial management expertise.

All the independent non-executive directors of the Company are familiar with the rights and obligations of directors and independent non-executive directors of listed companies. During the reporting period, the independent non-executive directors performed their duties in accordance with the Articles of Association of the Company and Rules of Procedures of the Board of Directors in a faithful and diligent manner, exercised the rights as independent non-executive directors in a discreet, careful and proper manner and attended board meetings and shareholders' general meetings in a proactive and responsible manner. They made extensive efforts to improve the Company's corporate governance and material decision-making, and expressed impartial and objective opinions to effectively safeguard the interests of shareholders. All of the three independent non-executive directors of the Company were members of the committees under the Board of Directors.

During the reporting period, the independent non-executive directors of the Company expressed their independent views on connected transactions during the reporting period and discharged their duties as independent non-executive directors seriously.

During the reporting period, the independent non-executive directors of the Company expressed no dissenting views to the resolutions of the Board of Directors and other matters other than such resolutions.

The Board of Directors confirmed the receipt from each of the independent non-executive directors a confirmation in respect of their independence pursuant to Rule 3.13 of the Listing Rules of the Hong Kong Stock Exchange. The Board considered the existing independent non-executive directors are independent persons as defined in Rule 3.13 of the Listing Rules of the Hong Kong Stock Exchange.

4) *Non-executive directors*

The term of office of Mr. Huang Wei, a non-executive director of the Company, is identical to the term of the fifth session of Board of Directors of the Company, shall expire and be subject to re-election.

5) *Training and Continuous Professional Development*

Directors shall participate in appropriate continuous professional development program to develop and refresh their knowledge and skills, in order to ensure that they understand the business and operation of the Company and are fully aware of their responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the reporting period, all directors regularly reviewed the Fortnightly of Dongfeng Company Industrial Information, Monthly Business Analysis Report, Monthly Financial Bulletin and other information to understand the industry development, current operation, financial condition and relevant information of the Company. The records are as follows:

Directors	**Information Reviewed**
Executive directors	
Mr. Zhu Yanfeng	36 issues
Mr. You Zheng	36 issues
Mr. Li Shaozhu (retired on 13 May 2021)	18 issues
Mr. Yang Qing (re-designated as an executive director on 18 June 2021)	18 issues
Non-executive directors	
Mr. Yang Qing (re-designated as an executive director on 18 June 2021)	18 issues
Mr. Huang Wei (appointed on 18 June 2021)	18 issues
Independent non-executive directors	
Mr. Zong Qingsheng	30 issues
Mr. Leung Wai Lap, Philip	30 issues
Mr. Hu Yiguang	30 issues

6) *Securities Transactions by Directors*

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Hong Kong Listing Rules (the "Model Code") to regulate the directors' securities transactions. During the reporting year, none of the directors had any other interest in the shares of the Company. All directors have confirmed, following enquiry by the Company that they fully complied with the Model Code during 2021.

7) *Remuneration of Directors*

The fifth session of the Remuneration Committee of the Company is responsible for giving suggestion on the remuneration of individual executive directors and senior management.

Other than the independent non-executive directors of the Company who received remuneration of directors, all other directors did not receive any remuneration of directors from the Company. The executive directors receive remuneration in their capacities of employers of the Company; non-executive directors receive corresponding remuneration from the Company; the remuneration of the independent non-executive directors is determined with reference to the average market level and the actual condition of the Company.

During the reporting period, the Company paid remuneration of RMB60,000 (before tax) to the independent non-executive directors of the fifth session of the Board of Directors, namely Mr. Zong Qingsheng; Mr. Hu Yiguang was paid remuneration of RMB182,368 and 44 cents (before tax); Mr. Leung Wai Lap, Philip was paid remuneration of RMB180,368 and 44 cents (before tax).

8) *Board Diversity Policy*

On 27 March 2019, the Company passed the Board diversity policy at the Board meeting. This Board diversity policy aims to set out the approach adopted for achieving the diversity of the Board of the Company. The Nomination Committee will review annually the structure, size and composition of the Board and advise on any changes proposed to be made to the Board to correspond with the Company's corporate strategy. In reviewing and assessing the Board composition and nomination of directors, a number of factors has to be considered for Board diversity, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and industry and regional experience. The Company aims at maintaining an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. The Nomination Committee will discuss and agree on the measurable objectives for achieving the Board diversity and make recommendations to the Board. The Board may adopt and/or make amendments to from time to time such diversity perspectives and measurable objectives in a way that is appropriate to the Company's business requirements and the Board's succession planning, whenever necessary.

(2) The Board

The Board is the decision-making body of the Company. The Board is responsible for the operation and management of properties of the Company as authorised by the general meeting. The Board is also responsible for performing the functions set out in the code provision D.3.1 of the Corporate Governance Code. The Board is accountable to the shareholders in general meeting. The operators of the Company is responsible for the daily operation and management.

The Board is accountable to the shareholders' general meeting and exercises the following functions and powers:

- to be responsible for the convening of the shareholders' general meeting and to report on its work to the shareholders in general meetings;
- to implement the resolutions passed by the shareholders in general meetings;
- to determine the business plans and investment proposals of the Company;
- to formulate the preliminary and final annual financial budgets of the Company;
- to formulate the profit distribution proposal and loss recovery proposal of the Company;
- to formulate the debt and financial policies, proposals for the increase or reduction of the registered capital of the Company and for the issuance of debentures;
- to draw up the material acquisition or disposal proposals and plans for the merger, division or dissolution of the Company;
- to determine the establishment of the internal management structure of the Company;
- to appoint or remove the president of the Company, to appoint or remove the vice president and the finance director of the Company based on the nominations of the president, and to decide on their remuneration;

- to decide on the establishment of the branch organizations of the Company;
- to set up the basic management system of the Company, including the financial management and human resources management systems;
- to formulate proposals for any amendment of the Articles of Association;
- to submit the proposals for application of bankruptcy of the Company;
- to determine the external guarantees of the Company under the authorisation of general meetings;
- except for the matters that the Company Law and the Articles of Association require to be resolved by the shareholders in general meeting, to decide on other important and administrative matters of the Company and to execute other important agreements;
- to exercise such other authorities as conferred at general meetings and the Articles of Association.

The Board shall exercise the above powers by passing resolutions at Board Meetings.

The directors could also seek independent professional advice when performing their duties.

1) *The Board Meeting*

The Board shall convene at least four meetings every year at an interval of approximately once a quarter. During the reporting period, the Board held 11 meetings, including four regular meetings and seven extraordinary board meetings. The attendance of Directors in person was set out below (Directors failed to attend had appointed their proxies):

Directors	The Board	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive directors					
Mr. Zhu Yanfeng (Chairman)	11/11(100%)	–	–	2/2(100%)	–
Mr. Yang Qing (President) (re-designated as an executive director on 18 June 2021)	6/6(100%)	–	–	–	2/2(100%)
Mr. You Zheng	11/11(100%)	–	–	–	1/2(50%)
Mr. Li Shaozhu (retired on 13 May 2021)	5/5(100%)		2/2(100%)		
Non-executive directors					
Mr. Yang Qing (re-designated as an executive director on 18 June 2021)	5/5(100%)				
Mr. Huang Wei (appointed on 18 June 2021)	6/6(100%)	–	–	–	1/2(50%)
Independent non-executive directors					
Mr. Zong Qingsheng	11/11(100%)	2/2(100%)	2/2(100%)	2/2(100%)	1/2(50%)
Mr. Leung Wai Lap, Philip	11/11(100%)	2/2(100%)	–	2/2(100%)	1/2(50%)
Mr. Hu Yiguang	11/11(100%)	2/2(100%)	2/2(100%)	–	1/2(50%)

In addition, the Chairman of the Board of Directors has held meetings with non-executive directors (including independent non-executive directors) annually without attendance of executive directors.

2) *Committees under the Board*

The Company has established three committees under the Board, including Audit and Risk Management Committee, Remuneration Committee and Nomination Committee. The members of these committees are mainly Independent Non-executive Directors. Each of the committees carries out its duties in accordance with its term of reference. The full texts of the rules of procedures of the three committees were posted on the websites of the Company and the Hong Kong Stock Exchange.

Members of the Audit and Risk Management Committee

The majority of the members of the Audit and Risk Management Committee are independent non-executive directors, including Mr. Leung Wai Lap, Philip (the convenor), Mr. Zong Qingsheng and Mr. Hu Yiguang.

Major duties

- advising the Board on the appointment or replacement of intermediary firms such as auditor and their remuneration;
- reviewing the financial reports of the Company, accounting policy of the Company and its changes, and other financial documents that required approval of the Board, and making suggestions to the Board;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- meeting with the auditor, in the absence of the management, at least twice a year to discuss about the auditing fee, issues arising from the auditing work and other matters suggested by the auditor;
- reviewing the systems for financial control, internal control and risk management of the Company, and discussing the internal control system with the management to ensure the management has performed their duties to establish an effective internal control system;

- coordinating the communication and work of internal and external auditors;

- ensuring sufficient resources provided to and appropriate standing for the internal auditing department within the Company, and reviewing and monitoring the efficiency of the internal auditing department;

- reviewing the following arrangements of the Company which the employees may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit and Risk Management Committee shall ensure that proper arrangements are in place for a fair and independent investigation of such matters and for appropriate follow-up actions;

- to comply with any new requirements on the duties and authorities of the Audit and Risk Management Committee under the listing rules of the places where the Company is located and where the shares of the Company are listed;

- other duties as authorized by the Board.

The major works in 2021

The Audit and Risk Management Committee held two meetings in 2021 and the attendance of its members was set out in this report.

The major works of the Audit and Risk Management Committee in 2021 includes:

- reviewing the annual financial report of the Company for 2020;

- reviewing the proposal of the engagement of chief auditor of the Company for 2021;

- reviewing the interim financial report of the Company for 2021;

- reviewing the profit distribution plan of the Company;

- considering the triennial audit report and relevant special report of the Company;

- considering the related party transactions during the reporting period;

- considering the self-evaluation on internal control and assurance report on internal control during the reporting period;

Members of the Remuneration Committee

The members of the Remuneration Committee are mainly independent non-executive directors, including Mr. Zong Qingsheng (the convenor), Mr. Yang Qing and Mr. Hu Yiguang.

Major duties

- to formulate the remuneration structure and strategy of senior management, and submit the same to the Board for approval;

- to formulate the remuneration proposal of Directors, Supervisors and senior management and medium and long term incentive schemes and submit it to the Board for approval, and conduct performance appraisal for senior management;

- to make suggestion on the remuneration of particular Executive Directors and senior management to the Board;

- to review and approve the compensation (if any) payable to the Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and is also fair and reasonable and not excessive for the Company;

- to review and approve compensation arrangements (if any) relating to the dismissal or removal of the Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and compensation payment is reasonable and appropriate;

- to ensure that no Director or any of his/her associates are involved in determining his/her own remuneration. The remuneration of a non-executive director who is a member of the Remuneration Committee shall be determined by other committee members;

- to comply with any new requirements on the duties and authorities of the Remuneration Committee under the listing rules of the places where the Company is located and where the shares of the Company are listed;

- other duties authorised by the Board.

The major works in 2021

The Remuneration Committee held two meetings in 2021 and the attendance of its members was set out in this report.

The major works of the Remuneration Committee in 2021 included:

- reviewing the remuneration adjustment scheme of some of the external Directors and Supervisors of the Company;

- reviewing the report on the Remuneration Scheme of the Directors of the Company for 2021.

Members of the Nomination Committee

The members of the Nomination Committee are mainly independent non-executive directors, including Mr. Zong Qingsheng (the convenor), Mr. Zhu Yanfeng and Mr. Leung Wai Lap, Philip.

Major duties

- to advise the Board on the composition of the Board based on the operation, asset scale and equity structure of the Company;

- to advise the Board on the selection criteria and procedures of Directors;

- to identify and select qualified candidates to be nominated as Directors;

- to review the qualifications of Director candidates and make recommendations to the Board;

- to offer recommendations on the composition of other professional committees under the Board;

- to review the independence of independent non-executive directors. If the Board intends to propose a resolution to elect an individual as an independent non-executive director at the shareholders' general meeting, a circular and/or explanatory statement shall be given together with the notice of the relevant shareholders' general meeting to shareholders to provide the reasons for such individual being considered independent;

- to give recommendations on candidates of president, vice president, secretary to the Board and person-in-charge of the finance department and other senior officers for appointment by the Board;

- to review the structure, size and composition of the Board (including skills, knowledge and experiences) at least once a year, to satisfy the diversification policy of the Board of Directors, and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy so as to facilitate the implementation of the strategy of the Company;

- to offer recommendations to the Board on the appointment, re-appointment or replacement of Directors and senior management;

- to comply with any new requirements on the duties and authorities of the Nomination Committee under the listing rules of the places where the Company is located and where the shares of the Company are listed;

- other duties as authorized by the Board.

The major works in 2021

The Nomination Committee held two meetings in 2021 and the attendance of its members was set out in this report.

The major works of the Nomination Committee in 2021 included:

- considering the independence of the independent non-executive directors of the Company;

- considering the adjustment to the positions of directors and president, including Mr. Li Shaozhu, Mr. Yang Qing and Mr. Huang Wei.

4. Supervisors and the Supervisory Committee

(I) Supervisors

According to the Articles of Association, Supervisors shall include Supervisors representing the shareholders and one Supervisor representing employees. Supervisors representing the shareholders shall be elected and removed by shareholders' general meetings, and the Supervisors representing employees shall be elected and removed by the employees in a democratic way.

The current Supervisory Committee is the fifth session of Supervisory Committee since the establishment of the Company and currently comprises three Supervisors. Before 26 August 2021 (inclusive), the fifth session of the Supervisory Committee was composed by Mr. He Wei (the Chairman of the Supervision Committee), Mr. Zheng Hongyi (Employee Supervisor) and Mr. Bao Hongxiang (Independent Supervisor). After 26 August 2021, the fifth session of the Supervisory Committee was composed by Mr. He Wei (the Chairman of the Supervision Committee), Mr. Jin Jun (Employee Supervisor) and Mr. Bao Hongxiang (Independent Supervisor).

(II) Supervisory Committee

During the reporting period, the Supervisory Committee held three regular meetings. The attendance of supervisors in person was set out below (supervisors who failed to attend had appointed their proxies):

Supervisor	The Supervisory Committee	The regular meeting of the Board	Shareholders' General Meeting
Chairman of the Supervision Committee			
Mr. He Wei	3/3(100%)	4/4(100%)	2/2(100%)
Independent Supervisor			
Mr. Bao Hongxiang	3/3(100%)	4/4(100%)	1/2(50%)
Employee Supervisor			
Mr. Zheng Hongyi (resigned on 26 August 2021)	1/1(100%)	1/2(50%)	0/0(0%)
Mr. Jin Jun (appointed on 26 August 2021)	2/2(100%)	2/2(100%)	1/2(50%)

The Supervisory Committee has supervised on the convening and resolutions of shareholders' general meetings of the Company and Board meetings and the implementation of resolutions of shareholders' general meetings by the Board. The Supervisory Committee did not hold a dissenting view regarding the reports and resolutions proposed to shareholders' general meeting by the Board. The Supervisory Committee is of the view that the Company has been strictly compliance with the Company Law, the Listing Rules, the Articles of Association and other relevant laws, rules and regulations and diligently implemented all resolutions of shareholders' general meetings during the reporting period. The Supervisory Committee is of the view that the Company continuously refined its internal management and internal control system and the internal management system was well-established.

The Supervisory Committee reviewed the annual and interim financial reports and relevant information of the Company. Upon the audit, the certified public accountant has issued unqualified auditors' reports on the 2020 annual financial report and 2021 interim financial report of the Company, confirmed that the consolidated financial statements give an objective, true and fair view of the financial position and the financial performance of the Company.

5. Accountability and Auditing

(I) Financial Reporting

The Directors are responsible for the preparation of the information and representations in the financial statements of the Company for the year. The Directors consider that the financial statements of the Company have been prepared in accordance with the Listing Rules, the Company Ordinance and international accounting standards and code. The Directors have applied appropriate accounting policies and have made prudent and reasonable judgments and estimates. The Directors, having made appropriate enquiries, are not aware of any material uncertain events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the auditor of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 93 to 94 of this annual report.

(II) Auditor and Remuneration

The Audit and Risk Management Committee is responsible for providing recommendation on the appointment and replacement of accounting firms and other intermediary institutions and their remuneration to the Board.

