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

Stock Code: 489

2018
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

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 Issued Share Capital

RMB8,616,120,000

III. OTHER RELATED INFORMATION

Company Website

www.dfmg.com.cn

Company Secretaries

Lu Feng
Lo Yee Har Susan (FCS, FCIS)

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 was listed on the Stock Exchange of Hong Kong on 7 December 2005. The Company is principally engaged in a full range of passenger vehicles, commercial vehicles, new energy vehicles, key assembly, auto parts, vehicle manufacturing equipment and other automotive-related businesses, with industrial bases spreading over more than 20 cities across the country, such as Wuhan, Shiyan, Xiangyang and Guangzhou, etc.. In addition, it has formed a global presence and is one of the three largest shareholders ranking pari passu of PSA Group with overseas research and development bases in Sweden, overseas sales companies in Russia and overseas factories in Iran, South Africa and other countries. Leveraging on the compound development system with the Technical Center as the core and the coordinated operations of research and development departments of its subsidiaries, Dongfeng Motor Group holds a leading position in technological innovation capacity, applications and possessions of patents in the industry.

Corporate Profile and Summary of Business (Continued)

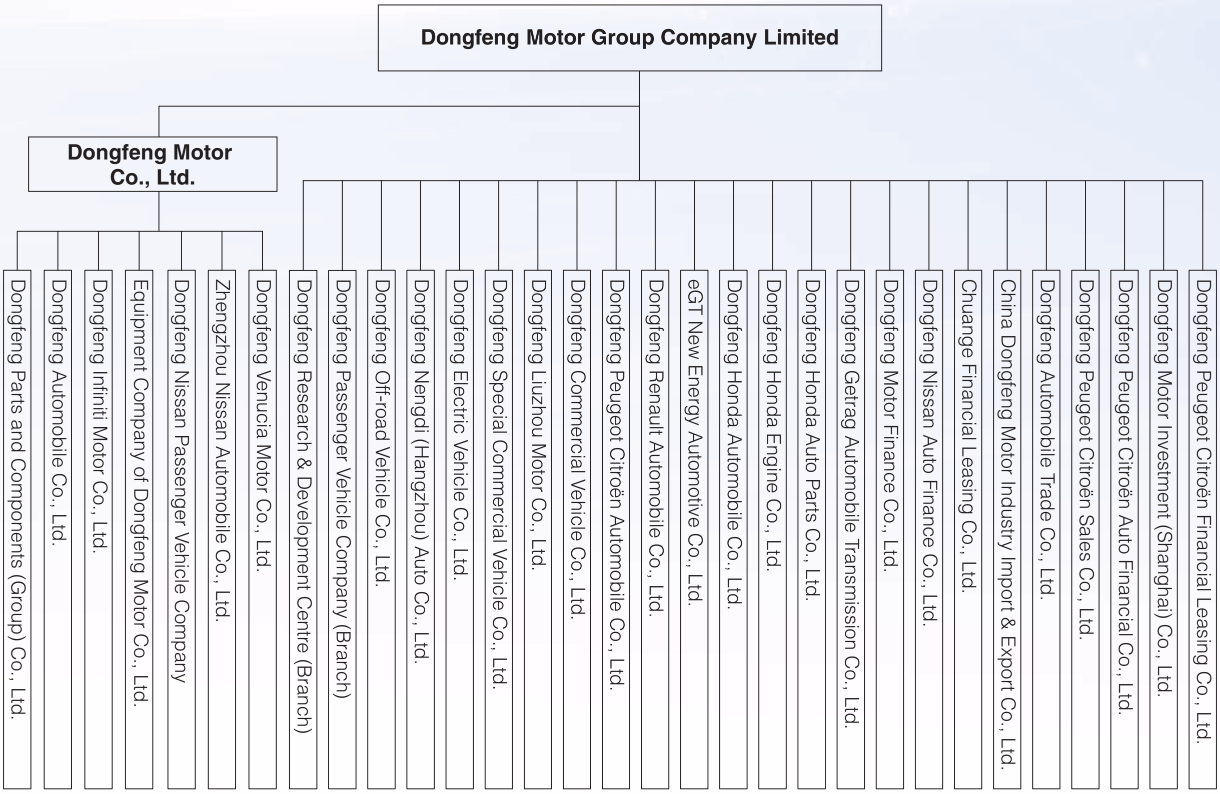
As at 31 December 2018, the Company had 23 subsidiaries, jointly-controlled entities and other companies in which the Company has direct equity interests. Dongfeng Motor Group is primarily engaged in the manufacture and sale of commercial vehicles, passenger vehicles and auto engines and parts, equipment manufacturing business, finance businesses as well as other automotive related businesses.

As at the end of 2018, the commercial vehicle business of the Dongfeng Motor Group was mainly operated by Dongfeng Commercial Vehicle Co., Ltd. (a joint venture between the Company and Volvo Cars), Dongfeng Motor Co., Ltd. (a joint venture between the Company and Nissan Motor Co., Ltd. (through Nissan (China) Investment Co., Ltd.)), Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Special Commercial Vehicle Co., Ltd..

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

In recent years, Dongfeng Motor Group has strengthened its new energy vehicle business, which is principally operated by Dongfeng Motor Co., Ltd., Dongfeng Special Commercial Vehicle Co., Ltd., Dongfeng Passenger Vehicle Company, Dongfeng Electric Vehicle Co., Ltd. and eGT New Energy Automotive Co., Ltd..

Dongfeng Motor Group's financial business is currently operated by the following companies: Dongfeng Motor Finance Co., Ltd. (a wholly-owned subsidiary of the Company), Dongfeng Nissan Auto Finance Co., Ltd. (a joint venture between the Company, Dongfeng Motor Co., Ltd., Nissan Motor Co. Ltd. and Nissan (China) Investment Co., Ltd.) and Dongfeng Peugeot Citroën Auto Finance Co., Ltd. (a joint venture between the Company, Peugeot Citroën Netherlands Finance Co., Ltd. and Dongfeng Peugeot Citroën Automobiles Co., Ltd.)



Chairman's Statement

Dear Shareholders,

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

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

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

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

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

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

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

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

Chairman's Statement (Continued)

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

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

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

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

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

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

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

Zhu Yanfeng
Chairman

27 March 2019

BUSINESS OVERVIEW

I. Business Operations during the Year under Review

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

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

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

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

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

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

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

3. *Sales revenue of Dongfeng Motor Group in 2018*

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

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

4. *Sales and service networks*

Dongfeng Motor Group has always placed importance on the interest of customers and keeps improving its products and services for speedy, efficient, accurate and quality service support for distributors and customers. With the motor industry entering into the era of stock competition, the market response capability of each business unit varied in 2018. Some network layouts were not reasonable enough and the matching of commodities with network was not precise enough. In order to adapt to the development trend of automobile market, Dongfeng Motor Group will continue to adjust and optimise the network layout, as well as reconstruct and develop the vehicle sales network in accordance with the changes in business structure.

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

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 Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	Dongfeng (high-end light truck, light truck, mini truck, pickup)	539	1,143	31
Dongfeng Liuzhou Motor Co., Ltd.	Chenglong (heavy and medium truck)	425	741	31
Dongfeng Commercial Vehicle Co., Ltd.	Dongfeng (heavy and medium truck)	275	800	31
Dongfeng Special Commercial Vehicle Co., Ltd.	Dongfeng	135	735	30
Zhengzhou Nissan Motor Co., Ltd.	Dongfeng	214	398	31

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

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

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

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

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

(1) Production capacity of commercial vehicles

(1.1) Whole vehicle

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

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

(1.2) Engines

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

(2) Production capacity of passenger vehicles

(2.1) Whole vehicle

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

(2.2) Engines

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

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

6. *Capital expenditure*

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

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

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

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

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

II. Business Outlook

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

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

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

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

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

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

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

III. SIGNIFICANT EVENTS

Results and dividends

The Company and the Group's results for the year ended 31 December 2018 and the financial position as at that date are set out in the audited financial statements on pages 90 to 215 in this annual report.

The Board of Directors recommends the dividend distribution of RMB0.25 per share in respect of 2018 results, subject to consideration and approval at the annual general meeting to be held on 14 June 2019.

Material legal proceedings

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

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

In 2018, the Company's JCEs, in total, declared and distributed aggregate dividends of approximately RMB11,063 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 2018 and the assets and the liabilities of the Group as at that date are set out on pages 216 to 217 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 30 to the audited financial statements.

Interest capitalised

Details of the interest capitalised of the Group for the year ended 31 December 2018 are set out in note 7 to the audited financial statements.

Property, plant and equipment

Changes in property, plant and equipment of the Group for the year ended 31 December 2018 are set out in note 14 to the audited financial statements.

Designated deposits and overdue term deposits

As at 31 December 2018, 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 2018 are set out in note 42 to the audited financial statements and the consolidated statement of changes in equity on pages 94 to 95, 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 14 June 2019.

Donations

The Group has made total donations of approximately RMB2 million for the year ended 31 December 2018.

Major customers and suppliers

During the year ended 31 December 2018, 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 2018, the purchases (other than those 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 2018, details of the subsidiaries and JCEs as well as other companies in which the Company has direct equity interests are set out in notes 17, 18, 19 and 26 to the audited financial statements for the year respectively.

Share capital

As at 31 December 2018, 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 2018, 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 2018, the name of the persons (other than directors and supervisors) entitled to exercise 5% or more (class of shares categorised 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:

The percentage is calculated based on the number of issued ordinary shares as at 31 December 2018.