During the reporting period, the Company engaged PricewaterhouseCoopers as the overseas auditor of the Company in 2021 and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor of the Company in 2021, whose work contents are review of the interim report and audit of the annual report, and the term of office is until the conclusion of the annual general meeting of shareholders in 2021. With the authorisation at the general meeting, the Board determined that the total remuneration of the chief auditor to be RMB13.00 million.

The Audit and Risk Management Committee has discussed and evaluated the professional qualification and the audit works of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian for 2021.

(III) Risk Management and Internal Control

The Board reviews the effectiveness of the risk management and internal control of the Group regularly, including financial control, operation control and compliance control, to ensure that the operation of the Company is in compliance with laws and its assets are protected and the financial information used in its operation and disclosed to the public is accurate and reliable.

In accordance with the Corporate Governance Code of the Hong Kong Stock Exchange, the Company has set up a comprehensive set of risk management and internal control systems, including systems for mechanisms and procedures, systems for organizations and bodies and the supervision and control system, and has optimized the standardized risk management and internal control and management system.

Under the philosophy of “central planning, division of responsibilities, prioritisation and comprehensive implementation”, the Company has established a risk management and internal comprehensive implementation”, the Company has established a risk management and internal control system involving the Board, the Audit and Risk Management Committee and other relevant units and branches with clear division of duties. The Audit and Risk Management Committee of the Board was established to supervise the financial reporting procedures, internal control and risk management of the Company. The Audit and Risk Management Committee receives annual reports on the annual review of risk management and work on management and control, development and operation of internal control system as well as internal audit from the Company and provides guidance and supervision to the Company.

During the reporting period, the Company focused on the synergy of risk management with internal control and internal audit, located and rectified defects in the internal control and identified potential risks by reviewing the internal control process, so as to promote the risk control capabilities. Also, the Company bettered the risk management by performing an audit on its businesses, in turn optimising the internal control and eliminating the risks in an effective manner.

During the reporting period, under the authorisation of the Board and the Audit and Risk Management Committee, the Audit Department of the Company carried out self-evaluation on the structure and operation of internal control in respects of the comprehensiveness, significance, control, adaptability and cost effectiveness to ensure the operation of the Company is in compliance with laws, to prevent risks and to enhance the management of the Company. The Company further refined and improved risk prevention mechanism and internal control system so as to ensure the sound operation of the Company. The principal businesses and issues under the internal control assessment cover all the businesses and management issues of the five elements of internal control. Key emphasis has been placed on the high-risk areas, including safety management, quality management, fund management, procurement management, sales management, production management, logistics management, inventory management, contract management and other businesses. During the reporting period, the Company has established internal control system for all businesses and issues which were included in the evaluation and the system was implemented effectively, meeting the objectives of internal control of the Company. The internal control of the Company did not have any material deficiencies. As such, reasonable assurance has been given to the fulfillment of the objectives of internal control of the Company.

With the foundation of the annual risk assessment and improvement in specific risk management and control, the focus of the risk management tasks of the Company has been laid on the principle of “integration, innovation and promotion” to endeavor to integrate risks with businesses, innovative approaches with means and promotional templates and results, to augment risk control mechanisms and systems and to enhance the management and control of major risks. The Company has placed great emphasis on the implementation of risk control and management while constantly elevating the effectiveness of risk management and control to ensure the progressive and accelerated development via risk management. During the Reporting Period, there were no material events in relation to risks.

The internal audit of the Company is mainly focused on the communication and coordination with external auditors. Being oriented towards issues and risks, the internal audit is also integrated into the internal control and holistic risk management of the Company, which has enhanced the functions of internal audit as "radar" and an "immune system". The priority of the audit is placed on the prevention of operating and financial risks associated with risks on the decision-making procedures of "three major issues and one substantial matter" ("三重一大"), the quality of accounting information and accountability of management during the tenure, which has enhanced the rectification of issues identified in the audit and promoted the continuous optimisation of internal control.

6. Company Secretaries

Mr. Yin Yaoliang serves as the joint company secretary, and Ms. Yuen Wing Yan, Winnie of Tricor Services Limited has also been engaged by the Company as one of its external joint company secretary. The Company's primary internal contact person is Mr. Yin Yaoliang.

Mr. Yin Yaoliang and Ms. Yuen Wing Yan, Winnie have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

7. Other Stakeholders

The Company respects and protects the legal interests of its stakeholders. The interests of shareholders, employees, the community and other parties are also taken care of. The Company also pays attention to environment protection and charity. The Company aims to maintain its sustainable and healthy growth.

8. Strengthening of Corporate Governance

The Board will continuously review its current practices for improvement based on the changes and development of regulatory requirements, in order to strengthen its corporate governance. The Company encourages shareholders to provide advice and recommendation to enhance and improve the transparency of the Company.

Independent Auditor's Report

To the Shareholders of Dongfeng Motor Group Company Limited
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Dongfeng Motor Group Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 95 to 221, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Warranty provisions

- Impairment assessment of property, plant and equipment ("PP&E") and intangible assets

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

Warranty provisions

Refer to Note 3 "Significant Accounting Estimates and Judgements", Note 7 "Profit Before Income Tax", Note 20 "Investments in Joint Ventures" and Note 33 "Provisions" to the consolidated financial statements.

As at 31 December 2021, the balance of warranty provisions in the consolidated statement of financial position of the Group amounted to RMB2,275 million, and warranty provisions made for the year of RMB943 million were recorded in the consolidated income statement of the Group.

Meanwhile, the Group's share of profits of joint ventures ("JVs") for the year ended 31 December 2021 which were accounted for using the equity method amounted to RMB11,822 million. The warranty provisions made by JVs during the year were significant to the JVs' profit, therefore it had significant impact on the consolidated income statement of the Group.

Provisions for warranties granted by the Group and its JVs for the passenger and commercial vehicles sold are recognized based on sales volume and past experience of the cost of repair and replacement. The key judgement adopted by management as part of the process includes determining the estimated unit cost of warranty provisions of passenger and commercial vehicles sold.

How our audit addressed the Key Audit Matter

Our audit procedures performed on warranty provisions of the Group's components, including the Company and its subsidiaries and JVs ("the Components") included:

- We understood, evaluated and validated the key controls over the estimation of the warranty provisions. These includes the information technology general controls and the specific automatic controls related to the maintenance of data which was used to calculate the warranty provisions of the Components.
- We assessed management's warranty provision models using our knowledge of the Components and experience of the passenger and commercial vehicles industry. We also tested the mathematical accuracy of calculations therein by re-performing the calculations.
- We compared management's estimation on the warranty cost per unit with the historical actual claims on a sample basis and checked the selected historical actual claims to supporting documents.
- We compared the sales volume of different vehicle models to supporting documents on a sample basis.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter (Continued)	How our audit addressed the Key Audit Matter (Continued)
Warranty provision (Continued) We focused on this area because of the magnitude of the amount of warranty provisions and the significant involvement of management's judgement and assumptions applied in estimating of costs in respect of future warranty claims.	• In addition, we assessed management's estimation on the warranty cost per unit by discussing with management and performing analysis on actual claims during the year and subsequent to the year-end to identify any indicators of significant quality defect, significant changes of labours and parts costs, and significant changes of expected occurrence of repair or replacement that would significantly affect the estimates of the year end warranty provisions. According to the audit procedures performed, we found that management's judgement and estimates applied in estimating the Group's warranty provisions including the JVs' respective warranty provisions noted in respect of the Group's share of the profit and net assets of JVs were supported by available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter (Continued)

Impairment assessment of property, plant and equipment and intangible assets

Refer to Note 3 “Significant Accounting Estimates and Judgements”, Note 7 “Profit Before Income Tax”, Note 20 “Investments in Joint Ventures”, Note 15 “Property, plant and equipment” and Note 17 “Intangible assets” to the consolidated financial statements.

The Group recorded a total impairment provision charge of RMB681 million against PP&E and intangible assessts to the consolidated income statement of the Group for the year ended 31 December 2021.

Meanwhile, the Group’s share of profits of the JVs for the year ended 31 December 2021 which were accounted for using the equity method amounted to RMB11,822 million. The impairment charged over PP&E and intangible assets made by JVs during the year was significant to the JVs’ profit, therefore it had significant impact on the consolidated income statement of the Group.

Due to the fierce competition in the domestic automobile market, the sales volume and profit of the Group and JVs have declined, certain PP&E and intangible assets had impairment indicators.

Management of the Group and the JVs identified the relevant cash generation units (“CGU”) to which these PP&E and intangible assets belong, respectively, and estimated the recoverable amounts of these CGUs based on the higher of their value in use (“VIU”) and fair value less costs of disposal (“FVLCOD”) calculation.

How our audit addressed the Key Audit Matter (Continued)

Our audit procedures performed on impairment assessment of PP&E and intangible assets of the Components included:

- We understood, evaluated and validated the key controls over impairment assessment of PP&E and intangible assets.

VIU

We evaluated the appropriateness of management’s grouping of these PP&E and intangible assets with the relevant CGUs.

We assessed the discounted cash flow method used by management to determine the VIU with the assisstance of in-house valuation experts and by reference to industry practices, and tested the mathematical accuracy of the VIU calculations.

We compared the input revenue, cost of sales and expenses used in the cash flow forecasts against the historical figures and the approved budget and business plans figures.

We challenged management’s key assumptions by:

- Comparing the revenue growth rates within the budget period with the relevant CGU’s historical growth rates;
- Comparing the revenue growth rates beyond the budget period with our independent expectation based on economic data;
- Comparing the gross margin with the relevant CGU’s past performance, taking into consideration of market trends; and

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter (Continued)	How our audit addressed the Key Audit Matter (Continued)
Impairment assessment of property, plant and equipment and intangible assets (Continued)	
VIU Management used VIU to assess the recoverability of the CGUs and applied significant estimations in determining the VIU calculation. The estimations included: growth rates to extrapolate revenue within the budget period, growth rates to extrapolate revenue beyond the budget period, gross margin and discount rate.	• Evaluating the discount rate by considering and recalculating the weighted average cost of capital for the CGU and comparable companies in the relevant industry, as well as considering territory specific factors, such as risk free interest rate and debt ratio prevailing in China market as a base with the assisstance of in-house valuation experts.
FVLCOD In determining the FVLCOD, management leveraged their knowledge of subject assets and considered available information and information from an independent third party valuer. We focused on this area due to the magnitude of the impairment provision, the significance of management judgements adopted in identified the relevant CGU to which these PP&E and intangible assets belong and the significance of management estimations in assessing the recoverable amount.	**FVLCOD** We evaluated the competency, qualifications, experience and objectivity of management's indepdent third party valuer. We evaluated management's judgement, including the judgement and methodology used in the third party valuer's report, with the assistance from our in-house valuation experts. We checked the third party evidence and market data to corroborate with management's information. According to the audit procedures performed, we found that management's judgements and estimations applied in the Group's impairment assessment of PP&E and intangible assets including the JVs' impairment assessment of PP&E and intangible assets noted in respect of the Group's share of the profit and net assets of JVs were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Esmond S.C. Kwan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2022

Consolidated Income Statement

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB million	2020 RMB million (Restated) (Note 4)
Revenue	5	**113,008**	108,441
Cost of sales		**(98,818)**	(92,629)
Gross profit		**14,190**	15,812
Other income	6	**5,024**	4,801
Selling and distribution expenses		**(5,741)**	(5,043)
Administrative expenses		**(5,198)**	(4,594)
Net impairment losses on financial assets	11	**(1,900)**	(1,362)
Other expenses		**(6,954)**	(8,676)
Finance expenses	8	**(265)**	(1,206)
Share of profits and losses of:			
Joint ventures		**11,800**	9,495
Associates	21	**1,804**	2,960
PROFIT BEFORE INCOME TAX	7	**12,760**	12,187
Income tax expense	12	**(1,385)**	(1,620)
PROFIT FOR THE YEAR		**11,375**	10,567
Profit attributable to:			
Equity holders of the Company		**11,387**	10,758
Non-controlling interests		**(12)**	(191)
		11,375	10,567
Earnings per share attributable to ordinary equity holders of the Company:	14		
Basic for the year		**132.16 cents**	124.86 cents
Diluted for the year		**132.16 cents**	124.86 cents

The notes on pages 106 to 221 form an integral part of the consolidated financial information.

Consolidated Statement Of Comprehensive Income

For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
		(Note 4)
PROFIT FOR THE YEAR	**11,375**	10,567
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss		
Share of other comprehensive income of investments accounted for using the equity method	**(8)**	(89)
Remeasurements of post-employment benefit obligations	**(37)**	(47)
Changes in the fair value of financial assets at fair value through other comprehensive income	**3,947**	2
	3,902	(134)
Items that may be reclassified to profit or loss Currency translation differences		
Share of other comprehensive income of investments accounted for using the equity method	**(248)**	516
Items that may be reclassified to profit or loss Currency translation differences Share of other comprehensive income of investments accounted for using the equity method	**705**	(297)
	457	219
Income tax effect		
Item that will not be reclassified subsequently to profit or loss	**(971)**	10
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**3,388**	95
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**14,763**	10,662
Total comprehensive income attributable to:		
Equity holders of the Company	**14,787**	10,868
Non-controlling interests	**(24)**	(206)
	14,763	10,662

The notes on pages 106 to 221 form an integral part of the consolidated financial information.

Consolidated Statement of Financial Position

For the year ended 31 December 2021

	Notes	31 December 2021 RMB million	31 December 2020 RMB million (Restated) (Note 4)
ASSETS			
Non-current assets			
Property, plant and equipment	15	**18,827**	20,118
Right-of-use assets	16	**4,242**	4,423
Investment properties		**2,215**	149
Intangible assets	17	**5,826**	5,063
Goodwill	18	**1,733**	1,733
Investments in joint ventures	20	**41,986**	39,596
Investments in associates	21	**14,528**	28,774
Financial assets at fair value through other comprehensive income	28	**17,871**	206
Other non-current assets	22	**34,735**	41,341
Deferred income tax assets	12	**2,929**	2,933
Due from joint ventures	27	**–**	395
Total non-current assets		**144,892**	144,731
Current assets			
Inventories	23	**11,419**	12,838
Trade receivables	24	**6,947**	10,021
Bills receivable	25	**731**	1,426
Prepayments, deposits and other receivables	26	**64,274**	62,334
Financial assets at fair value through other comprehensive income	28	**12,241**	18,169
Due from joint ventures	27	**11,318**	8,538
Financial assets at fair value through profit or loss	30	**14,033**	8,117
Pledged bank balances and time deposits	29	**3,642**	3,476
Cash and cash in bank	29	**50,270**	47,659
Total current assets		**174,875**	172,578
TOTAL ASSETS		**319,767**	317,309

The notes on pages 106 to 221 form an integral part of the consolidated financial information.

Consolidated Statement of Financial Position (Continued)

For the year ended 31 December 2021

	Notes	31 December 2021 RMB million	31 December 2020 RMB million (Restated) *(Note 4)*
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the company			
Issued capital	31	**8,616**	8,616
Reserves		**23,823**	20,430
Retained profits		**114,903**	106,857
		147,342	135,903
Non-controlling interests		**4,722**	5,334
TOTAL EQUITY		**152,064**	141,237
Non-current liabilities			
Interest-bearing borrowings	32	**16,652**	22,373
Lease liabilities	16	**2,179**	2,152
Other long term liabilities		**2,879**	3,166
Government grants	34	**2,496**	2,309
Deferred income tax liabilities	12	**2,882**	2,692
Provisions	33	**1,025**	805
Total non-current liabilities		**28,113**	33,497

The notes on pages 106 to 221 form an integral part of the consolidated financial information.

Consolidated Statement of Financial Position (Continued)

For the year ended 31 December 2021

	Notes	31 December 2021 RMB million	2020 RMB million (Restated) (Note 4)
Current liabilities			
Trade payables	35	**19,327**	21,126
Lease liabilities	16	**298**	163
Bills payable	36	**28,941**	36,986
Other payables and accruals	37	**17,631**	17,223
Contract liabilities		**5,628**	4,159
Due to joint ventures	27	**36,797**	21,973
Interest-bearing borrowings	32	**28,137**	38,384
Income tax payable		**1,545**	1,320
Provisions	33	**1,286**	1,241
Total current liabilities		**139,590**	142,575
TOTAL LIABILITIES		**167,703**	176,072
TOTAL EQUITY AND LIABILITIES		**319,767**	317,309

The notes on pages 106 to 221 form an integral part of the consolidated financial information.

Zhu Yanfeng
Director

Yang Qing
Director

Consolidated Statement of Changes In Equity

For The Year Ended 31 December 2021

	Attributable to equity holders of the Company						
	Issued capital	Capital reserve	Statutory reserves	Retained profits	Total	Non-controlling interests	Total equity
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Year ended 31 December 2021							
As at 1 January 2021							
As previously reported	8,616	2,931	17,362	106,899	135,808	5,318	141,126
Business combination involving enterprises under common control *(Note 4)*	–	131	6	(42)	95	16	111
As restated	8,616	3,062*	17,368*	106,857	135,903	5,334	141,237
Profit for the year	–	–	–	11,387	11,387	(12)	11,375
Other comprehensive income for the year	–	3,400	–	–	3,400	(12)	3,388
Total comprehensive income for the year	–	3,400	–	11,387	14,787	(24)	14,763
Transfer to reserves	–	–	1,019	(1,019)	–	–	–
Capital contribution from non-controlling shareholders	–	–	–	–	–	295	295
Share of capital reserve of investments accounted for using the equity method	–	169	–	–	169	–	169
Final 2020 and interim 2021 dividend declared and paid	–	–	–	(3,467)	(3,467)	(603)	(4,070)
Transactions with non-controlling equity capital	–	28	–	–	28	(28)	–
Business combination under common control	–	(127)	–	–	(127)	–	(127)
Others	–	(1,096)	–	1,145	49	(252)	(203)
As at 31 December 2021	8,616	5,436	18,387	114,903	147,342	4,722	152,064

* These reserve accounts comprise the consolidated reserves of RMB23,823 million (2020: RMB20,430 million) in the consolidated statement of financial position.

The notes on pages 106 to 221 form an integral part of the consolidated financial information.

Consolidated Statement of Changes In Equity (Continued)

For the year ended 31 December 2021

	Attributable to equity holders of the Company						
	Issued capital *RMB million*	Capital reserve *RMB million*	Statutory reserves *RMB million*	Retained profits *RMB million*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
Year ended 31 December 2020 (Restated)							
As at 1 January 2020							
As previously reported	8,616	2,727	15,609	100,829	127,781	6,187	133,968
Business combination involving enterprises under common control *(Note 4)*	–	131	6	(5)	132	14	146
As restated	8,616	2,858*	15,615*	100,824	127,913	6,201	134,114
Profit for the year	–	–	–	10,758	10,758	(191)	10,567
Other comprehensive income for the year	–	110	–	–	110	(15)	95
Total comprehensive income for the year	–	110	–	10,758	10,868	(206)	10,662
Transfer to reserves	–	–	1,753	(1,753)	–	–	–
Capital contribution from non-controlling shareholders	–	4	–	–	4	107	111
Share of capital reserve of investments accounted for using the equity method	–	161	–	–	161	–	161
Final 2019 and interim 2020 dividend declared and paid	–	–	–	(3,019)	(3,019)	(831)	(3,850)
Transactions with non-controlling equity capital	–	(104)	–	–	(104)	104	–
Others	–	33	–	47	80	(41)	39
As at 31 December 2020	8,616	3,062	17,368	106,857	135,903	5,334	141,237

* These reserve accounts comprise the consolidated reserves of RMB20,430 million (2019: RMB18,473 million) in the consolidated statement of financial position.

The notes on pages 106 to 221 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB million	2020 RMB million (Restated) (Note 4)
Cash flows from operating activities			
Profit before income tax		**12,760**	12,187
Adjustments for:			
Share of profits and losses of joint ventures and associates		**(13,604)**	(12,455)
(Gain)/Loss on disposal of items of property, plant and equipment and intangible assets, net	7	**(295)**	82
Gain on changes in fair value of financial assets at fair value through profit or loss		**(571)**	22
Depreciation of right-of-use assets	7	**303**	262
Provision against inventories	7	**280**	245
Impairment losses on financial assets	7	**1,900**	1,362
Impairment losses on assets held for sale		**–**	330
Exchange loss net	7	**282**	23
Depreciation of property, plant and equipment	7	**2,450**	2,084
Depreciation of Investment properties	7	**12**	6
Impairment of items of property, plant and equipment	7	**451**	1,488
Impairment of intangible assets	7	**230**	201
Amortisation of intangible assets	7	**1,165**	892
Interest expenses of lease liabilities	16	**127**	110
Finance expenses	8	**138**	1,096
Interest income	6	**(896)**	(1,007)
Government grants	34	**(180)**	(133)
		4,552	6,795

The notes on pages 106 to 221 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
		(Note 4)
Decrease/(Increase) in trade and bills receivables and prepayments,deposits and other receivables	**9,561**	(5,421)
Decrease/(Increase) in inventories	**1,097**	(621)
(Increase)/Decrease in amounts due from joint ventures	**(2,349)**	2,497
(Decrease)/Increase in trade and bills payables, contract liabilities and other payables and accruals	**(10,792)**	12,439
Increase in loans and receivables from financing services	**(1,692)**	(19,067)
(Decrease)/Increase in cash deposits received from financing services	**(3,327)**	4,315
Increase in a mandatory reserve with the People's Bank of China	**(33)**	(739)
Increase in amounts due to joint ventures	**14,824**	2,506
Increase in provisions	**264**	292
Cash from operations	**12,105**	2,996
Interest paid	**(897)**	(866)
Income tax paid	**(2,365)**	(1,019)
Net cash flows from operating activities	**8,843**	1,111

The notes on pages 106 to 221 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2021

	Notes	2021 RMB million	2020 RMB million (Restated) (Note 4)
		Year ended 31 December	
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(4,600)**	(4,027)
Increase in right-of-use assets and other long term assets		**(53)**	(473)
Purchases of intangible assets		**(2,048)**	(1,020)
Investments in joint ventures and associates		**(2,046)**	(185)
Proceeds from disposal of items of property, plant and equipment and intangible assets		**951**	8
Proceeds from sale of financial assets at fair value through other comprehensive income		**4,581**	-
Proceeds from sale of subsidiaries and associates		**2,086**	1,494
Dividends from joint ventures and associates		**9,568**	12,462
Dividends from financial assets at fair value through other comprehensive income		**593**	-
Government grants received		**367**	405
Interest received		**976**	979
Increase in pledged bank balances and time deposits and financial assets at fair value through profit or loss	29	**(88)**	(1,316)
Decrease/(Increase) in non-pledged time deposits with original maturity of three months or more when acquired	29	**23**	(628)
Cash (decreased)/increased relating to acquisition of subsidiary		**(158)**	951
Cash (paid)/received relating to other investing activities		**(4,809)**	2,784
Net cash flows from investing activities		**5,343**	11,434

The notes on pages 106 to 221 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB million	2020 RMB million (Restated) (Note 4)
Cash flows from financing activities			
Proceeds from borrowings		**22,908**	26,499
Repayment of borrowings		**(29,741)**	(15,217)
Capital contribution from non-controlling shareholders		**295**	107
Dividends paid to non-controlling shareholders		**(985)**	(442)
Dividends paid to the equity holders of the Company		**(3,467)**	(3,019)
Other payments related to financing activities		**(244)**	(220)
Net cash from financing activities		**(11,234)**	7,708
Net increase in cash and cash equivalents		**2,952**	20,253
Effects of exchange rate changes on cash and cash equivalents		**(318)**	-
Cash and cash equivalents at beginning of year		**46,396**	26,143
Cash and cash equivalents at end of year	29	**49,030**	46,396

The notes on pages 106 to 221 form an integral part of the consolidated financial information.

1. GENERAL INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

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

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

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

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

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

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

		Effective for annual periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16	Interest rate benchmark reform – Phase 2	1 January 2021

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods, except for the Amendment to IFRS 16 set out above. As for the rent concessions which are Covid-19 related, the Group chose to early adopt the practical expedient and the concessed rent was recorded in the profit or loss during the current period which the amount is immaterial.

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to IFRS 3	Update reference to the conceptual framework	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous contracts – costs of fulfilling a contract	1 January 2022
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 2021	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or Non-current	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses in the Company's statement of financial position.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. If the Group holds less than 20% of the equity voting rights of the investee but can clearly demonstrate it has significant influence over the investee, the Group accounts such investees as associates. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's investments in associates and joint ventures include goodwill identified on acquisition. Upon the acquisition, any difference between the cost of the associates and joint ventures and the Group's share of the net fair value of the associates and joint ventures, identifiable assets and liabilities are accounted for as goodwill or share of profit of associates and joint ventures.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

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

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates and joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The results of associates and joint ventures are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange of control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at face value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 is measured at fair value with changes in fair value recognized in profit or loss. If the contingent consideration is not fall within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after assessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or Groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or Groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (Group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (Group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or Group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured on the basis of the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs of disposal and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortization) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated income statement includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of theGroup;

Or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same Group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal Group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal Groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment over its estimated useful life after taking into account its estimated residual value as follows:

	Estimated useful life
Buildings	Over 5 to 40 years
Equipment	Over 3 to 20 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies of the Group, are classified as investment properties. The Group applies cost model for recognition of investment properties. Investment properties are measured initially at its cost, including related transaction costs. After initial recognition, investment properties are stated at historical cost less accumulated depreciation and impairment losses. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values of 0% over their estimated useful lives as follows:

	Estimated useful lives
Buildings	Over 10 to 40 years
Land use rights	50 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (Continued)

(i) Patents and licenses

Purchased patents and licenses are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of 5 to 15 years.

(ii) Research and development costs

Research costs that do not meet the criteria below are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. An intangible asset arising from development expenditure on an individual project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Any expenditure capitalized is amortized over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment arises during the year.

(iii) Customer relationships

Customer relationships are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 17 years.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

(iii) Measurement (Continued)

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised. For loans and receivables from financing service, bills receivable classified as FVOCI and other financial assets at amortised cost, the Group applies the general approach under IFRS 9, which use three stage classification approach based on the different degree of credit risk to determine the use of 12-month expected credit losses or lifetime expected credit loss to calculate the loss allowance.

Loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and borrowings (Continued)

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	Purchase cost on the weighted average basis
Finished goods and work in progress	Cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 12 months and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the cash management of the Group.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in the income statement.

Revenue recognition

Sale of goods

The Group manufactures and sells a range of passenger and commercial vehicles and related key parts and components, including engines, cabins, axles, steel frames and gearboxes in the market. Depending on the contractual arrangement with customers, sales are recognised when control of the products has transferred, being when the risk and rewards have been transferred, and the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Vehicles are often sold with discounts. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

Financing components

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of revenue.

The effective interest method is used in the calculation of the amortised cost of a financial asset (including a set of financial assets) and the interest income over the relevant period.

The effective interest rate is the interest rate which discounts the future cash flows of a financial asset over the expected life or a shorter period where available to the present carrying amount.

When determining the effective interest rate, the Group estimates the expected cash flows by considering all contractual terms of the financial instrument but does not consider expected credit losses.

The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. When the future cash flows or the expected life of a financial asset or a financial liability are not able to be reliably predicted, the Group adopts the contractual cash flows of the financial asset or financial liability in the whole contract period.

For credit-impaired financial assets the effective interest rate is the discount rate of future cash flows used when recognizing impairment losses.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise offices and warehouses.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

(i) Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

(ii) Deferred income tax

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

(ii) Deferred income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Employee benefits

(i) Retirement benefits

The Group's contributions to various defined contribution pension schemes regulated by the relevant municipal and provincial governments in the PRC and a supplemental pension scheme regulated by DMC are expensed as incurred. Further details of the defined contribution pension schemes and the supplemental pension scheme are set out in note 7(a) below.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

(ii) Medical benefits

The Group's contributions to various defined contribution medical benefit plans organized by the relevant municipal and provincial governments in the PRC and a supplemental medical benefit plan organized by DMC are expensed as incurred. Further details of the defined contribution medical benefit plans and the supplemental medical benefit plan are set out in note 7(b) below.

(iii) Cash housing subsidies

Cash housing subsidies represented payments to the housing subsidy plans implemented by the Group in 2000. Cash housing subsidies related to past services of employees were fully recognized in the income statement on a one-off basis in the year of implementation of 2000. Cash housing subsidies related to present services of employees are recognized in the income statement when incurred. Further details of the housing subsidy plans are set out in note 7(c) below.

(iv) Termination and early retirement benefits

Termination and early retirement benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed either to terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Further details of the termination and early retirement benefit plan are set out in note 7(d) below.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Warranty provisions

Provisions for warranties granted by the Group and its JVs for the passenger and commercial vehicles sold are recognized based on sales volume and past experience of the cost of repair and replacement. The key judgement adopted by management as part of the process includes determining the estimated unit cost of warranty provisions of passenger and commercial vehicles sold.

(ii) Deferred tax assets

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) Income tax

The Group need to pay the income tax in several jurisdiction. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(iv) Impairment assessment of Property, plant and equipment and Intangible assets

Due to the fierce competition in the domestic automobile market, the sales volume and profit of the Group and JVs have declined, certain PP&E and intangible assets had impairment indicators. Management of the Group and the JVs identified the relevant cash generation units ("CGU") to which these PP&E and intangibles assests belong, respectively, and estimated the recoverable amounts of these CGUs based on the higher of their value in use ("VIU") and fair value less costs of disposal ("FVLCOD") calculation. Management used VIU to assess the recoverability of the CGUs and applied significant estimations in determining the VIU calculation. The estimations included: growth rates to extrapolate revenue within the budget period, growth rates to extrapolate revenue beyond the budget period, gross margin; and discount rate. In determining the FVLCOD, the FVLCOD is determined by management based on their knowledge of subject assets and via considering available information and information from an independent third party valuer.

(v) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(vi) Measurement of expected credit loss

The Group calculates expected credit losses through default risk exposure and expected credit loss rate, and determines the expected credit loss rate based on default probability and default loss rate. In determining the expected credit loss rate, the Group uses data such as internal historical credit loss experience, etc., and adjusts historical data based on current conditions and forward-looking information. When considering forward-looking information, the indicators used by the Group include the risk of economic downturn, the expected increase in unemployment rate, external market environment, technological environment and changes in customer situations. The Group regularly monitors and reviews assumptions related to the calculation of expected credit losses. In 2021, there was no significant change in the above estimation techniques and key assumptions.

(vii) Impairment of goodwill

Goodwill is tested for impairment annually by the Group. The recoverable amount of the cash-generating unit (Group of cash-generating units) to which the goodwill relates is the present value of predicted future cash flows of which the calculation involves accouting estimates.

If the management revises the gross profit rate adopted in calculation of future cash flows of the cash-generating unit (Group of cash-generating units) and the revised gross profit rate is lower than the current gross profit rate, the Group needs to recognize an impairment loss of goodwill.

If the management revises the pre-tax discount rate adopted in discounting cash flows and the revised pre-tax discount rate is higher than the current discount rate, the Group needs to recognize an impairment loss of goodwill.

If the actual gross profit rate or pre-tax discount rate is higher or lower than that estimated by the management, the Group cannot reverse the impairment loss of goodwill that has been recognized.

(viii) Impairment of inventory

Inventories are valued at the lower of cost and net realizable value as at the date of balance sheet. If cost is higher than net realizable value, impairment against inventories is recognized and presented in profit or loss during the current period. If the influencing factors of previous recognition of the impairment of inventory disappear, which makes net realizable value higher than book value, the amount written off previously will be reversed within the amount of inventory provision and the reversed amount will be presented in profit or loss during the current period.

The net realisable value is the estimated selling price in the current course of business, less applicable costs, variable selling expenses and tax charges. Impairment of inventory is recognized by single inventory item or category.

4. BUSINESS COMBINATION UNDER COMMON CONTROL

In October 2021, the Group acquired 100% equity interest of Dongfeng Zhuolian Automobile Service Co., Ltd. ("Dongfeng Zhuolian") and Wuhan Dongfeng Hongtai Business Consulting Co., Ltd. ("Hongtai Consulting") from DMC. The consideration of this business combination under common control was RMB157 million. For this business combination under common control, the financial information of the Group and that of Dongfeng Zhuolian and Hongtai Consulting has been combined, by using the pooling of interests method, as if the Group had acquired Dongfeng Zhuolian and Hongtai Consulting from the beginning of the earliest financial period presented. The net assets of the Group, Dongfeng Zhuolian and Hongtai Consulting are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of the Group's interest in the net fair value of Dongfeng Zhuolian and Hongtai Consulting's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. The difference between the consolidation and book value of Dongfeng Zhuolian and Hongtai Consulting at the time of common control combination is taken to the reserves of the Group. Accordingly, the comparative figures of this consolidated financial information have been restated.

5. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

The financing service segment mainly provides financing services to external customers and companies within the Group, revenue from financing service is mainly interest revenue from loan.

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

During the year ended 31 December 2021, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Year ended 31 December 2021

	Commercial vehicles *RMB million*	Passenger vehicles *RMB million*	Financing service *RMB million*	Corporate and others *RMB million*	Elimination *RMB million*	Total *RMB million*
Segment revenue						
Sales to external customers	71,200	32,254	8,557	997	–	113,008
Sales to internal customers	50	294	19	95	(458)	–
	71,250	32,548	8,576	1,092	(458)	113,008
Results						
Segment results	636	(6,387)	3,657	(1,276)	1,895	(1,475)
Interest income	865	312	6	1,957	(2,244)	896
Finance expenses	(115)	(65)	(29)	(98)	42	(265)
Share of profits and losses of:						
Joint ventures	477	11,271	153	(101)	–	11,800
Associates	44	648	1,077	35	–	1,804
Profit before income tax						12,760
Income tax expense						(1,385)
Profit for the year						11,375

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021 (Continued)

	Commercial vehicles *RMB million*	Passenger vehicles *RMB million*	Financing service *RMB million*	Corporate and others *RMB million*	Elimination *RMB million*	Total *RMB million*
Other segment information						
Capital expenditure:						
– Property, plant and equipment	1,039	2,314	446	801	–	4,600
– Intangible assets	396	1,588	22	42	–	2,048
– Right-of-use assets and other non-current assets	8	25	19	1	–	53
Depreciation of property, plant and equipment	1,127	955	29	339	–	2,450
Amortisation of intangible assets	763	98	12	292	–	1,165
Depreciation of right-of-use assets	145	145	5	8	–	303
Provision against inventories	227	51	–	2	–	280
Impairment losses of financial assets	76	323	1,038	130	333	1,900
Impairment losses of non-current assets	57	540	–	84	–	681
Warranty provisions	698	245	–	–	–	943

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020

	Commercial vehicles *RMB million* (Restated)	Passenger vehicles *RMB million* (Restated)	Financing service *RMB million* (Restated)	Corporate and others *RMB million* (Restated)	Elimination *RMB million* (Restated)	Total *RMB million* (Restated)
Segment revenue						
Sales to external customers	83,514	16,524	7,558	845	–	108,441
Sales to internal customers	38	417	62	9	(526)	–
	83,552	16,941	7,620	854	(526)	108,441
Results						
Segment results	2,501	(4,275)	2,929	(3,150)	1,926	(69)
Interest income	795	226	5	1,629	(1,648)	1,007
Finance expenses	(205)	(128)	(7)	(932)	66	(1,206)
Share of profits and losses of:						
Joint ventures	221	9,379	155	(260)	–	9,495
Associates	10	1,939	926	85	–	2,960
Profit before income tax						12,187
Income tax expense						(1,620)
Profit for the year						10,567

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020 (Continued)

	Commercial vehicles *RMB million* (Restated)	Passenger vehicles *RMB million* (Restated)	Financing service *RMB million* (Restated)	Corporate and others *RMB million* (Restated)	Elimination *RMB million* (Restated)	Total *RMB million* (Restated)
Other segment information						
Capital expenditure:						
– Property, plant and equipment	1,353	1,853	107	714	–	4,027
– Intangible assets	411	544	23	42	–	1,020
– Right-of-use assets and other non-current assets	54	23	394	2	–	473
Depreciation of property, plant and equipment	1,128	716	5	235	–	2,084
Amortisation of intangible assets	697	35	10	150	–	892
Depreciation of right-of-use assets	126	124	5	7	–	262
Provision against inventories	180	42	–	23	–	245
Impairment losses of financial assets	84	58	1,402	151	(333)	1,362
Impairment losses of non-current assets	18	1,546	–	125	–	1,689
Warranty provisions	871	78	–	11	–	960

6. OTHER INCOME

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

	Note	**2021**	2020
		RMB million	*RMB million*
			(Restated)
Net income from disposal of other materials		**115**	38
Government grants and subsidies		**579**	512
Dividends		**1,688**	–
Interest income		**896**	1,007
Management dispatch fee received from joint ventures		**219**	271
Gain on debt restruction	(a)	**20**	1,520
Others		**1,507**	1,453
		5,024	4,801

(a) On May 2020, the Group acquired 50% shares of Dongfeng Renault Automotive Co., Ltd. ("DRAC") held by Renault Co., Ltd.. After the acquisition, the percentage of holding shares to DRAC was 100%. During June to December 2020, DRAC obtained the debt forgiveness through negotiation with the creditors and recognised gain on restruction of RMB1,520 million.

7. PROFIT BEFORE INCOME TAX

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

	Notes	2021 RMB million	2020 RMB million (Restated)
Cost of inventories recognized as expense		**91,883**	86,360
Interest expense for financing services (included in cost of sales)		**370**	541
Provision against inventories		**280**	245
Depreciation of property, plant and equipment	15	**2,450**	2,084
Amortization of intangible assets	17	**1,165**	892
Depreciation of right-of-use assets	16	**303**	262
Depreciation of Investment properties		**12**	6
Auditors' remuneration*		**22**	19
Net impairment losses on financial assets	11	**1,900**	1,362
Staff costs (excluding directors' and supervisors' remuneration (Note 9)):			
– Wages and salaries		**8,458**	7,818
– Pension scheme costs	(a)	**762**	357
– Medical benefit costs	(b)	**490**	427
– Cash housing subsidy costs	(c)	**1**	7
		9,711	8,609
Included in other expenses:			
(Losses)/Gains on disposal of items of property, plant and equipment and intangible assets, net		**(295)**	82
Impairment of items of property, plant and equipment	15	**451**	1,488
Impairment of intangible assets	17	**230**	201
Warranty provisions	33	**943**	960
Research costs		**5,525**	5,098
Royalty fee		**66**	48
Other exchange losses, net		**282**	23

* Non-audit fee included in auditors' remuneration is less than 1 million this year.

7. PROFIT BEFORE INCOME TAX (CONTINUED)

(a) Retirement benefits

The Group's employees in the PRC are covered by various defined contribution pension schemes regulated by the relevant municipal and provincial governments in the PRC pursuant to which the municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and retired employees.

In addition to the defined contribution pension schemes regulated by the relevant municipal and provincial governments in the PRC, the Company and most of its subsidiaries and joint ventures located in the Hubei Province (collectively referred to as the "Hubei Entities") also participate in a supplemental pension scheme regulated by DMC (the "Scheme"), pursuant to which the Hubei Entities are required to make contributions based on certain percentages of the wages of the employees to the Scheme on a monthly basis, whereas DMC undertakes to assume the supplemental pension obligations and other pension benefits payable to the employees of the Hubei Entities. The Group has no further obligations for the supplemental pension obligations and other pension benefits beyond the contributions made. The contributions to the Scheme made by the Hubei Entities are expensed as incurred.

In accordance with the arrangement in place and for administrative reasons, the contributions to the Scheme are settled directly by each of the Hubei Entities based on the amounts of their respective contributions required to be borne.

DMC has agreed with the Company that it shall continue to assume the supplemental pension obligations and other pension benefits payable to the employees of the Hubei Entities and the Hubei Entities shall continue to make contributions to the Scheme, on a monthly basis, based on certain percentages of the wages of their employees. DMC has also agreed to indemnify the Company against any losses which may arise if the employees of the Hubei Entities claim against the Hubei Entities for their supplemental pension obligations and other pension benefits under the Scheme.

(b) Medical benefits

The Group contributes on a monthly basis to various defined contribution medical benefit plans organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the medical benefit obligations of all existing and retired employees under these plans.

In addition, the Hubei Entities also participate in a supplemental medical benefit plan regulated by DMC pursuant to which the Hubei Entities are required to contribute certain percentages of the wages of their qualified employees to the plan, on a monthly basis, and DMC undertakes to assume the supplemental medical benefit obligations payable to the qualified employees of the Hubei Entities. The Group has no further obligations for supplemental medical benefits beyond the contributions made. The contributions made by the Hubei Entities are expensed as incurred.

7. PROFIT BEFORE INCOME TAX (CONTINUED)

(b) Medical benefits (Continued)

DMC has agreed with the Company that it shall continue to assume the supplemental medical benefit obligations payable to the qualified employees of the Hubei Entities and such companies shall continue to make monthly contributions to the supplemental medical benefit plan based on certain percentages of the wages of their qualified employees. DMC has also agreed to indemnify the Company against any losses which may arise if the employees of the Hubei Entities claim against the Hubei Entities for their supplemental medical benefits.

(c) Cash housing subsidies

In 2000, the Group implemented cash housing subsidy plans, pursuant to which the Group undertook the obligation to pay cash housing subsidies to its eligible employees who had not been allocated housing quarters or who had not been allocated housing quarters up to the prescribed standards. Retired employees of the Group existed at the time of the implementation of the cash housing subsidy plans were entitled to the benefits under these plans. Employees who joined the subsidiaries and joint ventures from 1 January 2003 onwards and the retired employees of these subsidiaries and joint ventures were not entitled to any benefits under the cash housing subsidy plans.

For cash housing subsidies related to service periods before 1 January 2000, they were fully recognised as expenses upon implementation of the plans in year 2000. For cash housing subsidies related to service periods starting from 1 January 2000, the payments are made on a monthly basis commencing from January 2000 for a period of up to 20 years for employees without being allocated housing quarters and for a period of 15 years for employees being allocated housing quarters which are not up to the prescribed standards. The monthly payments are recognised in the income statement when incurred and are in line with the service periods of these employees.

(d) Termination and early retirement benefits

The Group implemented termination and early retirement plans for certain qualified employees, pursuant to which the Group has the obligations to pay early retirement benefits on a monthly basis to the relevant early retired employees until these employees reach their normal retirement age at which time they can draw their pension from the governmental regulated pension schemes and the DMC regulated supplemental pension scheme.

The early retirement benefit obligations estimated by the directors were fully accrued and recognised in the respective years' income statements when the formal early retirement plan was demonstrably committed.

8. FINANCE EXPENSES

	2021	2020
	RMB million	*RMB million*
		(Restated)
Interest expenses on bank loans and other borrowings	**878**	916
Interest expenses on lease liabilities (Note 16)	**127**	110
Exchange net (gains)/losses of financing activities	**(740)**	180
Finance expenses	**265**	1,206

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of the directors' and supervisors' remuneration for the year, disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules, are as follows:

	Directors		**Supervisors**	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
Fees	**467**	284	**3**	36
Other emoluments:				
– Salaries	**858**	772	**611**	611
– Discretionary bonuses	**2,419**	3,625	**1,844**	1,861
– Estimated money value of other benefits	**224**	214	**116**	110
– Employer's contribution to a retirement benefit scheme	**274**	225	**137**	104
Total charged to the income statement	**4,242**	5,120	**2,711**	2,722

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2021:

Name	Fees	Salary	Discretionary bonuses	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:						
Zhu Yanfeng	–	234	696	58	69	1,057
Yang Qing (Executive Director and President, appointed on 18 June 2021)	–	124	299	30	35	488
Li Shaozhu (Executive Director and President, resigned on 18 June 2021)	–	55	379	14	17	465
You Zheng	–	202	475	56	73	806
	–	615	1,849	158	194	2,816
Non-executive directors:						
Yang Qing (resigned on 18 June 2021)	–	105	402	28	34	569
Huang Wei (appointed on 18 June 2021)	–	138	168	38	46	390
	–	243	570	66	80	959
Independent non-executive directors:						
Liang Weili	206	–	–	–	–	206
Zong Qingsheng	63	–	–	–	–	63
Hu Yiguang	198	–	–	–	–	198
	467	–	–	–	–	467
	467	858	2,419	224	274	4,242
Supervisors:						
He Wei (Supervisor Chairman)	–	350	1,156	58	69	1,633
Jin Jun (appointed on 26 August 2021)	–	90	247	20	23	380
Zheng Hongyun (resigned on 26 August 2021)	–	171	441	38	45	695
	–	611	1,844	116	137	2,708
Independent supervisors:						
Bao Hongxiang	3	–	–	–	–	3
	3	611	1,844	116	137	2,711

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

The remuneration of every director and the chief executive is set out below (Continued):

For the year ended 31 December 2020:

Name	Fees	Salary	Discretionary bonuses	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:						
Zhu Yanfeng	–	207	1,089	55	54	1,405
Li Shaozhu (Executive Director and President)	–	207	1,076	55	54	1,392
You Zheng	–	178	597	49	63	887
	–	592	2,762	159	171	3,684
Non-executive directors:						
Cheng Daoran (resigned on 25 September 2020)	–	121	788	36	31	976
Yang Qing (appointed on 25 September 2020)	–	59	75	19	23	176
	–	180	863	55	54	1,152
Independent non-executive directors:						
Ma Zhigeng (resigned on 25 September 2020)	45	–	–	–	–	45
Zhang Xiaotie (resigned on 25 May 2020)	25	–	–	–	–	25
Chen Yunfei (resigned on 25 September 2020)	111	–	–	–	–	111
Liang Weili (appointed on 25 September 2020)	51	–	–	–	–	51
Zong Qingsheng (appointed on 25 September 2020)	15	–	–	–	–	15
Hu Yiguang (appointed on 25 September 2020)	37	–	–	–	–	37
	284	–	–	–	–	284
	284	772	3,625	214	225	5,120

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

The remuneration of every director and the chief executive is set out below (Continued):

For the year ended 31 December 2020 (Continued)::

Name	Fees	Salary	Discretionary bonuses	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors:						
He Wei (Supervisor Chairman)	–	350	1,456	55	54	1,915
Li Pingan (resigned on 25 September 2020)	–	180	259	36	27	502
Zheng Hongyun (appointed on 25 September 2020)	–	81	146	19	23	269
	–	611	1,861	110	104	2,686
Independent supervisors:						
Zhao Jun (resigned on 25 September 2020)	36	–	–	–	–	36
	36	611	1,861	110	104	2,722

No retirement benefits or termination benefits were paid to directors or supervisors during the year ended 31 December 2021. No considerations were provided to third parties for making available directors' services (2020: same).

During the year, no loans, quasi-loans or other dealings were entered into by the company in favor of directors or supervisors (2020: same).

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include directors (2020: nil directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the five (2020: five) highest paid employees who are neither a director nor a supervisor of the Company are as follows:

	2021	2020
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**2,976**	3,225
Bonuses	**11,740**	11,391
Pension scheme contributions	**888**	680
	15,604	15,296

The number of these non-director and non-supervisor, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
HKD2,500,001 – HKD3,000,000	**–**	2
HKD3,000,001 – HKD3,500,000	**2**	1
HKD3,500,001 – HKD4,000,000	**3**	1
HKD4,000,001 – HKD4,500,000	**–**	1
	5	5

11. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2021	2020
	RMB million	*RMB million*
		(Restated)
Impairment losses of trade receivables	**480**	229
Impairment losses of other receivables	**59**	51
Impairment losses of loans and receivables from financing services	**1,354**	957
Others	**7**	125
	1,900	1,362

12. INCOME TAX EXPENSE AND DEFERRED INCOME TAX

	2021	2020
	RMB million	*RMB million*
		(Restated)
Current income tax	**1,963**	1,770
Deferred income tax	**(578)**	(150)
Income tax expense for the year	**1,385**	1,620

(a) Corporate income tax

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

(b) Hong Kong profits tax

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

(c) Deferred income tax

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

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

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

A reconciliation of the income tax expense applicable to profit before income tax at the statutory corporate income tax rate in the PRC in which the Group is domiciled to the income tax expense at the Group's effective income tax rate, and a reconciliation of the applicable rate (i.e., the statutory corporate income tax rate) to the effective income tax rate, are as follows:

	2021	2020
	RMB million	*RMB million*
		(Restated)
Profit before income tax	**12,760**	12,187
At the PRC statutory corporate income tax rate of 25% (2020: 25%)	**3,190**	3,047
Tax concessions and lower tax rates for specific provinces or locations	**(118)**	(248)
Share of profits and losses of Joint ventures and Associates	**(3,231)**	(2,625)
Expenses not deductible for corporate income tax	**14**	17
Tax losses not recognized	**1,884**	2,117
Others	**(354)**	(688)
Income tax expense at the Group's effective income tax rate	**1,385**	1,620

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

The Group's deferred income tax is analyzed as follows:

	Consolidated statement of financial position As at 31 December		Consolidated income statement and statement of comprehensive income Year ended 31 December	
	2021	2020	**2021**	2020
	RMB million	*RMB million*	***RMB million***	*RMB million*
		(Restated)		(Restated)
Deferred tax assets:				
Assets impairment	**926**	838	**(144)**	(436)
Accrued expenses	**468**	603	**135**	108
Warranty provisions	**214**	293	**79**	(116)
Wages payable	**104**	98	**(6)**	84
Losses are deductible for carry-forwards in subsequent years	**279**	3	**(276)**	–
Interest received in advance	**724**	879	**155**	(112)
Others	**214**	219	**5**	(105)
Gross deferred tax assets	**2,929**	2,933	**(52)**	(577)
Deferred tax liabilities:				
Fair value adjustments arising from acquisition of subsidiaries	**(29)**	(49)	**(20)**	(14)
Reallocation subsidy received from government	**(55)**	(63)	**(8)**	(10)
Changes in the fair value of financial assets at fair value through other comprehensive income	**(743)**	(25)	**973**	–
Unremitted earnings of oversea businesses	**(2,055)**	(2,555)	**(500)**	441
Gross deferred tax liabilities	**(2,882)**	(2,692)	**445**	417
			393	(160)
Represented by:				
Deferred tax credited to consolidated income statement			**(578)**	(150)
Deferred tax credited to consolidated other comprehensive income			**971**	(10)
			393	(160)

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

Deferred income tax assets and deferred income tax liabilities are analyzed as follows：

	2021 ***RMB million***	2020 *RMB million* (Restated)
Deferred income tax assets：		
Deferred income tax assets to be recovered over 12 months	**1,896**	2,213
Deferred income tax assets to be recovered within 12 months	**1,033**	720
	2,929	2,933
Deferred income tax liabilities：		
Deferred income tax liabilities settled over 12 months	**(823)**	(13)
Deferred income tax liabilities settled within 12 months	**(2,059)**	(2,679)
	(2,882)	(2,692)
	47	241

13. DIVIDEND

	2021 ***RMB million***	2020 *RMB million*
Proposed final – RMB0.30 (2020: Nil) per ordinary share	**2,585**	–

The total dividends paid in 2021 amounted to RMB3,446 million, being RMB0.40 per share (2020: RMB3,016 million, being RMB0.35 per share).