* 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	66.86
EDINBURGH PARTNERS LIMITED	H Shares	153,514,000 (L)	5.37 (L)	1.78
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
CITIGROUP INC.	H Shares	197,896,854 (L)	6.92 (L)	2.29 (L)
		7,496,000 (S)	0.26 (S)	0.08 (S)
		161,771,184 (P)	5.66 (P)	1.87 (P)
BLACKROCK, INC.	H Shares	202,191,405 (L)	7.08 (L)	2.34 (L)
		1,468,000 (S)	0.05 (S)	0.01 (S)
REYNOLDS MARGARET (MEG)	H Shares	207,694,000 (L)	7.27 (L)	2.41
WARD BRYAN	H Shares	207,694,000 (L)	7.27 (L)	2.41
WESTWOOD GLOBAL INVESTMENTS, LLC	H Shares	207,694,000 (L)	7.27 (L)	2.41
PANDANUS ASSOCIATES INC.	H Shares	148,520,000 (L)	5.20 (L)	1.72
PANDANUS PARTNERS L.P.	H Shares	148,520,000 (L)	5.20 (L)	1.72
FIL LIMITED	H Shares	148,520,000 (L)	5.20 (L)	1.72
PRUDENTIAL PLC	H Shares	142,900,000 (L)	5.00 (L)	1.65
JPMORGAN CHASE & CO.	H Shares	171,406,508 (L)	6.00 (L)	1.98 (L)
		6,703,373 (S)	0.23 (S)	0.07 (S)
		129,529,148 (P)	4.53 (P)	1.50 (P)

Directors, supervisors and senior management of the Company

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

Directors

Zhu Yanfeng	Executive Director and Chairman
Li Shaozhu	Executive Director and President
Liu Weidong	Executive Director (Resigned on 15 June 2018)
Ma Zhigeng	Independent Non-executive Director
Zhang Xiaotie	Independent Non-executive Director
Cao Xinghe	Independent Non-executive Director
Chen Yunfei	Independent Non-executive Director

Senior Management

Yang Qing	Vice President
An Tiecheng	Vice President
Qiao Yang	Vice President
Cai Wei	Vice President (Resigned on 15 December 2018)
Lei Ping	Vice President (Resigned on 8 May 2018)
Lu Feng	Secretary to the Board of Directors and Joint Company Secretary

Brief biographies of each of the directors and senior management are set out on pages 49 to 53 in this annual report.

Supervisors

Wen Shuzhong	Chairman of the Supervisory Committee
Zhao Jun	Independent Supervisor
He Wei	Employee Supervisor

Brief biographies of each supervisor are set out on pages 53 to 54 in this annual report.

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

As at 31 December 2018, none of the directors, supervisors or senior management of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), which were required to be entered in the register required to be kept under section 352 of the Securities and Futures Ordinance, or were required to be notified to the Company and the Stock Exchange of Hong Kong under the Model Code for Securities Transactions by Directors of Listed Companies. As at 31 December 2018, the Company did not grant to any director, supervisor and senior management of the Company or their respective spouses or children under eighteen years of age any rights to subscribe for shares or debentures of the Company or any of its associated corporations.

Confirmations of independence from independent non-executive directors

The Company has received the annual written confirmations of independence from all independent non-executive directors for 2018, namely Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei. 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 contracts, 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 2018.

Remunerations of directors and supervisors

Details of the remunerations of the directors and supervisors of the Company are set out in note 8 to the audited financial statements.

Five highest-paid individuals

Information on the five highest-paid individuals of the Company is set out in note 9 to the audited financial statements.

Employees

As at 31 December 2018, Dongfeng Motor Group had a total of 139,602 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** *(number)*	**Percentage of total** *(%)*
Manufacturing workers	91,562	65.6
Engineering and technology	16,575	11.9
Management	30,200	21.6
Services	1,265	0.9
Total	139,602	100

The remuneration package of Dongfeng Motor Group's employees includes salary, bonuses and allowances. The Dongfeng Motor Group has joined the social insurance payment programme organised by the Social Insurance Association of DMC. 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.

Dongfeng Motor Group is committed to providing trainings for its employees. The scope of training programmes includes management skills and technology training, overseas exchange programmes and other courses. Dongfeng Motor Group also encourages its employees to engage in self-learning programmes.

Retirement benefits

Details of the retirement benefits provided by the Group are set out in note 6 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 2018.

Directors' and supervisors' positions in competing businesses

None of the directors nor their associates of the Company 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 DMC a written confirmation confirming that during the year ended 31 December 2018, 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).

V. CONNECTED TRANSACTIONS

For the year ended 31 December 2018, the continuing connected transactions between Dongfeng Motor Group and DMC 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) DMC
Objective:	DMC granted to Dongfeng Motor Group a non-exclusive right to use certain trademarks owned by and registered in the name of DMC 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 2018, Dongfeng Motor Group made payments to the following funds or schemes through the accounts of DMC 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. *Provision of Ancillary Services*

On 28 December 2016, Dongfeng Motor Group and DMC entered into the master ancillary services agreement in relation to supply of electricity, water and steam to the Group (the "Master Ancillary Services Agreement"), the principal terms of which are set out below.

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (2) DMC
Objective:	Pursuant to the Master Ancillary Services Agreements, DMC agreed to procure its subsidiaries to provide ancillary services, including electricity, water and steam, to Dongfeng Motor Group. Pursuant to the Master Ancillary Services Agreement, Dongfeng Motor Group agreed that it will give priority in using the ancillary services of DMC's subsidiaries if the terms offered by them are no less favourable than the terms offered by an independent third party. Moreover, DMC's subsidiaries are entitled to provide ancillary services to third parties provided that this would not affect the provision of services pursuant to the Master Ancillary Services Agreement. If the ancillary services supplied by DMC's subsidiaries cannot satisfy the needs of Dongfeng Motor Group in any respect, Dongfeng Motor Group is entitled to obtain such ancillary services from third parties. However, if Dongfeng Motor Group fails to obtain such ancillary services from third parties, DMC shall procure its subsidiaries not to terminate the provision of such ancillary services under such circumstances
Term:	Three years from 1 January 2017 to 31 December 2019 (both days inclusive)
Pricing:	The above ancillary services shall be provided 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

Annual cap of water supply for the year ended 31 December 2018:	RMB100 million
Annual cap of steam supply for the year ended 31 December 2018:	RMB300 million
Annual cap of electricity supply for the year ended 31 December 2018:	RMB1,300 million
Annual actual consideration of water supply for the year ended 31 December 2018:	RMB0 million
Annual actual consideration of steam supply for the year ended 31 December 2018:	RMB69 million
Annual actual consideration of electricity supply for the year ended 31 December 2018:	RMB452 million

4. *Commodity Vehicles Master Sales Agreement*

On 28 December 2016, Dongfeng Motor Group and DMC entered into a commodity vehicles master sales agreement (the "Commodity Vehicles Master Sales Agreement"), the principal terms of which are set out below.

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (2) DMC
Objective:	Pursuant to the Commodity Vehicles Master Sales Agreement, Dongfeng Motor Group agreed to sell and procure its subsidiaries to sell whole vehicles and chassis of commodity vehicles to DMC and its subsidiaries. During the term of the Commodity Vehicles Master Sales Agreement, Dongfeng Motor Group may from time to time enter into definitive written agreement(s) with DMC and/or its subsidiaries in relation to sales of whole vehicles and chassis of commodity vehicles to DMC and/or its subsidiaries, based on both parties' production plan and actual needs
Term:	Three years from 1 January 2017 to 31 December 2019 (both days inclusive)
Pricing:	The prices of sales under the Commodity Vehicles Master Sales Agreement will be determined and negotiated based on normal commercial terms that are in the interest of the Group, with reference to the prevailing fair market prices range of comparable products. The selling price charged by Dongfeng Motor Group for the commodity vehicles sold to DMC and its subsidiaries will not be lower than the above mentioned fair market prices range

The proposed annual caps for sales of commodity vehicles to DMC and its subsidiaries for the year 2018 was approximately RMB3,600 million. On 27 March 2018, the Company entered into the equity transfer agreement with DMC, a controlling shareholder of the Company. Pursuant to the equity transfer agreement, DMC agreed to sell and the Company agreed to acquire 100% equity interest of Dongfeng Motor Trading Corporation. On the basis of the transaction, for the period ended 30 April 2018, the actual amount for DMC and its subsidiaries' purchase of commodity vehicles from Dongfeng Motor Group was approximately RMB1,622 million.

5. *Master Auto Parts Sales Agreement*

On 28 December 2016, Dongfeng Motor Group and DMC entered into a master agreement in relation to sales of auto parts and other products (the "Master Auto Parts Sales Agreement"), the principal terms of which are set out below.

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (2) DMC
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 DMC 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 DMC 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 DMC and/or its subsidiaries, based on both parties' production plan and actual needs
Term:	Three years from 1 January 2017 to 31 December 2019 (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 DMC and its subsidiaries for the year 2018 was approximately RMB400 million. For the year ended 31 December 2018, the actual amount for DMC and its subsidiaries' purchase of auto parts was approximately RMB140 million.

6. *Master Auto Parts Procurement Agreement*

On 28 December 2016, Dongfeng Motor Group and DMC entered into a master agreement regarding the procurement of auto parts and other products for the Group (the "Master Auto Parts Procurement Agreement"), the principal terms of which are set out below.

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (2) DMC
Objective:	Pursuant to the Master Auto Parts Procurement Agreement, DMC 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 DMC 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 2017 to 31 December 2019 (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 DMC and its subsidiaries for the year 2018 was approximately RMB700 million. For the year ended 31 December 2018, the actual amount of procurement of auto parts from DMC and its subsidiaries was approximately RMB219 million.

7. *Master Logistics Services Agreement*

On 28 December 2016, Dongfeng Motor Group and DMC 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 2016
Parties:	(1) Dongfeng Motor Group (2) DMC
Objective:	Pursuant to the Master Logistics Services Agreement, DMC 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 DMC and its subsidiaries in relation to provision of logistics services to the Group
Term:	Three years from 1 January 2017 to 31 December 2019 (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 DMC and its subsidiaries to Dongfeng Motor Group for the year 2018 is approximately RMB2,300 million. For the year ended 31 December 2018, the actual amount for Logistics Service provided by DMC and its subsidiaries to Dongfeng Motor Group was approximately RMB1,802 million.

8. *Master Automobile Inspection Service Agreement*

On 28 December 2016, Dongfeng Motor Group and DMC 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 2016
Parties:	(1) Dongfeng Motor Group (2) DMC
Objective:	Pursuant to the Master Automobile Inspection Services Agreement, Dongfeng Motor Group agrees to engage DMC 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 DMC 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 2017 to 31 December 2019 (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 DMC and its subsidiaries for the provision of vehicle inspection services by DMC and its subsidiaries are approximately RMB800 million for the year 2018. For the year ended 31 December 2018, the actual amount for vehicle inspection services provided by DMC and its subsidiaries to Dongfeng Motor Group was approximately RMB393 million.