13. DIVIDEND (CONTINUED)

In accordance with the articles of association of the Company, the net profit after income tax of the Company for the purpose of profit distribution will be deemed to be the lesser of (i) the net profit determined in accordance with Accounting Standards for Business Enterprises ("PRC GAAP") and (ii) the net profit determined in accordance with IFRSs. Under the PRC Company Law and the Company's articles of association, the net profit after tax can only be distributed as dividends after an allowance has been made for the following:

(i) Making up prior years' cumulative losses, if any.

(ii) Allocations to the statutory surplus reserves of at least 10% of after-tax profit, until the reserve reaches 50% of the Company's share capital in aggregate. For the purpose of calculating the transfer to the reserve, the profit after tax shall be the amount determined under PRC GAAP. The transfer to this reserve must be made before any distribution of dividends to shareholders.

The statutory surplus reserves can be used to offset previous years' losses, if any, and part of the statutory surplus reserves can be capitalized as the Company's share capital provided that the amount of such reserve remaining after the capitalization shall not be less than 25% of the share capital of the Company.

(iii) Allocations to the discretionary common reserve if approved by the shareholders.

The abovementioned reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

For dividend distribution purposes, the amounts that the Company's subsidiaries and joint ventures can legally distribute by way of a dividend are determined by reference to the profits as reflected in their financial statements prepared in accordance with PRC GAAP. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

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

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

The calculation of basic earnings per share is based on:

	2021	2020
	RMB million	*RMB million*
		(Restated)
Earnings:		
Profit for the year attributable to ordinary equity holders of the Company	**11,387**	10,758

	Number of shares	
	million	*million*
Shares:		
Weighted average number of ordinary shares in issue during the year	**8,616**	8,616
Earnings per share (RMB)	**132.16 cents**	124.86 cents

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

15. PROPERTY, PLANT AND EQUIPMENT

	Note	Buildings RMB million	Equipment RMB million	Construction in progress RMB million	Total RMB million
At 31 December 2020 and 1 January 2021:					
Cost		9,743	21,470	6,176	37,389
Accumulated depreciation and impairment		(3,085)	(14,047)	(139)	(17,271)
Net carrying amount		6,658	7,423	6,037	20,118
At 1 January 2021, net of accumulated depreciation and impairment		6,658	7,423	6,037	20,118
Additions		51	1,232	3,164	4,447
Disposal of subsidiary		(68)	(138)	(1)	(207)
Disposals		(310)	(82)	–	(392)
Reclassification		1,521	4,802	(6,323)	–
Other transfer		(1,256)	–	(982)	(2,238)
Impairment	(a)	(2)	(438)	(11)	(451)
Depreciation during the year		(412)	(2,038)	–	(2,450)
At 31 December 2021, net of accumulated depreciation and impairment		6,182	10,761	1,884	18,827
At 31 December 2021:					
Cost		9,062	25,218	1,895	36,175
Accumulated depreciation and impairment		(2,880)	(14,457)	(11)	(17,348)
Net carrying amount		6,182	10,761	1,884	18,827

(a) Due to the fierce competition in the domestic automobile market, the sales volume and profit of the Group and JVs have declined, certain PP&E assets had impairment indicators. As a result, the Group recorded a total impairment provision charge of RMB451 million against PP&E assests to the consolidated income statement of the Group for the year.

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Buildings	Equipment	Construction in progress	Total
		RMB million	*RMB million*	*RMB million*	*RMB million*
At 31 December 2019 and 1 January 2020(Restated):					
Cost		8,349	19,345	3,943	31,637
Accumulated depreciation and impairment		(2,588)	(11,682)	–	(14,270)
Net carrying amount		5,761	7,663	3,943	17,367
At 1 January 2020, net of accumulated depreciation and impairment		5,761	7,663	3,943	17,367
Additions		230	541	3,424	4,195
Acquisition of subsidiary		1,100	738	501	2,339
Disposals		(94)	(53)	–	(147)
Reclassification		315	1,313	(1,628)	–
Other transfer		–	–	(64)	(64)
Impairment	(a)	(303)	(1,046)	(139)	(1,488)
Depreciation during the year		(351)	(1,733)	–	(2,084)
At 31 December 2020, net of accumulated depreciation and impairment		6,658	7,423	6,037	20,118
At 31 December 2020:					
Cost		9,743	21,470	6,176	37,389
Accumulated depreciation and impairment		(3,085)	(14,047)	(139)	(17,271)
Net carrying amount		6,658	7,423	6,037	20,118

(a) Due to the fierce competition in the domestic automobile market, the sales volume and profit of the Group and JVs have declined, certain PP&E assets had impairment indicators. As a result, the Group recorded a total impairment provision charge of RMB1488 million against PP&E assests to the consolidated income statement of the Group for the year.

16. LEASES

	2021 *RMB million*	2020 *RMB million* (Restated)
Leasehold land and land use rights*	**3,573**	4,023
Buildings	**667**	398
Equipment and vehicles	**2**	2
Total right-of-use assets	**4,242**	4,423
Current lease liabilities	**298**	163
Non-current lease liabilities	**2,179**	2,152
Total lease liabilities	**2,477**	2,315

* The Group has land lease arrangement with mainland China government.

16. LEASES (CONTINUED)

Expenses have been charged to the consolidated statement of comprehensive income as follows:

The statement of profit or loss shows the following amounts relating to leases:

	2021 RMB million	2020 RMB million (Restated)
Leasehold land and land use rights	155	195
Buildings	148	67
Total depreciation of right-of-use assets (Note 7)	303	262
Interest expense (Note 8)	127	110
Expense relating to short-term leases	149	134
Expense relating to leases of low-value assets	46	39

The total cash outflow for leases in 2021 was RMB244 Million (2020: 220 Million).

Included in the right-of-use assets and lease liabilities are the following balances with related parties:

	2021 RMB million	2020 RMB million (Restated)
Lease liabilities:		
– DMC, its subsidiaries, associates and joint ventures	1,782	1,917

17. INTANGIBLE ASSETS

	Patents and licenses *RMB million*	Customer relationships *RMB million*	Research and development costs *RMB million*	Others *RMB million*	Total *RMB million*
For the year ended 31 December 2021					
Cost:					
At 1 January 2021	5,017	1,336	1,149	1,706	9,208
Additions	208	–	1,705	268	2,181
Disposal of business	–	–	–	(23)	(23)
Reclassification	1,190	–	(1,190)	–	–
At 31 December 2021	6,415	1,336	1,664	1,951	11,366
Accumulated amortization:					
At 1 January 2021	2,228	590	–	1,000	3,818
Amortization	877	79	–	209	1,165
At 31 December 2021	3,105	669	–	1,209	4,983
Impairment:					
At 1 January 2021	327	–	–	–	327
Additions	218	–	–	12	230
At 31 December 2021	545	–	–	12	557
Net carring amount:					
At 1 January 2021	2,462	746	1,149	706	5,063
At 31 December 2021	2,765	667	1,664	730	5,826

Amortisation expenses are included in cost of sales (RMB60 Million; 2020 – RMB34 Million), research costs (RMB728 Million; 2020 – RMB520 Million;), selling and distribution expenses (RMB8 Million; 2020 – RMB6 Million;) and administration expenses (RMB369 Million; 2020 – RMB332 Million;).

17. INTANGIBLE ASSETS (CONTINUED)

	Patents and licenses *RMB million* (Restated)	Customer relationships *RMB million* (Restated)	Research and development costs *RMB million* (Restated)	Others *RMB million* (Restated)	Total *RMB million* (Restated)
For the year ended 31 December 2020					
Cost:					
At 1 January 2020	4,477	1,336	1,032	1,333	8,178
Additions	183	–	676	220	1,079
Reclassification	357	–	(559)	202	–
Disposals	–	–	–	(49)	(49)
At 31 December 2020	5,017	1,336	1,149	1,706	9,208
Accumulated amortization:					
At 1 January 2020	1,626	511	–	838	2,975
Amortization	602	79	–	211	892
Disposals	–	–	–	(49)	(49)
At 31 December 2020	2,228	590	–	1,000	3,818
Impairment:					
At 1 January 2020	126	–	–	–	126
Additions	201	–	–	–	201
Disposals	–	–	–	–	–
At 31 December 2020	327	–	–	–	327
Net carring amount:					
At 1 January 2020	2,725	825	1,032	495	5,077
At 31 December 2020	2,462	746	1,149	706	5,063

18. GOODWILL

	2021 31 December RMB million	2020 31 December RMB million (Restated)
Cost:		
At 1 January	1,746	1,762
Disposal	–	(16)
At 31 December	1,746	1,746
Impairment:		
At 1 January	13	13
Additions	–	–
At 31 December	13	13
Net carring amount:		
At 1 January	1,733	1,749
At 31 December	1,733	1,733

The recoverable amounts of the cash-generating units, to which the goodwill is allocated, have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period.

Main assumptions using cash flow projections for CGU with goodwill are:

	2021	2020
Growth rate	2%-4%	2%-4%
Gross rate	16.5%-20%	16.5%-20%
Discount rate before tax	15%-17.5%	15%-17.5%

19. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2021 were as follows:

Name	Place of establishment and business	Paid-up and registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Dongfeng Commercial Vehicles Co., Ltd. ("DFCV")	PRC	RMB9,200,000,000	55.00	–	Manufacturing and sales of commercial vehicles
Dongfeng Liuzhou Motor Co., Ltd. ("Dongfeng Liuqi")	PRC	RMB1,224,700,000	75.00	–	Manufacturing and sale of automobiles, automotive parts and components
Dongfeng Motor Finance Co., Ltd.	PRC	RMB9,000,000,000	100.00	–	Provision of finance services
China Dongfeng Motor Industry Import and Export Co., Ltd.	PRC	RMB200,000,000	95.00	–	Marketing and sale of automobiles
Dongfeng Changxing Technology Co., Ltd	PRC	RMB506,816,200	95.38	–	Manufacturing and sale of electric vehicles, parts and components
Zhixin Technology Co., Ltd.	PRC	RMB1,000,000,000	82.14	–	Manufacturing and sale of electric vehicles, parts and components
Dongfeng Off-road Vehicle Co., Ltd.	PRC	RMB155,000,000	100.00	–	Manufacturing and sale of off-road vehicles, parts and components
Dongfeng Special Commercial Vehicle Co., Ltd.	PRC	RMB343,314,200	75.08	–	Manufacturing and sale of special commercial vehicles, parts and components
Dongfeng Peugeot Citroën Automobile Sales Co., Ltd. ("DPCS")	PRC	RMB100,000,000	50.00	–	Marketing and sale of automobiles
Dongfeng Dingxin Power System Technology Co., Ltd.	PRC	RMB662,281,100	100.00	–	Manufacture and sale of automotive parts and components
Dongfeng Motor Investment (Wuhan) Co., Ltd.	PRC	RMB10,000,000	100.00	–	Provide investment and advisory services

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company as at 31 December 2021 were as follows (Continued):

Name	Place of establishment and business	Paid-up and registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Dongfeng Nengdi (Hangzhou) Motor Co., Ltd.	PRC	RMB359,900,700	59.72	40.28	Manufacture and sale of automotive parts and components
Dongfeng Automobile Trade Co., Ltd.	PRC	RMB220,000,000	100.00	–	Marketing and sale of automobiles
Dongfeng Motor (Wuhan) Co., Ltd. (originally "Dongfeng Renault Automotive Co., Ltd.")	PRC	RMB4,706,303,400	100.00	–	Manufacturing and sale of automobiles, automotive parts and components
VOYAH Automobile Sales and Service Co., Ltd.	PRC	RMB100,000,000	100.00	–	Sale of automobiles, automotive parts and components
Wuhan Dongfeng Hongtai Business Consulting Co., Ltd.	PRC	RMB11,000,000	100.00	–	Automotive technology business consulting services, etc
Dongfeng Zhuolian Automobile Service Co., Ltd.	PRC	RMB150,000,000	100.00	–	Sales of auto parts, car maintenance and repair services, etc
VOYAH Automobile Technology Company Ltd.	PRC	RMB2,610,000,000	89.66	–	Automotive technology development and service, production and sales of automobiles and auto parts, etc
Dongfeng USharing Technology Co.,Ltd	PRC	RMB1,000,000,000	70.00	–	Manufacture and sale of auto parts

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarized financial information on subsidiaries with non-controlling interests:

There are subsidiaries with individually material non-controlling interest within the Group. The summarized financial information for these subsidiaries are set out below:

Summarized statement of financial position

	31 December 2021					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total l iabilities
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
DFCV	**30,952**	**12,625**	**43,577**	**27,632**	**2,638**	**30,270**
Dongfeng Liuqi	**18,100**	**4,143**	**22,243**	**14,766**	**744**	**15,510**
DPCS	**1,109**	**4**	**1,113**	**7,905**	**52**	**7,957**

	31 December 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
DFCV	44,072	13,349	57,421	40,753	2,668	43,421
Dongfeng Liuqi	20,130	4,271	24,401	17,188	829	18,017
DPCS	1,022	5	1,027	7,186	–	7,186

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarized financial information on subsidiaries with non-controlling interests (continued):

Summarized statement of comprehensive income

	For the year ended 31 December 2021			
	Revenue	**Profit for the year**	**Total comprehensive income for the year**	**Net cash flows from/(used in) operating activities**
	RMB million	***RMB million***	***RMB million***	***RMB million***
DFCV	**43,009**	**629**	**597**	**(3,160)**
Dongfeng Liuqi	**25,059**	**348**	**348**	**(2,461)**
DPCS	**10,270**	**(686)**	**(686)**	**(7)**

	For the year ended 31 December 2020			
	Revenue	Profit for the year	Total comprehensive income for the year	Net cash flows from/(used in) operating activities
	RMB million	*RMB million*	*RMB million*	*RMB million*
DFCV	51,754	2,864	2,829	3,987
Dongfeng Liuqi	23,843	653	653	4,485
DPCS	5,698	(2,000)	(2,000)	(1)

20. INVESTMENTS IN JOINT VENTURES

The amounts recognised in the consolidated statement of financial position are as follows:

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
Joint ventures, at carrying value	**41,986**	39,596

The movements in investments in joint ventures are as follows:

	2021	2020
	RMB million	*RMB million*
		(Restated)
At 1 January	**39,596**	40,427
New Investment	**9**	–
Share of profits	**11,822**	9,471
Other comprehensive income	**34**	80
Other changes in equity	**169**	(2)
Disposals	**(6)**	(83)
Dividends from joint ventures	**(9,638)**	(10,297)
At 31 December	**41,986**	39,596

20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Particulars of the principal joint ventures of the Group as at 31 December 2021 were as follows:

Name	Place of establishment and business	Paid-up Registered capital	Percentage of equity interest attributable to the Company	Principal activities
Dongfeng Motor Co., Ltd. ("DFL")	PRC	RMB16,700,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Peugeot Citroën Automobile Co., Ltd.("DPCA")	PRC	RMB7,000,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Automobile Co., Ltd. ("DHAC")	PRC	USD560,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Engine Co., Ltd.	PRC	USD121,583,517	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Auto Parts Co., Ltd.	PRC	USD62,500,000	44.00	Manufacture and sale of automotive parts and components
Dongfeng Peugeot Citroën Auto Finance Co., Ltd.	PRC	RMB1,000,000,000	50.00	Provision of auto financial services
eGT New Energy Automotive Co., Ltd.	PRC	RMB140,000,000	50.00	Manufacture and sale of automotive

20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The financial information of material joint ventures

The following tables illustrate the financial information of the material joint ventures including DFL, DPCA and DHAC, adjusted for differences in accounting policies between the Group and the joint ventures, and before equity method was applied to account for the Group's share of those amounts.

(i) Statement of financial position of material joint ventures

	DFL		DPCA		DHAC	
	31 December		31 December		31 December	
	2021	2020	**2021**	2020	**2021**	2020
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Cash and cash in bank	**33,112**	31,726	**1,117**	844	**26,781**	31,860
Other current assets (excluding cash and cash in bank)	**75,957**	78,317	**9,263**	7,305	**20,391**	24,327
Total current assets	**109,069**	110,043	**10,380**	8,149	**47,172**	56,187
Total non-current assets	**48,658**	49,235	**11,043**	12,992	**13,333**	14,234
Total assets	**157,727**	159,278	**21,423**	21,141	**60,505**	70,421
Current financial liabilities (excluding account payable)	**(1,006)**	(950)	**(4,275)**	(5,794)	**–**	–
Other current liabilities (including account payable)	**(80,215)**	(86,660)	**(9,085)**	(5,706)	**(44,176)**	(55,504)
Provisions	**(1,245)**	(1,043)	**(165)**	(45)	**(443)**	(244)
Total current liabilities	**(81,221)**	(87,610)	**(13,360)**	(11,500)	**(44,176)**	(55,504)
Non-current financial liabilities (excluding account payable)	**(133)**	(240)	**(105)**	(1,114)	**–**	–
Other non-current liabilities (including account payable)	**(14,358)**	(12,258)	**(2,143)**	(2,428)	**(1,861)**	(1,996)
Provisions	**(2,091)**	(1,042)	**(706)**	(408)	**(458)**	(319)
Total non-current liabilities	**(14,491)**	(12,498)	**(2,248)**	(3,542)	**(1,861)**	(1,996)
Total liabilities	**(95,712)**	(100,108)	**(15,608)**	(15,042)	**(46,037)**	(57,500)
Non-controlling interests	**(9,909)**	(9,422)	**–**	–	**–**	–
Net assets	**52,106**	49,748	**5,815**	6,099	**14,468**	12,921

20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The financial information of material joint ventures (Continued)

(ii) ***Statement of comprehensive income of material joint ventures***

	DFL		DPCA		DHAC	
	2021	2020	**2021**	2020	**2021**	2020
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Revenue	**162,571**	169,385	**11,475**	7,048	**109,295**	118,657
Depreciation and amortization	**(5,194)**	(4,887)	**(1,272)**	(1,466)	**(1,502)**	(1,225)
Interest income	**1,930**	774	**9**	27	**473**	596
Interest expenses	**(182)**	(306)	**(264)**	(275)	**–**	(16)
Profit/(loss) before income tax	**14,818**	15,432	**(684)**	(1,579)	**13,906**	13,224
Income tax expenses	**(3,545)**	(3,497)	**10**	(426)	**(3,457)**	(3,381)
Profit/(loss) after tax	**11,273**	11,935	**(674)**	(2,005)	**10,449**	9,843
Non-controlling interests	**(1,396)**	(2,189)	**–**	–	**–**	–
Other comprehensive income	**82**	148	**–**	–	**–**	–
Total comprehensive income	**11,355**	12,083	**(674)**	(2,005)	**10,449**	9,843
Dividend received	**3,774**	4,599	**–**	–	**4,361**	6,711

20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Reconciliation of financial information

The following table illustrates the reconciliation of share of net assets to carrying amounts of material joint ventures:

	DFL		DPCA		DHAC	
	2021	2020	**2021**	2020	**2021**	2020
	RMB million	*RMB Million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Opening net assets at 1 January	**49,748**	49,060	**6,099**	8,104	**12,921**	11,799
Profit after tax	**11,273**	11,935	**(674)**	(2,005)	**10,449**	9,843
Other comprehensive income	**82**	148	**–**	–	**–**	–
Dividend	**(7,548)**	(9,198)	**–**	–	**(8,902)**	(8,721)
Non-controlling interests	**(1,396)**	(2,189)	**–**	–	**–**	–
Other equity movement	**(53)**	(8)	**390**	–	**–**	–
Closing net assets at 31 December	**52,106**	49,748	**5,815**	6,099	**14,468**	12,921
Interest in joint ventures (50%)	**26,053**	24,874	**2,908**	3,050	**7,234**	6,461
Goodwill	**–**	–	**277**	277	**–**	–
Carrying amount of investments in material joint ventures	**26,053**	24,874	**3,185**	3,327	**7,234**	6,461

20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Reconciliation of financial information (Continued)

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2021	2020
	RMB million	*RMB million*
		(Restated)
Share of joint ventures' results		
Profit after tax	**1,996**	679
Other comprehensive income	**(7)**	6
Total comprehensive income	**1,989**	685
Aggregate carrying amount of the Group's investments in the joint ventures	**5,514**	4,934

21. INVESTMENTS IN ASSOCIATES

The amounts recognised in the consolidated statement of financial position are as follows:

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
Associates, at carrying value	**14,528**	28,774

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the principal associates as at 31 December 2021 were as follows:

Name	Place of establishment and business	Percentage of ownership interest attributable to the Group	Principal activities
Dongfeng Nissan Auto Finance Co., Ltd. #	PRC	49.50	Provision of finance services
Nanjing Lingxing Equity Investment Partnership	PRC	16.39	Equity investment

Sino-foreign equity joint venture

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The amounts recognised in the consolidated income statement are as follows:

	2021	2020
	RMB million	*RMB million*
		(Restated)
Associates-Share of profits	**1,804**	2,960

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

The movements in investments in associates are as follows:

	Note	**2021**	2020
		RMB million	*RMB million*
			(Restated)
1 January		**28,774**	24,824
Increase in investment		**2,114**	864
Share of profits		**1,804**	2,960
Other comprehensive income		**–**	(516)
Other changes in equity		**–**	163
Decreased this year		**(921)**	–
Classified as financial assets at fair value through other comprehensive income	28(i)	**(17,205)**	–
Dividends from associates		**(38)**	(31)
Translation reserve		**–**	510
31 December		**14,528**	28,774

22. OTHER NON-CURRENT ASSETS

	Note	**31 December**	
		2021	2020
		RMB million	*RMB million*
			(Restated)
Loans and receivables from financing services	26(a)	**29,282**	35,960
Mandatory reserve deposits with the People's Bank of China (the "PBOC")	(a)	**4,504**	4,471
Non-pledged time deposits with original maturity of one year or more		**–**	30
Others		**949**	880
		34,735	41,341

(a) The Group's subsidiary, DFF, involved in the provision of financing services is required to place mandatory reserve deposits with the PBOC. Mandatory reserve deposits with the PBOC are not available for use in the Group's daily operations.

22. OTHER NON-CURRENT ASSETS (CONTINUED)

Included in the other non-current assets are the following balances with related parties:

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
Associates	**–**	489

23. INVENTORIES

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
Raw materials	**1,680**	2,311
Work in progress	**742**	814
Finished goods – at cost	**8,997**	9,713
	11,419	12,838

24. TRADE RECEIVABLES

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

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

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
Within three months	**3,318**	5,942
More than three months but within one year	**1,069**	1,910
More than one year	**2,560**	2,169
	6,947	10,021

Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an increase of the loss allowance for trade receivables, and a further increase in the allowance by RMB480 million in the current periods. Note 42(c) provides for details about the calculation of the allowance.

24. TRADE RECEIVABLES (CONTINUED)

Impairment and risk exposure (Continued)

Included in the trade receivables are the following balances with related parties:

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
DMC, its subsidiaries, associates and joint ventures	**60**	114
Non-controlling shareholders of a subsidiary and their subsidiaries	**114**	143
Associates	**7**	97
	181	354

25. BILLS RECEIVABLE

The maturity profiles of the bills receivable of the Group are as follows:

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
Within one year	**731**	1,426

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

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		31 December	
		2021	2020
	Note	***RMB million***	*RMB million*
			(Restated)
Prepayments		**2,050**	1,305
Deposits and other receivables		**2,785**	2,759
Loans and receivables from financing services	(a)	**59,439**	58,270
		64,274	62,334

Fair values of other receivables

Due to the short-term nature of the prepayments, deposits and other receivables, their carrying amount is considered to be the same as their fair value.

Impairment and risk exposure

The Group applies the general approach under IFRS 9, which use three stage classification approach based on the different degree of credit risk to determine the use of 12-month expected credit losses or lifetime expected credit loss to calculate the loss allowance for bills receivable, deposits and other receivables, restricted fixed term deposits within one year and loans and receivables from financing service. Note 42(c) provides for details about the calculation of the impairment and risk exposure.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Impairment and risk exposure (Continued)

(a) The loans and receivables from financing services are analyzed as follows:

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
Gross loans and receivables from financing services	**91,459**	96,743
Less: impairment allowances	**(2,738)**	(2,118)
	88,721	94,625
Less: current portion	**(59,439)**	(58,270)
	29,282	36,355

Included in the prepayments, deposits and other receivables are the following balances with related parties:

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
DMC, its subsidiaries, associates and joint ventures	**419**	405
Non-controlling shareholders of a subsidiary and their subsidiaries	**11**	15
Associates	**113**	9
	543	429

The above balances are unsecured, interest-free and have no fixed terms of repayment.

27. BALANCES WITH JOINT VENTURES

	Notes	31 December 2021 RMB million	31 December 2020 RMB million (Restated)
Due from joint ventures			
Interest-bearing loans to joint ventures		**808**	893
Dividends receivable from joint ventures		**5,626**	5,590
Loans and receivables from financing services	26(a)	**300**	395
Trade receivables	42(c)	**511**	498
Others	(a)	**4,073**	1,557
		11,318	8,933
Less: Current portion		**(11,318)**	(8,538)
Non-current portion		**–**	395
Due to joint ventures			
Cash deposits in DFF	(b)	**29,922**	14,229
Others	(a)	**6,875**	7,744
		36,797	21,973
Less: Current portion		**(36,797)**	(21,973)
Non-current portion		**–**	–

Notes:

(a) Others due from/to joint ventures are unsecured, interest-free and have no fixed terms of repayment.

(b) Cash deposits placed by joint ventures in DFF, a subsidiary of the Company involved in the provision of financing services, bear interest at the prevailing savings interest rate published by the PBOC.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
Non-current:		
Listed equity investments at fair value through other comprehensive income		
– Stellantis (i)	**16,764**	–
– Faurecia (ii)	**901**	–
Unlisted equity investments at fair value through other comprehensive income	**206**	206
	17,871	206
Current:		
Unlisted debt instruments at fair value through other comprehensive income	**12,241**	18,169
	30,112	18,375

(i) On January 16, 2021, the merger between PSA and FCA has been completed, which lead to the creation of Stellantis N.V.("Stellantis"). On the merger date, the Group held 100,622,220 shares of PSA, with a shareholding ratio of 11.24%, and converted to holding 175,283,907 shares of Stellantis, with a shareholding ratio of 5.62%. After the conversion, the Group cannot directly participate in or influence over the financial and operating decisions of Stellantis. Therefore, the Group cannot exercise significant influence on Stellantis and the investment is accounted for financial assets at fair value through other comprehensive income.

In September 2021, the Group disposed 36.06 million Stellantis shares (converted from the original 20.7 million PSA shares) to a third party in accordance with the relevant provisions of the original agreement. As at 31 December 2021, the Group held 139,223,907 shares of Stellantis.

In January 2022, the Group disposed 40 million Stellantis shares at a price of EUR 18.3 per share to a third party. After disposal, the Group held 99,223,907 shares of Stellantis. As at December 31, 2021, the book value of the 40 million Stellantis shares was RMB4,816 Million.

(ii) On March 22, 2021, the Group received a stock dividend issued by Stellattis, 2,984,909 shares of Faurecia which has been accounted for as an investment in a non-consolidated entity measured at fair value under IFRS 9, with a shareholding ratio of 2.16%. The Group cannot directly participate in or influence over the financial and operating decisions of Faurecia. Therefore, the Group cannot exercise significant influence on Faurecia and the investment is accounted for financial assets at fair value through other comprehensive income. From the stock acquisition date to the end of 31, December, 2021, the fair value recognized by the shares of Faurecia has decreased by RMB194 millon.

29. CASH AND CASH IN BANK AND PLEDGED BANK BALANCES AND TIME DEPOSITS

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
Cash and bank balances	**47,089**	45,304
Time deposits	**6,823**	5,831
	53,912	51,135
Less: Pledged bank balances and time deposits for securing general banking facilities	**(3,642)**	(3,476)
Cash and in bank as stated in the consolidated statement of financial position	**50,270**	47,659
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(1,240)**	(1,263)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**49,030**	46,396

Time deposits included RMB1,000 million (2020: RMB1,000 million) placed by the Company in an associate which is involved in the provision of financing services.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash in bank and the pledged deposits approximate their fair values.

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
Current		
Structural deposits	**12,094**	6,785
Equity securities	**1,939**	1,332
	14,033	8,117

31. SHARE CAPITAL

	31 December	
	2021	2020
	RMB million	*RMB million*
Registered, issued and fully paid:		
– 5,760,388,000 (2020: 5,760,388,000) Domestic Shares of RMB1.00 each	**5,760**	5,760
– 2,855,732,000 (2020: 2,855,732,000) H shares of RMB1.00 each	**2,856**	2,856
	8,616	8,616

32. INTEREST-BEARING BORROWINGS

	31 December					
	2021			2020		
	Effective interest rate *(%)*	**Maturity**	***RMB million***	Effective interest rate *(%)*	Maturity	*RMB million* (Restated)
Current						
Bank loans – secured	**6MEURIBOR +1.3**	**2022**	**1,805**	6MEURIBOR +1.3	2021	80
Bank loans – unsecured	**1.05–4.35**	**2022**	**3,846**	1.25–4.35	2021	13,555
Guaranteed notes	**–**	**–**	**–**	1.15–1.606	2021	4,009
Asset-Backed Security	**2.05–3.05**	**2022**	**673**	–	–	–
Unsecured notes	**3.96–5.49**	**2022**	**6,700**	3.96–5.49	2021	2,300
Other loans – unsecured	**1.75–2.25**	**2022**	**15,113**	1.75–2.25	2021	18,440
			28,137			38,384
Non-Current						
Bank loans –secured	**–**	**–**	**–**	6MEURIBOR+1.3	2022	2,006
Bank loans –unsecured	**2.64–3.65**	**2023–2024**	**6,699**	2.48–4.75	2022	3,743
Guaranteed notes	**0.425–1.606**	**2023–2024**	**5,953**	1.15–1.606	2023	802
Asset-Backed Security	**–**	**–**	**–**	2.05–4.00	2022–2023	5,122
Unsecured notes	**3.05–4.21**	**2023**	**4,000**	3.05–4.21	2022–2023	10,700
			16,652			22,373
			44,789			60,757

Other loans mainly represented cash deposits placed by DMC, its subsidiaries, associates and joint ventures amounting to RMB7,906 million (2020: RMB6,917 million) and other unrelated third parties in DFF, a subsidiary of the Group which is involved in the provision of financing services and loans from the PBOC. These loans bear interest at the prevailing savings interest rate published by the PBOC.

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB1,710 million on 14 January 2020, The ABS is divided into tranch A1, tranch A2. Tranch A, B bear interest from 16 January 2020 at the rate of 2.91%, 3.05%. Interest on the securites is payable monthly on 26th. The company has already repaid RMB1,710 million by the end of 31 December 2021.