9. Financial Services Master Agreement

On 28 December 2016, Dongfeng Motor Group and DMC entered into a financial services master agreement (the "Financial Services Master Agreement"), the principal terms of which are set out below.

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (2) DMC
Objective:	Pursuant to the Financial Services Master Agreement, Dongfeng Motor Group agreed to provide and procure its subsidiaries to provide financial services to DMC 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 DMC 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 DMC, including consumer facilities, buyer facilities and leasing
Term:	Three years from 1 January 2017 to 31 December 2019 (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 Group to DMC and its subsidiaries of the year 2018 was RMB2,500 million. As at 31 December 2018, the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Group to DMC and its subsidiaries was approximately RMB99 million.

10. Deposit Agreement

On 28 December 2016, 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 2016
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Nissan Auto Finance Co., Ltd.
Subject matter:	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, factoring and inter-bank loans; 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 2017 to 31 December 2019 (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 RMB5,000 million on any given day for the year 2018. As at 31 December 2018, the outstanding amount of the deposits placed by Dongfeng Motor Group with Dongfeng Nissan Auto Finance Co., Ltd. was approximately RMB2,200 million.

11. *Master Land Lease*

(1) *On 28 December 2016, Dongfeng Motor Group and DMC entered into a master land lease (the "Master Land Lease"), the principal terms of which are set out below.*

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (excluding Dongfeng Motor Co., Ltd.) (2) DMC
Subject matter:	Pursuant to the Master Land Lease, DMC 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 DMC 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 2017 to 31 December 2019; 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 annual 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 DMC 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 DMC 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 Dongfeng Motor Group's leasehold payments to DMC was approximately RMB254 million in 2018. For the year ended 31 December 2018, the leasehold payment payable by Dongfeng Motor Group to DMC was approximately RMB136 million and the actual leasehold payment made by the Group to DMC was approximately RMB136 million. The outstanding amount for the year amounted to RMB0 and the total outstanding amount was RMB0.

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

Date:	From 2003 to 2053
Parties:	(1) Dongfeng Motor Co., Ltd. (2) DMC
Lease Term:	50 years
Objective:	Dongfeng Motor Co., Ltd. leases land parcels from DMC 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 2018, the total leasehold payment payable by Dongfeng Motor Co., Ltd. to DMC was approximately RMB87 million and the actual leasehold payment made by Dongfeng Motor Co., Ltd. to DMC was approximately RMB87 million. The outstanding amount for the year amounted to approximately RMB0 million and the total outstanding amount was approximately RMB0 million.

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

Date:	28 November 2006
Parties:	Dongfeng Motor Group Dongfeng Hongtai Wuhan 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 DMC that DMC has acquired a 91.25% interest in Dongfeng Hongtai. DMC, being a substantial shareholder of Dongfeng Motor Group. Dongfeng Hongtai, having become a non-wholly-owned subsidiary of DMC, 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.

For the year ended 31 December 2018, the total consideration paid by Dongfeng Motor Group to Dongfeng Hongtai for purchases of vehicle and auto parts from Dongfeng Hongtai was RMB2,884 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 RMB3,356 million.

13. *For the year ended 31 December 2018, 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 their subsidiaries, joint ventures and associates) from their joint venture partners (including their subsidiaries and associates)

During the year ended 31 December 2018, each of Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroën Automobile Co., Ltd., Dongfeng Honda Automobile Co., Ltd, Dongfeng Honda Engine Co., Ltd., Dongfeng Honda Auto Parts Co., Ltd., and Dongfeng Renault Automobile 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 or production equipment 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 subsidiaries and associates) constitute continuing connected transactions and are 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 2018, 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 RMB57,454 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 2018.

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 DMC, Honda Motor Co., Ltd. and Guangzhou Automobile Group Co., Ltd.*

The establishment of Dongfeng Honda Engine Co., Ltd. formed part of the arrangements between DMC, 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. DMC's interests in Dongfeng Honda Engine were subsequently transferred to the Company.

Pursuant to the arrangements among DMC, 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 at 31 December 2018, GAC Honda Automobile Co., Ltd. continued to purchase from Dongfeng Honda Engine Co., Ltd. engines and auto parts needed by it.

(iv) *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*

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 licence 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 licence 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 licence 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 2018, the total consideration paid by the joint ventures in respect of purchases of technology licence and technical assistance stated above was RMB6,537 million.

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

Management Discussion and Analysis

1. REVENUE

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

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

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

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

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

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

1.1 Passenger Vehicle Business

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

1.2 Commercial Vehicle Business

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

1.3 Financial Business

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

2. COST OF SALES AND GROSS PROFIT

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

3. OTHER INCOMES

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

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

4. SELLING AND DISTRIBUTION COSTS

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

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

5. ADMINISTRATIVE EXPENSES

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

6. OTHER EXPENSES

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

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

7. STAFF COSTS

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

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

8. FINANCE EXPENSES

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

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

9. SHARE OF PROFITS AND LOSSES OF JOINT VENTURES

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

10. SHARE OF PROFITS AND LOSSES OF ASSOCIATES

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

11. INCOME TAX

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

12. PROFIT FOR THE YEAR

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

13. TOTAL ASSETS

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

14. TOTAL LIABILITIES

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

15. TOTAL EQUITY

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

16. LIQUIDITY AND SOURCES OF CAPITAL

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

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

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

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

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

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

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

17. MAJOR FINANCIAL FIGURES BASED ON PROPORTIONATE CONSOLIDATION

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

Profiles of Directors, Supervisors and Senior Management

CHAIRMAN

Mr. Zhu Yanfeng, aged 57, was appointed as an Executive Director on 19 June 2015. He is the Chairman and Party Secretary of the Company. Mr. Zhu graduated from Zhejiang University with a Bachelor's degree in Engineering specialising in Chemical Automation and Instruments in 1983 and graduated from Harbin Institute of Technology with a Master's degree in Engineering specialising in Control Engineering in 2002. He is a senior postgraduate engineer. He started his career in 1983 at FAW (First Automobile Works) manufacturing plant. He was the vice general manager of FAW Group Corporation from March 1997 to November 1998 and concurrently served as the general manager and party secretary of FAW Car Co., Ltd. (一汽轎車股份有限公司) from April 1997 to November 1998. Mr. Zhu served as the executive deputy general manager and committee member of the communist party of FAW Group Corporation from November 1998 to February 1999, and served as the general manager and committee member of the communist party of FAW Group Corporation from February 1999 to August 2000. He became the general manager and deputy party secretary of FAW Group Corporation from August 2000 to November 2007, and served as the committee member of the provincial party committee of Jilin Province from November 2007 to December 2007. He was a standing committee member of the provincial party committee and standing deputy governor of Jilin Province from December 2007 to May 2012. He was a deputy party secretary of the provincial party committee of Jilin Province from May 2012 to May 2015. He has been the chairman and party secretary of DMC since May 2015. He was appointed as the chairman and party secretary of the Company in May 2015, the chairman of Dongfeng Motor Co., Ltd. in May 2015, and the chairman of the commitment of Global Strategic Alliance of DFG-PSA in May 2015. Mr. Zhu has more than 30 years of business and management experience in the automotive industry.

EXECUTIVE DIRECTOR

Mr. Li Shaozhu, aged 58, was appointed as an Executive Director on 5 August 2005. He is an Executive Director and President of the Company. Mr. Li graduated from Tsinghua University in 1983 with a Bachelor's degree in Engineering Science, specialising in Casting Engineering and Equipment. He also graduated from Zhongnan University of Finance and Economics with a Master's degree in Business Administration in 1996. He is a senior postgraduate engineer. Mr. Li joined DMC in 1983. Mr. Li served as a deputy general manager of DMC from July 1997 to June 2016, and the general manager of Dongfeng Automobile Co., Ltd. from July 1999 to November 2001 and was appointed as a committee member of the communist party of DMC from July 2001 to June 2016. He was the vice president of Dongfeng Motor Co., Ltd. from July 2003 to September 2005. Mr. Li was the general manager of Dongfeng Passenger Vehicle Company from July 2007 to July 2011. He was the party secretary of Dongfeng Design Institute Co., Ltd. from August 2011 to September 2016. He has been a director, the general manager and deputy party secretary of DMC since June 2016 as well as the president of the Company since August 2016. He was appointed as a director of Dongfeng Motor Co., Ltd. in August 2016, the chairman of Dongfeng Commercial Vehicle Co., Ltd. in August 2016, the chairman of Dongfeng Renault Automobile Company Limited in August 2016, the chairman of Dongfeng Honda Automobile Co., Ltd. in February 2018, and the vice chairman of the Board of Supervisors of PSA Peugeot Citroën in May 2018. Mr. Li has more than 30 years of business and management experience in the automotive industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Zhigeng, aged 74, was appointed as an Independent Non-executive Director of the Company on 23 January 2013. Mr. Ma was reappointed as the Director of the Fourth Session of the Board of Directors of the Company on 10 October 2013. He is the external director of the Company. He has served as the external director of DMC and China Three Gorges Corporation since March 2011. Mr. Ma graduated from Yangzhou Institute of Technology majoring in mechanical manufacturing in 1968. Mr. Ma has worked in various positions since September 1968, including the deputy head of Sichuan Ordnance Bureau of the Ordnance Ministry (兵器部四川兵工局), deputy head of the Southwest regional department of China North Industries Group (中國北方工業(集團)總公司), as well as deputy head, chief economist, deputy general manager and deputy party secretary of the Southwest Ordnance Bureau of China North Industries Corporation (中國兵器工業總公司). He served as the general manager and party secretary of China North Industries Group Corporation from June 1999 to June 2007, and as the general manager of China North Industries Group Corporation from June 2007 to October 2008. Mr. Ma has served as the external director of Shanghai Electric Group and China Three Gorges Corporation since June 2010 and December 2010 respectively. Mr. Ma served as the external director of DMC from March 2011 to June 2014.

Mr. Zhang Xiaotie, aged 66, was appointed as an Independent Non-executive Director of the Company on 10 October 2013. He is the external director of the Company and China National Travel Service (HK) Group Corporation. Mr. Zhang graduated from the School of Economics and Management of Tsinghua University as a part-time postgraduate in Industrial Management Engineering and received a Master's degree in Engineering in 1989. Mr. Zhang had worked in various positions since 1969, including the deputy director general of the Finance Department of the Ministry of Posts and Telecommunications, deputy director general and director general of the Department of Financial Adjustment and Communications Clearance of the Ministry of Information Industry, assistant to president, general manager and deputy general manager of the Planning and Financial Division and a member of leading party group of China Netcom Group Corporation, and director and senior vice president of China Netcom Group Corporation (Hong Kong) Limited. From May 2008 to June 2010, he served as the deputy general manager and a member of leading party group of China Mobile Communications Corporation. He became the external director of China Electronics Corporation since June 2010. He served as the external director of DMC from March 2011 to August 2015.

Mr. Cao Xinghe, aged 69, a senior economist, was appointed as an Independent Non-executive Director of the Company on 10 October 2013. He is the external director of DMC. Mr. Cao graduated from Tianjin Politics and Law Management College majoring in Economic Laws and Capital University of Economics and Business as a postgraduate majoring in Business Administration. Mr. Cao had worked in various positions since 1965, including the deputy general manager, general manager and secretary of the communist party of China Offshore Oil Bohai Corporation, and assistant to general manager of China National Offshore Oil Corporation. From 2004 to 2010, he served as the deputy general manager and member of leading party group of China National Offshore Oil Corporation. He served as the executive vice chairman of China Petroleum Enterprise Association and honorary chairman of China Petroleum and Chemical Enterprise Association (中國石油化工企業聯合會) in 2007. He became an independent director of China Yangtze Power Co., Ltd. in 2010, external director of Dongfeng Motor Group from 2011 to August 2015 and external director of China Shipping (Group) Company in 2012.

Mr. Chen Yunfei, aged 48, was appointed as an Independent Non-executive Director of the Company on 10 October 2013. He lives in Hong Kong. Mr. Chen received his Bachelor's degree in law from Wuhan University in July 1992 and JD from Southern Illinois University in the US in December 1996. In early 1997, he joined Sullivan & Cromwell, an American law firm based in New York, and started practicing securities law. He moved to Hong Kong in 1998 and continued legal practice in the Hong Kong office of Sullivan & Cromwell. He left Sullivan & Cromwell in July 2001 and joined the Asian investment banking division of Deutsche Bank. During his service as a managing director in the Asian investment banking division of Deutsche Bank, he took charge of its Asian general industry (such as automobile industry) and metal and mining groups in different periods. In August 2007, he left Deutsche Bank and became an independent investor engaged in investment and consultation. He served as the board chairman of Asia Coal Limited, a company listed in Hong Kong, and is currently the independent director of China Gold International Resources Corp. Ltd., a company listed in Toronto, Canada and Hong Kong.

SENIOR MANAGEMENT

Mr. Yang Qing, aged 52, is the Vice President of the Company. Mr. Yang graduated from Wuhan Technical Institute in 1988 with a Bachelor's degree in Engineering Science, majoring in Internal Combustion Engines. He is a senior engineer. He started working for DMC in 1988. From November 2012 to June 2016, he was the general manager of Dongfeng Automobile Co., Ltd.. Mr. Yang has been the general manager of Dongfeng Commercial Vehicles Co., Ltd. since June 2016, and the vice president of the Company since August 2016. He was a director of Dongfeng Commercial Vehicles Co., Ltd. in August 2016. Mr. Yang was a standing committee member of the communist party and a deputy general manager of DMC in March 2017.

Mr. An Tiecheng, aged 55, is the Vice President of the Company. Mr. An graduated from Jilin Institute of Technology in 1984 with a Bachelor's degree in Engineering Science, majoring in Advanced Molecular Chemical Engineering. He also graduated from Jilin University of Technology in 2002 with a Master's Degree of Management, majoring in Management Science and Engineering. From July 1984 to March 2017, he worked at FAW manufacturing plant, and then entered into DMC in March 2017 serving as the standing committee member of the communist party and deputy general manager of DMC. Since June 2017, he has served as the vice president of the Company. Mr. An concurrently acts as a director of Dongfeng Motor Co., Ltd., chairman of Dongfeng Peugeot Citroën Automobile Co., Ltd., chairman of Dongfeng Hongtai Holdings Group Limited, and various positions.

Mr. Qiao Yang, aged 56, is a Vice President of the Company. Mr. Qiao graduated from Hubei Radio & TV University in 1986, specialising in Industrial Accounting. He is a senior accountant. In 1982, he started working for DMC. Mr. Qiao was the director general of the general office for finance and accounting of Dongfeng Motor Co., Ltd. from July 2003 to March 2015, and the party secretary of finance & accounting office of Dongfeng Motor Co., Ltd. from July 2006 to December 2009. He was the head of the finance planning department of DMC from December 2008 to July 2011. He has been the head of the department for finance and accounting of the same company since July 2011, the assistant to the general manager of DMC since December 2015, and a vice president of the Company since August 2016. In addition, he was the deputy chief accountant of DMC in February 2002, the chairman of the board of directors of Dongfeng Peugeot Citroën Auto Finance Co., Ltd. in October 2011, a director of Dongfeng Renault Automobile Co., Ltd. in May 2013, a supervisor of Dongfeng Motor Investment (Shanghai) Co., Ltd. (東風汽車投資(上海)有限公司) in March 2014, a director of Dongfeng Commercial Vehicle Co., Ltd. in August 2014, a director of Dongfeng Motor (Hong Kong) International Co., Ltd. in March 2015, the chairman of Dongfeng Motor Finance Co., Ltd. in November 2015, the chairman of Dongfeng Nissan Auto Finance Co., Ltd. in November 2015, an executive director of Dongfeng Asset Management Co., Ltd. (東風資產管理有限公司) in November 2015, chairman of Chuangge Financial Leasing Company in December 2016 and the chairman of Dongfeng Yulon Motor Co., Ltd. in June 2017.

Mr. Lu Feng, aged 51, possesses a postgraduate degree and is a Secretary of the Board of Directors, a joint company secretary, and the general manager of Investor Relationship Department of the Company. He started his career in 1989 and has served as the Secretary of the Board of Directors, the deputy general manager and the Secretary of the Board, the general manager of Dongfeng Automobile Co., Ltd., and various positions (He successively served as the general manager of the planning department of Dongfeng Automobile Co., Ltd. and the general manager of Dongfeng Yulong Motor Sales Co., Ltd.). Mr. Lu served as the general manager (the head) of Legal and Securities Affairs Department (the Secretariat of the Board of Directors) of the Company from November 2012 to September 2017. He served as the general manager of the Capital Operation Department from November 2012 to June 2017, and served as a Secretary of the Board of Directors since August 2016. Mr. Lu concurrently holds positions such as a Secretary of the Board of Directors and the Head of the Secretariat of the Board of Directors of DMC, the general manager of Dongfeng Assets Management Company Limited, and various positions.

SUPERVISORS

Mr. Wen Shuzhong, aged 57. Holding a master's degree in public administration, he started his career in July 1984. He was a cadre of the human resources office of education department of Inner Mongolia Autonomous Region and the secretary of Youth League Committee of the department. At the party committee of Inner Mongolia Autonomous Region, Mr. Wen served as a cadre of the university working committee office. Furthermore, he worked as a full-time secretary of the general office secretariat of the party committee of Tibet Autonomous Region, and a principal staff member and assistant investigator of the supervisory office of the party committee general office (during his term, he also assumed the role of deputy county committee secretary of Guyang County, Inner Mongolia Autonomous Region). Mr. Wen also served as the head of the general affairs section of the reception office, a cadre and deputy chief of the conduct improvement office at the supervisory department of the commission for discipline inspection, and the deputy chief of the supervisory department, standing committee member, secretary general and office head of the same commission. In December 2016, Mr. Wen became a standing committee member and secretary of the commission for discipline inspection of DMC. He served as a supervisor at DMC of National Supervisory Commission of the PRC since January 2019. In June 2017, Mr. Wen acted as Chairman of the Supervisory Committee of the Company.

Mr. Zhao Jun, aged 60, was appointed as the supervisor of the Company on 10 October 2013. He graduated from Jilin University with a Bachelor's degree of science majoring in Mathematics in 1982 and obtained his master's and doctoral degrees in Science from Beijing Institute of Technology in 1987 and 1990 respectively. He was promoted to associate professor in 1991. He served as the director of registry in the former Beijing Institute of Commerce (currently known as Beijing Technology and Business University) from 1995 to 1998 and was promoted to professor in 2001. He is a professor and postgraduate instructor in administration at the International Business School of University of International Business and Economics. His researches cover academic fields of econometric model, management decision analysis, and statistical analysis and forecasting. He has published over 20 articles on theories of professional disciplines, application of theories, teaching materials and methodologies and education management. Mr. Zhao received the second prize for National Outstanding Teaching Achievements (國家級優秀教學成果二等獎) and the first prize for Beijing Outstanding Teaching Achievements (北京地區優秀教學成果一等獎).

EMPLOYEE SUPERVISOR

Mr. He Wei, aged 56, an employee supervisor of the Company. Mr. He started his career in 1982. During 2002 and 2004, he participated in the on-the-job learning course in Business Administration of the School of Management, Huazhong University of Science and Technology and obtained a master's degree in Business Administration for Senior Management. He successively served as a committee member and the deputy secretary of Second Automotive Works, the secretary to the secretariat, the deputy section-level secretary and the section-level secretary of the party committee, the head of the production department, deputy secretary and the secretary of the Communist Youth League of Dongfeng Motor. He was the party committee secretary, disciplinary committee secretary, and the general manager of Dongfeng Motor Fastener Co., Ltd., and the deputy general manager, deputy party committee secretary, disciplinary committee secretary, and the chairman of the labour union of the business department of Dongfeng Motor Parts and Components. Mr. He was the party committee secretary, deputy general manager, disciplinary committee secretary, and the chairman of the labour union of the parts and components department of Dongfeng Motor Co., Ltd., the office director (party committee) of DMC, the director of the work platform for the military business department of Dongfeng Motor, and the director (cadre) of human resources department of Dongfeng Motor. Mr. He has served as the deputy secretary of the party committee of DMC since August 2016 and the chairman of the labour union of DMC since September 2018.