32. INTEREST-BEARING BORROWINGS (CONTINUED)

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB4,430 million on 20 May 2020, The ABS is divided into tranch A1, tranch A2. Tranch A, B bear interest from 22 May 2020 at the rate of 2.05%, 2.55%. Interest on the securites is payable monthly on 26th. The company has already repaid RMB3,757 million by the end of 31 December 2021.

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB2,726 million on 17 July 2019, The ABS is divided into tranch A1, tranch A2 and tranch B. Tranch A1, A2, B bear interest from 19 July 2019 at the rate of 3.03%, 3.19% and 4%. Interest on the securites is payable monthly on 26th. The company has already repaid RMB2,726 million by the end of 31 December 2021.

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB4,350 million on 21 October 2019, The ABS is divided into tranch A1 and tranch A2. Tranch A1, A2 bear interest from 23 October 2019 at the rate of 2.9% and 3.12%. Interest on the securites is payable monthly on 26th. The company has already repaid RMB4,350 million by the end of 31 December 2021.

The Guaranteed notes (the "Notes") were issued in the aggregate principal amount of EUR725 million on 20 October 2021 and were registered in the denomination of EUR100,000 each and to be expired in 3 years. The Notes bear interest from 19 October 2021 at the rate of 0.425% per annum. Interest on the Notes is payable annually on 19 October each year. The Notes have been listed on the Hong Kong Exchanges and Clearing Market.

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

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

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

32. INTEREST-BEARING BORROWINGS (CONTINUED)

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

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

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

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

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

32. INTEREST-BEARING BORROWINGS (CONTINUED)

The maturity profiles of the interest-bearing borrowings of the Group are as follows:

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
Bank loans repayable:		
Within one year or on demand	**5,651**	13,635
One year to two years	**2,123**	2,468
Two years to three years	**4,576**	3,281
	12,350	19,384
Notes repayable and ABS:		
Within one year or on demand	**7,373**	6,309
One year to two years	**4,721**	7,842
Two years to three years	**5,232**	8,782
	17,326	22,933
Other loans repayable:		
Within one year or on demand	**15,113**	18,440
	44,789	60,757

The carrying amounts of the interest-bearing borrowings approximate their fair values.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
RMB	**37,031**	53,860
EUR	**7,758**	6,897
	44,789	60,757

33. PROVISIONS

	31 December 2021 RMB million	31 December 2020 RMB million (Restated)
Non-current	**1,025**	805
Current	**1,286**	1,241
	2,311	2,046

The movements of the Group's provisions are analyzed as follows:

	Environmental restoration costs *RMB million*	**Warranty provisions** *RMB million*	**Total** *RMB million*
At 1 January 2020 (Restated)	26	1,728	1,754
Provisions during the year	10	960	970
Utilized	–	(678)	(678)
At 31 December 2020 (Restated)	36	2,010	2,046
Provisions during the year	**1**	**943**	**944**
Utilized	**(1)**	**(678)**	**(679)**
At 31 December 2021	**36**	**2,275**	**2,311**

33. PROVISIONS (CONTINUED)

The carrying amounts of the Group's provisions approximate their fair values.

(a) Environmental restoration costs

In accordance with the prevailing regulations in the PRC, the Group is required to restore to the original condition of the land on which its production plants are located. The directors have estimated and provided for the expected costs of the restoration of the land.

(b) Warranty provisions

The Group provides warranties for certain automotive products and undertakes the obligation to repair or replace items that fail to perform satisfactorily. The amount of provisions for product warranties is estimated based on the sales volume and past experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and is revised when appropriate.

34. GOVERNMENT GRANTS

The movements of the government grants related to assets are analyzed as follows:

	RMB million (Restated)
At 1 January 2020	2,094
Received during the year	405
Recognised as other income during the year	(133)
Disposal of subsidiary during the year	(57)
At 31 December 2020 and 1 January 2021 (Restated)	2,309
Received during the year	**367**
Recognised as other income during the year	**(180)**
At 31 December 2021	**2,496**

35. TRADE PAYABLES

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

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
Within three months	**17,776**	18,893
More than three months but within one year	**1,067**	1,584
More than one year	**484**	649
	19,327	21,126

Included in the above balances are the following balances with related parties:

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
DMC, its subsidiaries, associates and joint ventures	**622**	393
Non-controlling shareholders of a subsidiary and their subsidiaries	**–**	45
Associates	**33**	–
	655	438

36. BILLS PAYABLE

The maturity profile of the bills payable is as follows:

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
Within one year	**28,941**	36,986

37. OTHER PAYABLES AND ACCRUALS

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
Advances from customers	**116**	335
Accrued salaries, wages and benefits	**3,068**	3,101
Other payables	**14,447**	13,787
	17,631	17,223

Included in the other payables and accruals are the following balances with related parties:

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
DMC, its subsidiaries, associates and joint ventures	**786**	523
Non-controlling shareholders of a subsidiary and their subsidiaries	**40**	57
	826	580

The above balances are unsecured, interest-free and have no fixed terms of repayment.

Non-controlling shareholders of a subsidiary and their subsidiaries included payable related to acquisition of intangible assets amounting to RMB36 million, which is expected to be settled within one year since the balance sheet date. The payable amounting to RMB178 million expected to be settled over one year since the balance sheet date are classified as other long term liabilities.

38. NET DEBT RECONCILLIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	31 December 2021	31 December 2020
	RMB million	RMB million (Restated)
Cash and cash in bank	**50,270**	47,659
Borrowings – repayable within one year (including overdraft)	**(28,137)**	(38,384)
Borrowings – repayable after one year	**(16,652)**	(22,373)
Lease liability	**(2,477)**	(2,315)
Net debt	**3,004**	(15,413)

	Cash	Borrowings – repayable within one year	Borrowings – repayable after one year	Lease liability	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Net debt as at 1 January 2020(Restated)	26,779	(19,193)	(23,923)	(2,450)	(18,787)
Cash flows	20,880	(11,697)	(5,056)	220	4,347
Foreign exchange adjustments	–	–	(180)	–	(180)
Other non-cash movements	–	(7,494)	6,786	(85)	(793)
Net debt as at 1 January 2021(Restated)	**47,659**	**(38,384)**	**(22,373)**	**(2,315)**	**(15,413)**
Cash flows	**2,611**	**14,196**	**(4,036)**	**244**	**13,015**
Disposal of a subsidiaries	**–**	**4,798**	**270**	**–**	**5,068**
Foreign exchange adjustments	**–**	**476**	**264**	**–**	**740**
Other non-cash movements	**–**	**(9,223)**	**9,223**	**(406)**	**(406)**
Net debt as at 31 December 2021	**50,270**	**(28,137)**	**(16,652)**	**(2,477)**	**3,004**

38. NET DEBT RECONCILLIATION (CONTINUED)

Liquid investments comprise current investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss.

Cash flows from borrowings of DFF is classified as cash flows from operating activities in statement of cash flow.

39. COMMITMENTS

Capital commitments

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

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
Contracted, but not provided for:		
– Property, plant and equipment	**810**	1,405

40. RELATED PARTY TRANSACTIONS

During the year, in addition to those disclosed elsewhere in these financial statements, the Group had the following significant transactions with its related parties:

(a) Transactions with DMC, its subsidiaries, associates and joint ventures, the Group's joint ventures and associates

	Note	**2021** **RMB million**	2020 *RMB million* (Restated)
Purchases of automotive parts/raw materials from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**1,084**	1,203
– Joint ventures		**14,093**	15,051
– Associates		**126**	113
– Subsidiaries' joint ventures		**4,423**	5,048
– Non-controlling shareholders of a subsidiary and their subsidiaries		**37**	23
		19,763	21,438
Purchases of automotive from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**–**	6
– Joint ventures		**12,435**	5,037
– Subsidiaries' joint ventures		**–**	–
		12,435	5,043
Purchases of items of property, plant and equipment and intangible assets from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**72**	87
– Joint ventures		**650**	358
		722	445

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with DMC, its subsidiaries, associates and joint ventures, the Group's joint ventures and associates (continued)

	Note	2021 *RMB million*	2020 *RMB million* (Restated)
Purchases of services from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**1,252**	802
– Joint ventures		**666**	483
– Subsidiaries' joint ventures		**156**	57
– Non-controlling shareholders of a subsidiary and their subsidiaries		**8**	62
		2,082	1,404
Sales of automotive parts/raw materials to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**406**	58
– Joint ventures		**3,725**	3,975
– Associates		**2**	81
– Subsidiaries' joint ventures		**89**	35
		4,222	4,149
Sales of automobiles to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**184**	323
– Joint ventures		**783**	179
– Subsidiaries' joint ventures		**–**	82
– Non-controlling shareholders of a subsidiary and their subsidiaries		**800**	810
		1,767	1,394

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with DMC, its subsidiaries, associates and joint ventures, the Group's joint ventures and associates (continued)

	Note	2021 RMB million	2020 RMB million (Restated)
Provisions of services to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**65**	9
– Joint ventures		**249**	270
– Associates		**–**	6
– Subsidiaries' joint ventures		**4**	2
		318	287
Interest expenses for financing services paid to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**157**	190
– Joint ventures		**136**	84
– Associates		**–**	2
– Non-controlling shareholders of a subsidiary and their subsidiaries		**7**	6
		300	282
Interest expenses of lease liabilities paid to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**77**	88

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with DMC, its subsidiaries, associates and joint ventures, the Group's joint ventures and associates (continued)

	Note	2021 RMB million	2020 RMB million (Restated)
Interest incomes from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**5**	20
– Joint ventures		**45**	45
– Associates		**–**	6
– Subsidiaries' joint ventures		**4**	11
		54	82
Fee and commission incomes from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**1**	1
– Joint ventures		**8**	8
		9	9
Dispatch Fee from joint ventures:	(i)	**219**	273
Dividend paid to:			
– Non-controling shareholders of a subsidiaries and their subsidiaries		**572**	398

Note :

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

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

(i) Details of the Group's balances with its related parties as at the end of the reporting period are disclosed in notes 16, 24, 26, 29, 32, 35 and 37 to the financial statements.

(ii) Details of the Group's balances with joint ventures as at the end of the reporting period are disclosed in note 27 to the financial statements.

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

	2021	2020
	RMB '000	*RMB '000*
		(Restated)
Short term employee benefits	**6,542**	7,513
Post-employment benefits	**411**	329
Total compensation paid to key management personnel	**6,953**	7842

Further details of the directors' emoluments are included in note 9 to the financial statements.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period were as follows:

Financial assets

	2021 RMB million	2020 RMB million (Restated)
Financial assets at amortised cost		
Other non-current assets	**33,786**	40,461
Trade receivables	**6,947**	10,021
Bills receivable	**731**	1,426
Financial assets included in prepayments, deposits and other receivables	**60,432**	59,692
Due from joint ventures	**10,901**	8,516
Pledged bank balances and time deposits	**3,642**	3,476
Cash and cash in bank	**50,270**	47,659
Financial assets at fair value through other comprehensive income		
Equity securities included in financial assets at fair value through other comprehensive income	**17,871**	206
Bills receivable included in financial assets at fair value through other comprehensive income	**12,241**	18,169
Financial assets at fair value through profit or loss	**14,033**	8,117
	210,854	197,743

41. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

	2021	2020
	RMB million	*RMB million*
		(Restated)
Liabilities at amortised cost		
Trade payables	19,327	21,126
Bills payable	28,941	36,986
Financial liabilities included in other payables and accruals	14,250	13,180
Due to joint ventures	36,316	21,492
Interest-bearing borrowings	44,789	60,757
Other long term liabilities	2,879	3,166
Lease liabilities	2,477	2,315
	148,979	159,022

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, other interest-bearing loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. The directors review and agree policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's interest rate risk mainly arises from long-term interest-bearing borrowings including long-term borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate borrowings. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

As at 31 December 2021, all the Group's long-term interest-bearing borrowings is mainly euro-denominated floating rate contract, the amount is RMB18,680 million (as at 31 December 2020：euro-denominated floating rate contract, the amount is RMB22,514 million).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

The businesses of the Group are principally located in the PRC. While most of the sales of the Group are conducted in RMB, certain of the Group's borrowings were denominated in other currency such as euro dollars (EUR).

As at 31 December 2021 and 31 December 2020, the carrying amounts in RMB equivalent of the Group's financial assets and financial liabilities denominated in foreign currencies are summarised below:

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
Cash and cash in bank	**6,259**	488
Trade receivables	**–**	241
Trade payables	**(47)**	(30)
Interest-bearing borrowings	**(7,758)**	(6,897)
	(1,546)	(6,198)

Fluctuations in the exchange rates of RMB against the foreign currency can affect the Group's results of operations.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the euro dollars (EUR), exchange rates, with all other variables held constant, of the Group's post tax profit (due to changes in the fair values of monetary assets and liabilities).

	Increase/(decrease) in post tax profit	
	2021	2020
	RMB million	*RMB million*
		(Restated)
If RMB strengthens against EUR by 5%	**58**	253
If RMB weakens against EUR by 5%	**(58)**	(253)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

The cash and bank balances and time deposits of the Group are mainly deposited with state-owned banks in the PRC, such as Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation.

The Group has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not have a significant exposure to any individual customer.

The Group's financing services are primarily focused on supporting the sale of the commercial and passenger vehicles of the Group. As a consequence of these activities, the Group is exposed to credit risk, which is monitored and managed based on defined standards, guidelines and procedures. The Group mitigates credit risk by credit protection provided by guarantors and by loan collateral such as vehicle licences. Scoring systems are applied for the assessment of the default risk of individual customers. All loans and receivables from financing services are reviewed for objective evidence of impairment and classified based on a ten-tier classification system.

The carrying amount of each financial asset included in these financial statements represents the maximum exposure of the Group to credit risk in relation to its financial assets. In addition, the guarantees given by the Group to banks in favour of banking facilities granted to the Group's joint ventures represent the Group's other exposure to credit risk. The Group has no other financial assets carrying significant exposure to credit risk and has no significant concentration of credit risk.

Trade receivables

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. If there is objective evidence of impairment exists individually for financial assets that are individually significant, impairment loss is recognized in the consolidated income statement. The carrying amount of trade receivables individually measured is RMB3,275 million (2020: RMB3,300 million) and the loss allowance for these trade receivables is RMB1,083 million(2020: RMB650 million).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Trade receivables (Continued)

The loss allowance as at 31 December 2021 was determined as follows for trade receivables:

	Less than 1 year *RMB million*	**1-2 years** *RMB million*	**2-3 years** *RMB million*	**More than 3 years** *RMB million*	**Total** *RMB million*
31 December 2021					
Expected loss rate	**0.42%**	**12.40%**	**75.94%**	**100.00%**	**8.92%**
Gross carrying amount – trade receivables	**3,504**	**1,361**	**187**	**188**	**5,240**
Gross carrying amount – trade receivables in due from joint ventures	**541**	**2**	**–**	**–**	**543**
Loss allowance – trade receivables	**17**	**169**	**142**	**188**	**516**

The loss allowance as at 31 December 2020 was determined as follows for trade receivables:

	Less than 1 year *RMB million*	1-2 years *RMB million*	2-3 years *RMB million*	More than 3 years *RMB million*	Total *RMB million*
31 December 2020(Restated)					
Expected loss rate	0.27%	7.59%	75.15%	100.00%	6.73%
Gross carrying amount – trade receivables	6,279	1,079	334	211	7,903
Gross carrying amount – trade receivables in due from joint ventures	488	2	4	–	494
Loss allowance – trade receivables	18	82	254	211	565

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Trade receivables (Continued)

The closing loss allowances for trade receivables as at 31 December 2021 reconcile to the opening loss allowances as follows:

	Trade receivables	
	2021	2020
	RMB million	*RMB million*
		(Restated)
At 1 January	**1,219**	1,050
Decrease from selling subsidiaries	**(41)**	–
Increase in loss allowance recognized in profit or loss during the year	**480**	229
Receivables written off during the year as uncollectible	**(59)**	(60)
At 31 December	**1,599**	1,219

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables included in prepayments, deposits and other receivables, mandatory reserve deposits with the PBOC, fixed term deposits included in other non-current assets, pledged bank balances and time deposits, cash and cash in bank, bills receivable and other receivables included in due from joint ventures.