JOINT COMPANY SECRETARY

Mr. Lu Feng, aged 51, possesses a postgraduate degree and is a Secretary of the Board of Directors, a joint company secretary, and the general manager of Investor Relationship Department of the Company. He started his career in 1989 and has served as the Secretary of the Board of Directors, the deputy general manager and the Secretary of the Board, the general manager of Dongfeng Automobile Co., Ltd., and various positions (He successively served as the general manager of the planning department of Dongfeng Automobile Co., Ltd. and the general manager of Dongfeng Yulong Motor Sales Co., Ltd.). Mr. Lu served as the general manager (the head) of Legal and Securities Affairs Department (the Secretariat of the Board of Directors) of the Company from November 2012 to September 2017. He served as the general manager of the Capital Operation Department from November 2012 to June 2017, and served as a Secretary of the Board of Directors since August 2016. Mr. Lu concurrently holds positions such as a Secretary of the Board of Directors and the Head of the Secretariat of the Board of Directors of DMC, the general manager of Dongfeng Assets Management Company Limited, and various positions.

Ms. Lo Yee Har, Susan, aged 59, is the Joint Company Secretary of the Company. Ms. Lo is an executive director of Tricor Services Limited. She is a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

HEADS OF DEPARTMENTS

The head of the Office of Dongfeng Motor Group Company Limited (Party Committee Office) is Mr. Wang Binbin

The head of the Operation Management Department of Dongfeng Motor Group Company Limited is Mr. Wei Wenqing

The head of the Personnel Department of Dongfeng Motor Group Company Limited is Mr. Wen Liang

The head of the Financial Accounting Department of Dongfeng Motor Group Company Limited is Mr. Gao Guolin

The head of the Organisation and Information Department of Dongfeng Motor Group Company Limited is Mr. Yu Jun

The head of the International Business Department of Dongfeng Motor Group Company Limited is Mr. Li Junzhi

The head of the Technical Development Department of Dongfeng Motor Group Company Limited is Mr. Liu Guoyuan

The head of the Audit Department of Dongfeng Motor Group Company Limited is Mr. Hu Weidong

The head of Investor Relationship Department of Dongfeng Motor Group Company Limited is Mr. Lu Feng

The head of the Corporate Culture Department of Dongfeng Motor Group Company Limited is Mr. Li Pingan

The head of the Supervisory Department of Dongfeng Motor Group Company Limited is Mr. Zeng Xian'an

The head of the Staff Relationship Department of Dongfeng Motor Group Company Limited is Mr. Yuan Gang

The Secretary for the Communist Youth League of Dongfeng Motor Group Company Limited is Mr. Shi Jianxing

The representative at Beijing Office of Dongfeng Motor Group Company Limited is Mr. Qin Jie

The head of the Comprehensively Deepening Reform Office of Dongfeng Motor Group Company Limited is Ms. Tan Wei

Report of the Supervisory Committee

Dear shareholders,

In 2018, 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 2018, the Supervisory Committee held two meetings and the number of attended supervisors formed quorums of the meetings as stipulated by the Company Law.

In 2018, the Supervisory Committee has reviewed and approved: the 2017 report of the Supervisory Committee of the Company; the 2017 financial report, which was audited by PricewaterhouseCoopers Zhong Tian LLP; the 2017 auditor's report, which was audited by PricewaterhouseCoopers and reviewed and approved by the Audit and Risk Management Committee; the 2017 annual report and preliminary results announcement; the 2017 profit distribution and payment of dividend proposal; the 2018 interim report and results announcement and the distribution proposal of 2018 interim dividend.

II. THE INDEPENDENT VIEWS OF THE SUPERVISORY COMMITTEE ON THE 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 2018. 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 decision of the Company on material matters was reasonable and procedures of decision-making were in compliance with laws and valid. Almost all 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 Chairman of the Supervisory Committee has attended all meetings of the Audit Committee under the Board during the reporting period, examined the financial system, financial position and internal audit of the Company and reviewed the 2017 annual report and 2018 interim 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 2018 financial report gives a full, true and fair view of the operating results and financial position of the Dongfeng Motor Group 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.

The Supervisory Committee has seen the operating results and assets position of the Company in 2018 to its satisfaction. In 2019, 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, through supervising on the financial situation of the Company, further enhancing its internal control and operational risk prevention and maintaining the communication with the internal audit department and external audit institution, the Supervisory Committee will 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

Wen Shuzhong
Chairman of the Supervisory Committee

Wuhan, the PRC
27 March 2019

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 2018, the Company fully complied with the code provisions as set out in the Corporate Governance Code (Appendix 14 to the Listing Rules of the Stock Exchange of Hong Kong Limited) except for Code Provision A.4.2.

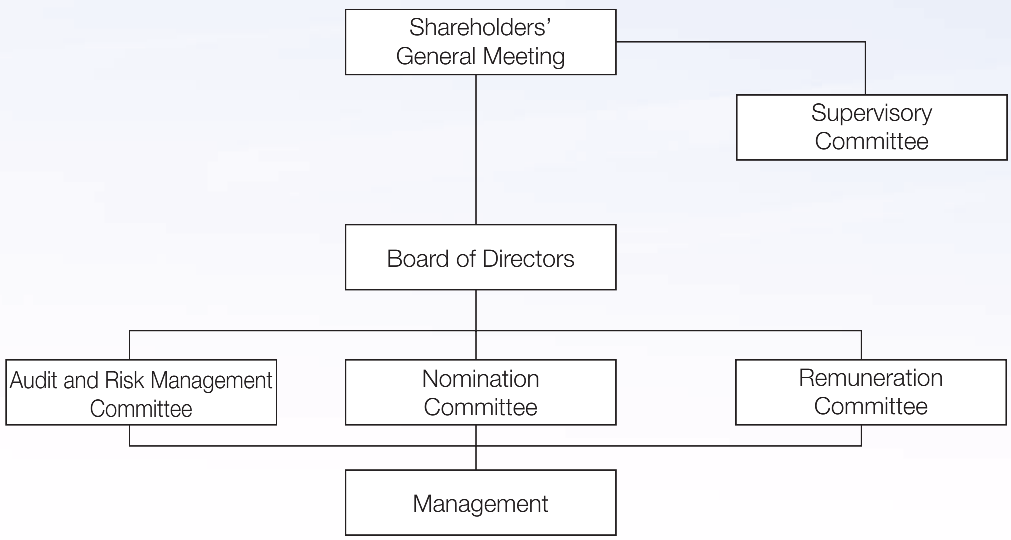
The current session of the Board of Directors was appointed on 10 October 2013. According to Code Provision A.4.2, every director should be subject to retirement by rotation at least once every three years. The term of office of the current session of the Board of Directors (including Mr. Zhu Yanfeng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

The Board has also adopted the Director Nomination Policy and Dividend Policy on 27 March 2019 in order to comply with the revised Listing Rules effective from 1 January 2019.

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, 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 2018, Dongfeng Motor Group Company Limited, the controlling shareholder of the Company, held approximately 67.37% equity interest in the Company both directly and indirectly, with a market value of RMB36,109.60 million. The remaining approximately 32.63% equity interest in the Company was held by public shareholders, with a market value of RMB17,491.46 million.

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 19 in this annual report.

DMC, 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.

On 15 June 2018, the amendment of Articles of Association of the Company have been approved at the 2017 annual general meeting. The major amendments of which are to add provisions for building the Party organisations and its duties. The amendments and the full text of the Articles of Association of the Company had been posted on the websites of the Company and Hong Kong Stock Exchange.

(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 10% or more 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 5% or more 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 10% or more 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.

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 an annual general meeting. The 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 15 June 2018 (Friday). The resolutions considered at the meeting and the percentages of voters for and against are as follows:

Resolutions	For	%	Against	%
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 2017.	7,688,293,500	99.996	338,000	0.004
2. To consider and approve the report of the Supervisory Committee of the Company for the year ended 31 December 2017.	7,688,293,500	99.996	338,000	0.004
3. To consider and approve the independent auditor's report and audited financial statements of the Company for the year ended 31 December 2017.	7,688,293,500	99.996	338,000	0.004
4. To consider and approve the profit distribution proposal of the Company for the year ended 31 December 2017 and to authorise the Board to deal with issues in relation to the Company's distribution of final dividend for the year 2017.	7,681,823,500	99.897	7,894,000	0.103
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 2018 in its absolute discretion (including, but not limited to determine whether to distribute interim dividend for the year 2018).	7,689,717,500	100	0	0

Resolutions	For	%	Against	%
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 2018 to hold office until the conclusion of the annual general meeting for the year 2018, and to authorise the Board to determine their remunerations.	7,585,910,175	98.712	99,002,915	1.288
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 2018.	7,688,855,090	99.989	862,410	0.011
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:				
8. To consider and approve the amendments to the Articles of Association.	6,528,203,402	84.895	1,161,514,098	15.105
9. To grant a general mandate to the Board to issue, allot and deal with additional shares not exceeding 20% of the total number of each of Domestic Shares and H Shares in issue of the Company.	6,003,927,237	78.077	1,685,790,263	21.923
III. Additional Ordinary Resolution				
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 resolution, the resolution was duly passed as ordinary resolution:				
10. To consider and approve the resignation of Mr. Liu Weidong as Executive Director.	7,673,499,154	99.997	256,000	0.003

All the resolutions proposed at the 2017 annual general meeting were approved. There was no restriction on shareholders to cast votes on the resolutions proposed at the 2017 annual general meeting. Computershare Hong Kong Investor Services Limited, the share registrar of the Company, retained lawyer Xu Ling from Commerce & Finance Law Offices as the scrutineer for the vote-taking at the 2017 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 2019. The dates are subject to changes in situation. Shareholders should refer to our announcements issued from time to time.

2019 Shareholders' Calendar

27 March	Announcement of final results and final dividend for the year ended 31 December 2018
Late April	Upload of the 2018 annual report on the websites of the Company and the Hong Kong Stock Exchange
Late April	Dispatch of the 2018 annual report to shareholders
14 June	2018 annual general meeting
Late August	Payment of final dividends for the year ended 31 December 2018
30 August	Announcement of interim results and interim dividend for the six months ending 30 June 2019, if any
Mid October	Payment of interim dividends for the six months ending 30 June 2019, 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 fourth session since the establishment of the Company, which consists of six directors, including Mr. Zhu Yanfeng and Mr. Li Shaozhu as executive directors and Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei as independent non-executive directors. The resignation of Mr. Liu Weidong as Executive Director of the Company (due to change of work) was approved at the 2017 annual general meeting held on 15 June 2018. The term of office of all current directors has expired on 9 October 2016. Prior to the re-election of the new session of the Board of Director, 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 connected 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 page 49 to 51 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 page 52 to 53 in this annual report.

3) *Independent non-executive directors*

Currently, the Company has four 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 nonexecutive 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 four 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) *Independent non-executive directors*

The term of office of both independent non-executive directors and other members of the Board of Directors of the Company is three years and shall be subject to re-election.

5) *Training and Continuous Professional Development Directors*

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 year, all directors were regularly provided with the newsletters for directors and supervisors prepared by the Company Secretariat to understand the industry development, current operation, financial condition and relevant information of the Company. The records are as follows:

	Information Reviewed
Executive directors	
Mr. Zhu Yanfeng	12 issues
Mr. Li Shaozhu	12 issues
Mr. Liu Weidong (resigned on 15 June 2018)	3 issues
Independent non-executive directors	
Mr. Ma Zhigeng	12 issues
Mr. Zhang Xiaotie	12 issues
Mr. Cao Xinghe	12 issues
Mr. Chen Yunfei	12 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 2018.

7) *Remuneration of Directors*

The fourth 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 relevant 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 year, the Company paid remuneration of RMB60,000 (before tax) to each of three independent non-executive directors of the fourth session of the Board of Directors, namely Mr. Ma Zhigeng, Mr. Zhang Xiaotie and Mr. Cao Xinghe. Mr. Chen Yunfei was paid remuneration of RMB168,000 (before tax).

8) *Board Diversity Policy*

On 27 March 2019, Board of the Company passed the Board Diversity Policy. This Board Diversity Policy (the "Policy") aims at setting out the approach adopted for achieving the diversity of the board of directors (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 the following: 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 diversity in the Board and make recommendation to the Board. The Board may adopt and/or amend from time to time such diversity perspectives and measurable objectives in a way that are 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 management unit 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 organisations 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 seven meetings, including four regular meetings and three extraordinary board meeting. The attendance of Directors in person was set out below (Directors failed to attend had appointed their proxies):

	The Board	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive directors					
Mr. Zhu Yanfeng (chairman)	6/7(86%)	–	–	2/3(66%)	1/1(100%)
Mr. Li Shaozhu (president)	5/7(71%)	–	1/2(50%)	–	1/1(100%)
Mr. Liu Weidong (resigned on 15 June 2018)	3/3(100%)	–	–	–	0/1(0%)
Independent non-executive directors					
Mr. Ma Zhigeng	7/7(100%)	3/3(100%)	2/2(100%)	3/3(100%)	1/1(100%)
Mr. Zhang Xiaotie	7/7(100%)	3/3(100%)	–	3/3(100%)	1/1(100%)
Mr. Cao Xinghe	1/7(14.3%)	–	0/2(0%)	–	0/1(0%)
Mr. Chen Yunfei	7/7(100%)	3/3(100%)	–	–	1/1(100%)

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

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.

Audit and Risk Management Committee

Committee members

All members of the Audit and Risk Management Committee are independent non-executive directors, including Mr. Zhang Xiaotie (the convenor), Mr. Chen Yunfei and Mr. Ma Zhigeng, among which Mr. Zhang Xiaotie has professional experience in financial management.

Major duties

- to advice 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 authorised by the Board.

The major works in 2018

The Audit and Risk Management Committee held three meetings in 2018 and the attendance of its members was set out in this report.

The major works of the Audit and Risk Management Committee in 2018 includes:

- reviewing the annual financial report of the Company for 2017;

- reviewing the engagement of chief auditor of the Company for 2018;

- reviewing the interim financial report of the Company for 2018;

- receiving report on the conclusion of internal audit work of the Company for 2017 and report on audit work plan of the Company for 2018;

- considering and approving the work plan of Audit and Risk Management Committee of the Board for 2019;

- Meeting with the external auditors twice during the year.

Remuneration Committee

Committee members

The members of the Remuneration Committee are mainly independent non-executive directors, including Mr. Ma Zhigeng (the convenor), Mr. Cao Xinghe and Mr. Li Shaozhu.

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.

Details of the remuneration of each senior management are set out in note 8 to the Financial Statement contained in this annual report.

The major works in 2018

The Remuneration Committee held two meetings in 2018 and the attendance of its members was set out in this report.

The major works of the Remuneration Committee in 2018 included:

- reviewing the remuneration scheme of the Directors and Supervisors of the Company for 2018;

- reviewing and considering the work plan of the Remuneration Committee of the Board for 2019.

Nomination Committee

Committee members

The members of the Nomination Committee are mainly independent non-executive directors, including Mr. Zhu Yanfeng (the convenor), Mr. Ma Zhigeng and Mr. Zhang Xiaotie.

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 authorised by the Board.

The major works in 2018

The Nomination Committee held three meetings in 2018 and the attendance of its members was set out in this report.

The major works of the Nomination Committee in 2018 included:

- assessing the independence of the independent non-executive directors;
- reviewing the composition of the Board;
- considering the resignation of the relevant senior management of the Company;
- considering the resignation of the relevant executive directors of the Company;
- considering the appointment of the relevant senior management of the Company;
- considering the adjustment of relevant members of committees under the Board of the Company;
- considering and approving the work plan of the Nomination Committee of the Board for 2019.

4. Supervisors and the Supervisory Committee

(1) 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 fourth session of Supervisory Committee since the establishment of the Company and currently comprises three Supervisors, namely, Mr. Wen Shuzhong (the Chairman of the Supervision Committee), Mr. He Wei (Employee Supervisor) and Mr. Zhao Jun (Independent Supervisor).

(2) Supervisory Committee

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

	The Supervisory Committee	**The regular meeting of the Board**	**Annual general meeting**
Supervisor			
Mr. Wen Shuzhong (Chairman)	2/2(100%)	3/4(75%)	1/1(100%)
Independent Supervisor			
Mr. Zhao Jun	2/2(100%)	4/4(100%)	1/1(100%)
Employee Supervisor			
Mr. He Wei	2/2(100%)	4/4(100%)	1/1(100%)

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 an unqualified auditors' report on the 2017 annual 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. Accordingly, the certified public accountant has also issued review opinion on the 2018 interim financial report, confirmed that the interim financial information was prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Report".

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 page 88 to 89 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.

The Company retained PricewaterhouseCoopers as the overseas auditor of the Company and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor of the Company for the reporting period. The total remuneration paid to the primary auditors for the review of the interim report and audit of annual report amounted to RMB12.70 million (of which the fee of RMB100,000 was payable to Ernst & Young CPA LLP for their interim report review of Dongfeng Peugeot Citroën Automobile Co., Ltd., the joint venture of the Company).

The Audit and Risk Management Committee has discussed and evaluated the professional qualification and the audit works of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP for 2018.

(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 organisations and bodies and the supervision and control system, and has optimised the standardised 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 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

Ms. Susan Lo Yee Har of Tricor Services Limited has been engaged by the Company as one of its external joint company secretary. The Company's primary internal contact person is Mr. Lu Feng, joint company secretary of the Company.

Ms. Susan Lo Yee Har and Mr. Lu Feng 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.

羅兵咸永道

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") set out on pages 90 to 215, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- 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 a summary of significant accounting policies.

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 2018, 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 matter identified in our audit are summarised as follows:

- Warranty provisions
- Impairment assessment of Property, plant and equipment

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter

Warranty provisions

Refer to Note 3 "Significant Accounting Estimates and Judgements", Note 6 "Profit Before Income Tax", Note 18 "Investments in Joint Ventures" and Note 31"Provisions" to the consolidated financial statements.

As at 31 December 2018, the balance of warranty provisions in the consolidated statement of financial position of the Group amounted to RMB1,740 million, and warranty provisions made for the year of RMB960 million were recorded in the consolidated income statement of the Group.

Provisions for warranties granted by the Group and its joint ventures ("JVs") for the passenger and commercial vehicles sold are recognised 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.

Meanwhile, the Group's share of profits of JVs for the year ended 31 December 2018 which were accounted for using the equity method amounted to RMB13,275 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.

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.

With regard to the warranty provisions of the Group and JVs audited by us:

- We understood, evaluated and validated the key controls over the estimation of the warranty provisions. In addition, we tested the information technology environments of the Group's system and the specific automatic controls related to the maintenance of data which was used to calculate the warranty provisions.

- We assessed management's warranty provision models using our knowledge of the Group 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.

- 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.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter (Continued)	How our audit addressed the Key Audit Matter (Continued)

Warranty provisions (Continued)

With regard to the warranty provisions made during the year of two significant JVs audited by non-PricewaterhouseCoopers auditor ("Other Auditor"):

- We communicated with Other Auditor to have an understanding of Other Auditor's compliance with the ethical requirements that are relevant to us and Other Auditor's professional competence.
- We sent instructions to Other Auditor and communicated with them to understand their risk assessment and audit responses to the risk identified on warranty provisions.
- We communicated with Other Auditor to understand their audit procedures performed and evaluated Other Auditor's work by reviewing the relevant audit documentation on their audits of warranty provisions.
- We obtained and evaluated Other Auditor's communications to us in accordance with our instructions.

We found that management's judgement and assumptions applied in estimating the Group's warranty provisions were supported by available evidence.