The loss allowance for other receivables as at 31 December 2020 reconciles to the opening loss allowance on 1 January 2021 and to the closing loss allowance as at 31 December 2021 as follows:

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Other financial assets at amortised cost (Continued)

	Other receivables included in prepayments, deposits and other receivables and other receivables included in due from joint ventures
	RMB million
Closing loss allowance as at 31 December 2020	158
Opening loss allowance as at 1 January 2021	158
Increase in the allowance recognised in profit or loss during the period	59
Receivables written off during the year as uncollectible	(2)
Closing loss allowance as at 31 December 2021	215

(i) Impairment on mandatory reserve deposits with the PBOC, fixed term deposits, pledged bank balances and time deposits, and cash and cash in bank is measured as 12-month expected credit losses. These financial assets above are acquired from large banks with principal and interests guaranteed, and the expected credit losses is immaterial.

(ii) Impairment on bills receivable is measured as 12-month expected credit losses. The bills receivable are bank acceptance notes for which the repayments are guaranteed by large banks, and the expected credit losses is immaterial.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services

The Group applies ECL model for impairment assessment. No significant credit risk is conscious for the reporting period. For loans and receivables from financing service, the Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive information, especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic
- conditions that are expected to cause a significant change to the counter party's ability to meet its obligations
- actual or expected significant changes in the operating results of the counter party
- significant increases in credit risk on other financial instruments of the same counter party
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behavior of the counter party, including changes in the payment status of borrower in the group and changes in the operating results of the counter party

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

To manage risk arising from loans and receivables from financing service, standardised credit management procedures are performed. For pre-approval investigation, the Group optimises the review process by using big data technology through its platform and system, including credit analysis, assessment of collectability of borrowers, monitoring the cash flow status, possibility of misconduct and fraudulent activities. In terms of credit examining management, specific policies and procedures are established to assess loans offering. For subsequent monitoring, the Group monitors the cash flow and operation status of each borrower. Once the loan was issued, all borrowers would be assessed by fraud examination model to prevent fraudulent behaviors. In post-loan supervision, the Group establishes risk monitoring alert system through periodical monitoring. The estimation of credit exposure for risk management purposes is complex and requires use of models as the exposure varies with changes in markets conditions, expected cash flows and passage of time.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). This is consistent with the general approach used for the purposes of measuring ECL under IFRS 9.

(i) ECL model for loans and receivables from financing service, as summarised below:

- The loans and receivables from financing service that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.

- The Group measures the loss allowance for the loans and receivables from financing service at an amount equal to the lifetime ECL if the credit risk of that financial instrument has increased significantly since initial recognition, but is not yet deemed to be credit-impaired.

- If the financial instrument is credit-impaired (as defined below), it is then moved to "Stage 3". The expected credit loss is measured on lifetime basis.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

(i) ECL model for loans and receivables from financing service, as summarised below: (Continued)

- In Stages 1 and 2, interest income is calculated on the gross carrying amount(without deducting the loss allowance) and the effective interest rate. If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount and the effective interest rate.

The impairment of loans and receivables from financing service was provided based on the “three-stages” model by referring to the changes in credit quality since initial recognition.

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

(1) Significant increase in credit risk (SICR)

The Group considers loans and receivables from financing service to have experienced a significant increase in credit risk when backstop criteria have been met. A backstop criteria is applied and the loans and receivables from financing service have experienced a significant increase in credit risk if the borrower’s contractual payments are past due 30 days.

(2) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, when the borrower’s contractual payments are more than 90 days past due. This has been applied to all loans and receivables from financing service held by the Group.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

(i) ECL model for loans and receivables from financing service, as summarised below: (Continued)

(3) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

(4) Forward-looking information incorporated in the ECL models

The calculation of ECL incorporate forward-looking information. The Group has performed historical analysis and identified the retail index of social consumer goods as the key economic variables impacting credit risk and the expected credit losses.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

(ii) Provision for impairment

The provision for impairment recognized in the period is impacted by a variety of factors, as described below:

- Additional provisions for new financial instruments recognized, as well as releases for loans and receivables from financing service derecogonised in the period;
- Loans and receivables from financing service derecognized and write-offs of provision related to assets that were written off during the period

The following tables explain the changes in the provision for impairment of loan receivables between the beginning and the end of the year:

	Stage 1 12-month ECL *RMB million*	Stage 2 Lifetime ECL *RMB million*	Stage 3 Lifetime ECL *RMB million*	TOTAL *RMB million*
Carrying amount of loans and receivables from financing service of 31 December 2021	89,296	746	1,417	91,459
Provision for impairment of loans and receivables from financing service of 1 January 2021	1,467	190	461	2,118
Increases	325	196	833	1,354
Write-offs	–	–	(563)	(563)
Changes within the scope of the merger	(59)	(3)	(109)	(171)
Provision for impairment of loans and receivables from financing service of 31 December 2021	1,733	383	622	2,738
Net value of loans and receivables from financing service of 31 December 2021	87,563	363	795	88,721

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

(ii) Provision for impairment (Continued)

	Stage 1 12-month ECL *RMB million*	Stage 2 Lifetime ECL *RMB million*	Stage 3 Lifetime ECL *RMB million*	TOTAL *RMB million*
Carrying amount of loans and receivables from financing service of 31 December 2020(Restated)	95,629	431	683	96,743
Provision for impairment of loans and receivables from financing service of 1 January 2020(Restated)	1,364	51	254	1,669
Increases	103	139	715	957
Write-offs	–	–	(508)	(508)
Provision for impairment of loans and receivables from financing service of 31 December 2020(Restated)	1,467	190	461	2,118
Net value of loans and receivables from financing service of 31 December 2020(Restated)	94,162	241	222	94,625

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

(iii) Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

The Group may write-off financial assets that are still subject to enforcement activity.

(iv) Modification

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. The Group considers the impact from such modification is not significant.

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, and other available sources of financing.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2021				
	Within one year or on demand *RMB million*	In the second year *RMB million*	In the third to fifth years *RMB million*	Beyond five years *RMB million*	Total *RMB million*
Interest-bearing borrowings	28,389	7,064	9,984	–	45,437
Trade payables	19,327	–	–	–	19,327
Bills payable	28,941	–	–	–	28,941
Other payables	13,813	1,902	116	92	15,923
Due to joint ventures	36,316	–	–	–	36,316
Lease liabilities	309	280	671	2,791	4,051
	127,095	9,246	10,771	2,883	149,995

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows (Continued):

	31 December 2020				
	Within one year or on demand *RMB million* (Restated)	In the second year *RMB million* (Restated)	In the third to fifth years *RMB million* (Restated)	Beyond five years *RMB million* (Restated)	Total *RMB million* (Restated)
Interest-bearing borrowings	38,843	6,821	16,163	–	61,827
Trade payables	21,126	–	–	–	21,126
Bills payable	36,986	–	–	–	36,986
Other payables	12,808	2,159	127	143	15,237
Due to joint ventures	21,492	–	–	–	21,492
Lease liabilities	174	181	419	3,140	3,914
	131,429	9,161	16,709	3,283	160,582

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The Group monitors capital using an asset-liability ratio, which is total liabilities divided by total assets. The asset-liability ratio as at the end of the reporting period was as follows:

	31 December	
	2021	2020
	RMB million	*RMB million*
		(Restated)
Total assets	**319,767**	317,309
Total liabilities	**167,703**	176,072
Asset-liability ratio	**52.45%**	55.49%

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

As at 31 December 2021	*Notes*	**Level 1** *RMB million*	**Level 2** *RMB million*	**Level 3** *RMB million*	**Total** *RMB million*
Financial assets					
Financial assets at FVPL					
Structual deposits	30	–	–	12,094	12,094
Equity securities	30	1,697	–	242	1,939
Financial assets at fair value through other comprehensive income (FVOCI)					
Bills receivable	28	–	–	12,241	12,241
Equity securities	28	17,666	–	205	17,871
Total financial assets		19,363	–	24,782	44,145

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value estimation (Continued)

As at 31 December 2020	*Notes*	Level 1 *RMB million* (Restated)	Level 2 *RMB million* (Restated)	Level 3 *RMB million* (Restated)	Total *RMB million* (Restated)
Financial assets					
Financial assets at FVPL					
Structual deposits	30	–	–	6,785	6,785
Unlisted equity securities	30	–	–	1,332	1,332
Financial assets at fair value through other comprehensive income (FVOCI)					
Bills receivable	28	–	–	18,169	18,169
Unlisted equity securities	28	–	–	206	206
Total financial assets		–	–	26,492	26,492

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Specific valuation techniques used to value financial instruments include discounted cash flow model and similar company model in the market. The inputs of the valuation techniques mainly include risk-free interest rate, benchmark interest rate, currency rate, liquidity premium, EBITDA factor and etc..

43. EVENTS AFTER THE REPORTING PERIOD

A final dividend in respect of the year ended 31 December 2021 of RMB0.30 per share, amounting to a total dividend of RMB2,585 million, was proposed by the Board of Directors at a meeting held on 29 March 2022, subject to the final approval by the shareholders of the Company at the Annual General Meeting. These financial statements do not reflect this dividend payable.

There are no other material subsequent events except the above events and the events disclosed in Note 28(i).

44. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2021	2020
	RMB million	*RMB million*
ASSETS		
Non-current assets		
Property, plant and equipment	**5,033**	7,232
Right-of-use assets	**337**	353
Investments properties	**2,089**	–
Intangible assets	**482**	1,091
Investments in subsidiaries	**20,219**	18,597
Investments in joint ventures	**13,372**	14,251
Investments in associates	**7,565**	6,312
Financial assets at fair value through other comprehensive income	**47**	53
Total non-current assets	**49,144**	47,889
Current assets		
Inventories	**572**	369
Trade receivables	**2,269**	2,322
Bills receivable	**526**	472
Prepayments, deposits and other receivables	**6,145**	4,580
Due from joint ventures	**5,859**	5,812
Pledged bank balances	**17**	1
Financial assets at fair value through profit or loss	**1,939**	1,332
Cash and cash in bank	**57,977**	58,686
Total current assets	**75,304**	73,574
TOTAL ASSETS	**124,448**	121,463
EQUITY AND LIABILITIES		
Equity		
Issued capital	**8,616**	8,616
Reserves	**13,667**	13,755
Retained profits	**66,478**	63,187
TOTAL EQUITY	**88,761**	85,558

44. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (Continued)

	As at 31 December	
	2021	2020
	RMB million	*RMB million*
Non-current liabilities		
Interest-bearing borrowings	**11,574**	14,300
Lease liabilities	**62**	76
Other non-current liabilities	**5**	4
Provisions	**401**	256
Government grants	**1,939**	1,698
Total non-current liabilities	**13,981**	16,334
Current liabilities		
Trade payables	**3,980**	3,462
Lease liabilities	**7**	7
Bills payable	**1,425**	869
Other payables and accruals	**4,176**	3,836
Contract liabilities	**599**	405
Due to joint ventures	**822**	330
Interest-bearing borrowings	**10,345**	10,300
Income tax payable	**227**	211
Provisions	**125**	151
Total current liabilities	**21,706**	19,571
TOTAL LIABILITIES	**35,687**	35,905
TOTAL EQUITY AND LIABILITIES	**124,448**	121,463

The balance sheet of the Company was approved by the Board of Directors on 29 March 2022 and was signed on its behalf.

Zhu Yanfeng	**Yang Qing**
Director	*Director*

44. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company

	Capital reserve *RMB million*	Statutory reserves *RMB million*	Retained profits *RMB million*	Total *RMB million*
As at 1 January 2020	4,785	8,032	61,643	74,460
Total comprehensive income for the year	8	–	5,434	5,442
Transfer to reserve	–	874	(874)	–
Final 2019 and interim 2020 dividend declared and paid	–	–	(3,016)	(3,016)
Other	56	–	–	56
As at 1 January 2021	**4,849**	**8,906**	**63,187**	**76,942**
Total comprehensive income for the year	**36**	**–**	**6,737**	**6,773**
Transfer to reserve	**–**	**–**	**–**	**–**
Share of capital reserve of investments accounted for using the equity method	**–**	**–**	**–**	**–**
Final 2020 and interim 2021 dividend declared and paid	**–**	**–**	**(3,446)**	**(3,446)**
Other	**(124)**	**–**	**–**	**(124)**
As at 31 December 2021	**4,761**	**8,906**	**66,478**	**80,145**

44. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Statutory reserves

In accordance with the PRC Company Law, the Company, its subsidiaries and associates established in the PRC are required to allocate 10% of their profits after tax (determined under the PRC Generally Accepted Accounting Principles (PRC GAAP)) to their respective statutory surplus reserves (the "SSR"). No allocation to the SSR is required after the balance of such reserve reaches 50% of the registered capital of the respective companies. Subject to certain restrictions set out in the PRC Company Law, part of the SSR may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital of the respective companies.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises and the memorandum and articles of association of the relevant companies, the Group's Sino-foreign joint ventures are also required to make appropriations of certain of their profits after tax thereof to their enterprise expansion funds and reserve funds, which are restricted as to use.

(b) Distributable reserves

As set out in note 13, for dividend distribution purposes, the Company's distributable profit is based on the lower of the net profit after tax as determined under PRC GAAP and IFRSs following its restructuring into a joint stock limited liability company on 12 October 2004. The amounts that the Company's subsidiaries and joint ventures can legally distribute by way of dividend are determined by reference to their profits as reflected in their financial statements prepared in accordance with PRC GAAP. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

In accordance with the PRC Company Law, the net profits after transfers to the SSR can be distributed as dividends by the companies comprising the Group as set out above.

Under the relevant laws and regulatory requirements, the net profits of the Group's Sino-foreign joint ventures after transfers to the enterprise expansion fund and the reserve funds can be distributed as dividends by the Group's Sino-foreign joint ventures.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2022.

Five Year Financial Summary

For the year ended 31 December 2021

A summary of published results and the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
		(Restated)			
RESULTS					
Revenue	**113,008**	108,441	101,087	104,543	125,980
Cost of sales	**(98,818)**	(92,629)	(87,596)	(91,128)	(109,716)
Gross profit	**14,190**	15,812	13,491	13,415	16,264
Other income	**5,024**	4,801	2,231	3,164	2,817
Selling and distribution expenses	**(5,741)**	(5,043)	(4,349)	(6,342)	(7,460)
Administrative expenses	**(5,198)**	(4,594)	(5,076)	(4,506)	(4,610)
Net impairment losses on financial assets	**(1,900)**	(1,362)	(1,163)	(1,006)	–
Other expenses	**(6,954)**	(8,676)	(5,500)	(5,683)	(6,425)
Finance costs	**(265)**	(1,206)	(575)	(265)	(592)
Share of profits and losses of:					
Joint ventures	**11,800**	9,495	11,633	12,280	13,574
Associates	**1,804**	2,960	3,913	3,182	2,207
PROFIT BEFORE TAX	**12,760**	12,187	14,605	14,239	15,775
Income tax expense	**(1,385)**	(1,620)	(1,759)	(1,661)	(1,148)
PROFIT FOR THE YEAR	**11,375**	10,567	12,846	12,578	14,627
Profit attributable to:					
Equity holders of the parent	**11,387**	10,758	12,858	12,979	14,061
Non-controlling interests	**(12)**	(191)	(12)	(401)	566
	11,375	10,567	12,846	12,578	14,627

Five Year Financial Summary (Continued)

For the year ended 31 December 2021

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB million	*RMB million* (Restated)	*RMB million*	*RMB million*	*RMB million*
ASSETS, LIABILITIES AND NONCONTROLLING INTERESTS					
Total assets	**319,767**	317,309	272,000	226,517	213,908
Total liabilities	**(167,703)**	(176,072)	(138,032)	(101,592)	(98,584)
Non-controlling interests	**(4,722)**	(5,334)	(6,187)	(6,569)	(6,809)
	147,342	135,903	127,781	118,356	108,515

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-controlled Entities in which the Company, its subsidiaries or Jointly-controlled Entities (including their respective subsidiaries and Jointly-controlled Entities) have equity interests as at 31 December 2015.
"Dongfeng Motor Corporation or DMC"	東風汽車公司(Dongfeng Motor Corporation), a state-owned enterprise incorporated under the laws of the PRC and the parent of the Company
"Dongfeng Motor Group" or "Group"	the Company and its subsidiaries, the Dongfeng Joint Venture Companies and theirrespective subsidiaries and associates.
"Hong Kong"or "HK"	The Hong Kong Special Administrative Region of the PRC
"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.
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"PRC" or "China"	the People's Republic of China. Except where the context requires, geographical references in this annual report to the PRC or China exclude Hong Kong, Macau or Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Parent Group"	Dongfeng Motor Corporation and its subsidiaries (excluding the Group)