In the context of our audit of consolidated financial statements of the Group, the JVs' management's judgements and estimates associated with their 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)	How our audit addressed the Key Audit Matter (Continued)
Impairment assessment of Property, plant and equipment	
Refer to Note 3 "Significant Accounting Estimates and Judgements", Note 6 "Profit Before Income Tax" 、 Note 14 "Property, plant and equipment" and Note 18 "Investments in Joint Ventures" to the consolidated financial statements. As at 31 December 2018, certain Property, plant and equipment ("PP&E") of the Group and its JVs had impairment indicators, either because manufacturing of certain products has been ceased, or the economic performance of certain production lines of the Group and its JVs were continuously below expectation. As a result, the Group recorded a total impairment provision charge of RMB316 million against these PP&E to the consolidated income statement of the Group for the year then ended. In assessing the recoverability of the PP&E that had impairment indicators, management of the Group and the JVs identified the relevant cash generation units ("CGU") to which these PP&E belong, respectively, and estimated the recoverable amounts of these CGUs based on the higher of their fair value less costs of disposal ("FVLCOD") and value in use ("VIU") calculation. Management used VIU to assess the recoverability of the CGUs and applied significant judgements in determining the VIU calculation. The judgements included: • growth rates to extrapolate revenue and cash flows within and beyond the budget period; • gross margin; and • discount rate.	With regard to the impairment assessment of PP&E of the Group: We evaluated the appropriateness of management's grouping of these PP&E with the relevant CGUs. We assessed the discounted cash flow method used by management to determine the VIU by reference to industry practices, and tested the mathematical accuracy of the VIU calculations. We compared the input data used in the cash flow forecasts against the historical figures and the approved budget and business plans. We challenged management's key assumptions by: • Comparing the revenue growth rates within the budget period with the relevant CGU's historical growth rates; and those 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 • Assessing 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 at base.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter (Continued)	How our audit addressed the Key Audit Matter (Continued)

Impairment assessment of Property, plant and equipment (Continued)

Meanwhile, the Group's share of profits of JVs for the year ended 31 December 2018 which were accounted for using the equity method amounted to RMB13,275 million. The impairment charged over PP&E 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.

We focused on this area due to the magnitude of the impairment provision and the significance of management judgements adopted in assessing the recoverable amount.

With regard to the impairment assessment of PP&E of JVs audited by non-PricewaterhouseCoopers auditor ("Other Auditor"):

- We communicated with Other Auditor to have an understanding of Other Auditor's compliance with the ethical requirements that are relevant to us and Other Auditor's professional competence.
- We sent instructions to Other Auditor and communicated with them to understand their risk assessment and audit responses to the risk identified on impairment assessment.
- We communicated with Other Auditor to understand their audit procedures performed and evaluated Other Auditor's work by reviewing the relevant audit documentation on their audit of impairment assessment.
- We obtained and evaluated Other Auditor's communications to us in accordance with our instructions.

We found that management's judgements applied in the Group's impairment assessment were supported by available evidence.

In the context of our audit of consolidated financial statements of the Group, the JVs' management's judgements associated with its impairment assessment 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 skepticism 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.

- 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.

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

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, related safeguards.

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 Dou Wang, Angel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 RMB million	2017 RMB million (Restated) (Note 2.2)
Revenue	4	**104,543**	125,980
Cost of sales		**(91,128)**	(109,716)
Gross profit		**13,415**	16,264
Other income	5	**3,164**	2,817
Selling and distribution expenses		**(6,342)**	(7,460)
Administrative expenses		**(4,506)**	(4,610)
Net impairment losses on financial assets	10	**(1,006)**	–
Other expenses		**(5,683)**	(6,425)
Finance expenses	7	**(265)**	(592)
Share of profits and losses of:			
Joint ventures	18	**12,280**	13,574
Associates	19	**3,182**	2,207
PROFIT BEFORE INCOME TAX	6	**14,239**	15,775
Income tax expense	11	**(1,661)**	(1,148)
PROFIT FOR THE YEAR		**12,578**	14,627
Profit attributable to:			
Equity holders of the Company		**12,979**	14,061
Non-controlling interests		**(401)**	566
		12,578	14,627
Earnings per share attributable to ordinary equity holders of the Company:	13		
Basic for the year		**150.64 cents**	163.20 cents
Diluted for the year		**150.64 cents**	163.20 cents

The notes on pages 99 to 215 form an integral part of the consolidated financial information.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

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

The notes on pages 99 to 215 form an integral part of the consolidated financial information.

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	31 December 2018 RMB million	31 December 2017 RMB million (Restated) (Note 2.2)
ASSETS			
Non-current assets			
Property, plant and equipment	14	15,835	15,088
Investment properties		170	–
Lease prepayments		1,476	1,224
Intangible assets	15	4,809	4,237
Goodwill	16	1,816	1,763
Investments in joint ventures	18	44,647	39,858
Investments in associates	19	17,682	14,614
Available-for-sale financial assets		–	174
Financial assets at fair value through other comprehensive income	26	219	–
Other non-current assets	20	21,726	18,269
Deferred income tax assets	11	2,376	2,532
Due from joint ventures	25	538	–
Total non-current assets		111,294	97,759
Current assets			
Inventories	21	10,710	10,657
Trade receivables	22	7,582	6,354
Bills receivable	23	14,940	14,730
Prepayments, deposits and other receivables	24	39,602	26,760
Due from joint ventures	25	9,586	13,590
Financial assets at fair value through profit or loss	28	1,899	–
Pledged bank balances and time deposits	27	3,653	10,617
Cash and cash equivalents	27	27,251	33,441
Total current assets		115,223	116,149
TOTAL ASSETS		226,517	213,908

The notes on pages 99 to 215 form an integral part of the consolidated financial information.

Consolidated Statement of Financial Position (Continued)

As at 31 December 2018

	Notes	31 December 2018 RMB million	2017 RMB million (Restated) (Note 2.2)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	29	**8,616**	8,616
Reserves		**16,412**	14,605
Retained profits		**93,328**	85,294
		118,356	108,515
Non-controlling interests		**6,569**	6,809
Total equity		**124,925**	115,324
Non-current liabilities			
Interest-bearing borrowings	30	**10,729**	2,398
Other long term liabilities		**1,894**	1,438
Government grants	32	**1,767**	771
Deferred income tax liabilities	11	**2,086**	1,555
Provisions	31	**659**	652
Total non-current liabilities		**17,135**	6,814
Current liabilities			
Trade payables	33	**17,222**	21,571
Bills payable	34	**19,918**	22,563
Other payables and accruals	35	**13,312**	17,512
Contract liabilities		**2,439**	–
Due to joint ventures	25	**14,385**	13,630
Interest-bearing borrowings	30	**15,424**	14,381
Income tax payable		**630**	828
Provisions	31	**1,127**	1,285
Total current liabilities		**84,457**	91,770
TOTAL LIABILITIES		**101,592**	98,584
TOTAL EQUITY AND LIABILITIES		**226,517**	213,908

The notes on pages 99 to 215 form an integral part of the consolidated financial information.

Zhu Yanfeng	**Li Shaozhu**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

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

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

The notes on pages 99 to 215 form an integral part of the consolidated financial information.

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2018

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

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

The notes on pages 99 to 215 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 RMB million	2017 RMB million (Restated) (Note 2.2)
Cash flows from operating activities			
Profit before income tax		**14,239**	15,775
Adjustments for:			
Share of profits and losses of joint ventures and associates		**(15,462)**	(15,781)
(Gain)/Loss on disposal of items of property, plant and equipment and lease prepayments, net	6	**(66)**	13
Amortisation of lease prepayments	6	**99**	87
Gain on changes in fair value of financial assets at fair value through profit or loss		**(47)**	–
Provision against inventories	6	**115**	216
Impairment losses on financial assets	6	**1,006**	165
Exchange losses, net	6	**61**	24
Depreciation	6	**1,913**	1,763
Impairment of items of property, plant and equipment	6	**316**	269
Impairment of intangible assets		**14**	–
Amortisation of intangible assets	6	**544**	417
Finance expenses	7	**265**	592
Interest income	5	**(942)**	(1,035)
Government grants	32	**(1,017)**	(771)
Gain on other equity interest transaction		**–**	(2)
		1,038	1,732
Increase in trade and bills receivables and prepayments,deposits and other receivables		**(2,492)**	(1,774)
Increase in inventories		**(158)**	(1,903)
Decrease in amounts due from joint ventures		**811**	221
(Decrease)/Increase in trade and bills payables, and other payables and accruals		**(8,353)**	9,028
Increase in loans and receivables from financing services		**(15,170)**	(8,762)
Increase in cash deposits received from financing services		**3,618**	2,048
Increase in a mandatory reserve with the People's Bank of China		**(141)**	(893)
Increase in amounts due to joint ventures		**467**	5,101
(Decrease)/Increase in provisions		**(154)**	178
Cash (used in)/generated from operations		**(20,534)**	4,976
Interest paid		**(240)**	(170)
Income tax paid		**(1,475)**	(1,160)
Net cash flows (used in)/from operating activities		**(22,249)**	3,646

The notes on pages 99 to 215 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 RMB million	2017 RMB million (Restated) (Note 2.2)
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(3,089)**	(3,292)
Increase in lease prepayments and other long term assets		**(441)**	(174)
Purchases of intangible assets		**(1,316)**	(1,040)
Purchase of financial assets at fair value through other comprehensive income		**(50)**	–
Payment for acquisition of subsidiary, net of cash acquired		**(433)**	(67)
Investments in joint ventures		**(70)**	(50)
Proceeds from disposal of items of property, plant and equipment		**167**	48
Proceeds from disposal of financial assets at fair value through other comprehensive income		**138**	–
Proceeds from disposal of lease prepayments		**3**	–
Dividends from joint ventures and associates		**11,532**	10,646
Dividends from financial assets at fair value through other comprehensive income		**18**	–
Government grants received		**2,013**	670
Interest received		**899**	827
Decrease/(Increase) in pledged bank balances and time deposits and financial assets at fair value through profit or loss	27,28	**5,112**	(3,951)
Increase in non-pledged time deposits with original maturity of three months or more when acquired	27	**(476)**	(673)
Cash increased/(decreased) relating to disposal of subsidiaries		**44**	(174)
Cash paid relating to other investing activities		**(1,371)**	(1,062)
Net cash flows from investing activities		**12,680**	1,708

The notes on pages 99 to 215 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 RMB million	2017 RMB million (Restated) (Note 2.2)
Cash flows from financing activities			
Proceeds from borrowings		**12,662**	2,625
Repayment of borrowings		**(6,698)**	(2,563)
Capital contribution from non-controlling shareholders		**225**	77
Dividends paid to non-controlling shareholders		**(270)**	(791)
Dividends paid to the equity holders of the Company		**(3,016)**	(2,843)
Net cash from/(used in) financing activities		**2,903**	(3,495)
Net (decrease)/increase in cash and cash equivalents		**(6,666)**	1,859
Cash and cash equivalents at beginning of year		**31,641**	29,782
Cash and cash equivalents at end of year	27	**24,975**	31,641

The notes on pages 99 to 215 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. 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.

Basis of consolidation

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

If the Group loses control over a subsidiary, it derecognises (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 recognises (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 recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets on liabilities.

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

2.2 BUSINESS COMBINATION UNDER COMMON CONTROL

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

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

(i) New and amended standards adopted by the Group

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

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

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

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

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

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

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

	31 December 2017 As originally presented RMB million	IFRS 9 RMB million	IFRS 15 RMB million	1 January 2018 Restated RMB million
ASSETS				
Non-current assets				
Investments in joint ventures	39,858	30	–	**39,888**
Investments in associates	14,614	(23)	–	**14,591**
Available-for-sale financial assets	174	(174)	–	**–**
Financial assets at fair value through other comprehensive income	–	121	–	**121**
Total non-current assets	97,759	(46)	–	**97,713**
Current assets				
Trade receivables	6,354	(25)	–	**6,329**
Bills receivable	14,730	(3,738)	–	**10,992**
Prepayments, deposits and other receivables	26,760	3,738	–	**30,498**
Pledged bank balances and time deposits	10,617	(6,202)	–	**4,415**
Financial assets at fair value through profit or loss	–	6,202	–	**6,202**
Total current assets	116,149	(25)	–	**116,124**
TOTAL ASSETS	213,908	(71)	–	**213,837**

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

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

	31 December 2017 As originally presented RMB million	IFRS 9 RMB million	IFRS 15 RMB million	1 January 2018 Restated RMB million
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Reserves	14,605	(47)	–	**14,558**
Retained profits	85,294	(18)	–	**85,276**
Non-controlling interests	6,809	(6)	–	**6,803**
TOTAL EQUITY	115,324	(71)	–	**115,253**
Current liabilities				
Other payables and accruals	17,512	–	(2,963)	**14,549**
Contract liabilities	–	–	2,963	**2,963**
TOTAL EQUITY AND LIABILITIES	213,908	(71)	–	**213,837**

IFRS 9 Financial Instruments – Impact of adoption

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

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in notes 2.4 below. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting. The Group does not have any hedging instrument in the year 2017 and current reporting period.

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

IFRS 9 Financial Instruments – Impact of adoption (Continued)

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

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

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

IFRS 9 Financial Instruments – Impact of adoption (Continued)

Classification and measurement

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

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

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

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

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

IFRS 9 Financial Instruments – Impact of adoption (Continued)

Classification and measurement (Continued)

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

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

(c) Reclassify bills receivable from amortised cost to FVOCI

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

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

	Measurement category		Carrying amount		
	Original (IAS 39)	**New (IFRS 9)**	**Original**	**New**	**Difference**
			RMB million	***RMB million***	***RMB million***
Non-current financial assets					
Loans and receivables from financing services	Amortised cost	Amortised cost	13,016	13,016	–
Mandatory reserve deposits with the People's Bank of China (the "PBOC")	Amortised cost	Amortised cost	3,029	3,029	–
Fixed term deposits	Amortised cost	Amortised cost	2,000	2,000	–
Unlisted equity securities	Available for sale	FVOCI	174	121	(53)

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

IFRS 9 Financial Instruments – Impact of adoption (Continued)

Classification and measurement (Continued)

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
			RMB million	*RMB million*	*RMB million*
Current financial assets					
Trade receivables	Amortised cost	Amortised cost	6,354	6,329	(25)
Bills receivable	Amortised cost	Amortised cost FVOCI	14,730	10,992 3,738	–
Other receivables	Amortised cost	Amortised cost	1,445	1,445	–
Loans and receivables from financing services	Amortised cost	Amortised cost	21,448	21,448	–
Due from joint ventures	Amortised cost	Amortised cost	11,489	11,489	–
Pledged bank balances and time deposits	Amortised cost	Amortised cost	4,415	4,415	–
Wealth management product – with principal and interests non-guaranteed	Amortised cost	FVPL	3,230	3,230	–
Structural deposits	Amortised cost	FVPL	2,972	2,972	–
Restricted fixed term deposits within one year	Amortised cost	Amortised cost	1,000	1,000	–
Cash and cash equivalents	Amortised cost	Amortised cost	33,441	33,441	–

Impairment of financial assets

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

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

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

IFRS 9 Financial Instruments – Impact of adoption (Continued)

Impairment of financial assets (Continued)

Trade receivables

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

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

Loans and receivables from financing service

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

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

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

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.4 below. The Group adopted IFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. In summary, the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 January 2018):

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

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

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

The contract liability balance at 1 January 2018 was all recognised in the revenue for the year ended 31 December 2018. The transaction price allocated to the unsatisfied performance obligations as of 31 December 2018 will be recognised as revenue during the next year, so the Group take the expedient allowed by IFRS 15 not to disclose the amount of unsatisfied performance obligation.

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(ii) New standards and interpretations not yet adopted

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

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

IFRS 16 Leases

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

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

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

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

IFRS 16 Leases (Continued)

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

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

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

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

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

2.4 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 is accounted for as goodwill or share of profit of associates and joint ventures.

2.4 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 recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised 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 unrealised 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 recognises 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 recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations (except for business combination under common control in note 2.2) 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.

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 recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised 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 IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not fall within the scope of IAS 39, 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 recognised 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, recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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 recognised. An impairment loss recognised 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.

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 recognised 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 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 recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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/amortisation) 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.

2.4 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 the Group;

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).

2.4 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 capitalised 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 recognises 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 over the estimated useful life as follows:

	Estimated useful life
Buildings	Over 10 to 45 years
Equipment	Over 5 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 recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised 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 capitalised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

(i) Patents and licenses

Purchased patents and licenses are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 to 15 years.

(ii) Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised 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 amortisation and accumulated impairment losses. Any expenditure capitalised is amortised 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.

Lease prepayments

Lease prepayments represent acquisition costs of land use rights less impairment losses and are amortised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on the straight-line basis over the lease terms.

Financial assets

(i) Classification

From 1 January 2018, 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.

2.4 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 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 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.

2.4 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

From 1 January 2018, 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.

(v) Accounting policies applied until 31 December 2017

The group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Until 31 December 2017 the group classifies its financial assets in the following categories:

- loans and receivables, and
- available-for-sale financial investments.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition. See note 39 for details about each type of financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

(v) Accounting policies applied until 31 December 2017 (Continued)

Subsequent measurement

The measurement at initial recognition did not change an adoption of IFRS 9. Subsequent to the initial recognition, the subsequent measurement is as following:

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

(b) Available-for-sale financial investments

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the reserve to the income statement in gains or losses. When the fair value of unlisted equity investments cannot be reliably measured, such investments are stated at cost less any impairment losses.

Impairment

The group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

(v) Accounting policies applied until 31 December 2017 (Continued)

Impairment (Continued)

(a) Financial assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

(b) Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

(v) Accounting policies applied until 31 December 2017 (Continued)

Impairment (Continued)

(c) Available-for-sale financial investments

If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – was removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or were not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and borrowings (Continued)

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 derecognised 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 recognised in the income statement.

2.4 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 recognised amounts and there is an intention to settle on a net basis, or to realise 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 realisable 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 realisable 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 to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.4 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 recognised 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, 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.

Rendering of services

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

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.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised 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 recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

(ii) Deferred income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 utilised, 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 recognised 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.

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 utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised 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 realised 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 recognised 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 recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 6(a) below.

(ii) Medical benefits

The Group's contributions to various defined contribution medical benefit plans organised by the relevant municipal and provincial governments in the PRC and a supplemental medical benefit plan organised 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 6(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 recognised 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 recognised in the income statement when incurred. Further details of the housing subsidy plans are set out in note 6(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 6(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 recognised as a liability.

2.4 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 recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

(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 recognised in other comprehensive income.

(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 recognised 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. The calculation of the estimated unit cost includes a number of variable factors and assumptions including changes of expected occurrence of repair or replacement and the changes of labor and parts costs.

(ii) Deferred tax assets

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

(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 recognises 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.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

As at 31 December 2018, certain Property, plant and equipment ("PP&E") of the Group and its JVs had impairment indicators, either because manufacturing of certain products has been ceased, or the economic performance of certain production lines of the Group and its JVs were continuously below expectation. In assessing the recoverability of the PP&E that had impairment indicator, management of the Group and the JVs identified the relevant cash generation units ("CGUs") to which these PP&E belong, respectively, and estimated the recoverable amounts of these CGUs based on the higher of their fair value less costs of disposal ("FVLCOD") and value in use ("VIU") calculation. Management used VIU to assess the recoverability of the CGUs and applied significant judgements in determining the VIU calculation. The judgements include growth rates to extrapolate revenue and cash flows within and beyond the budget period gross margin and discount rate.

(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.

4. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

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

Year ended 31 December 2018

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

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

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

Year ended 31 December 2018

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

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

Year ended 31 December 2017

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

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

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

Year ended 31 December 2017

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

5. OTHER INCOME

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

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

6. PROFIT BEFORE INCOME TAX

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

	Notes	2018 RMB million	2017 RMB million (Restated)
Cost of inventories recognised as expense		**87,940**	109,130
Interest expense for financing services (included in cost of sales)		**372**	275
Provision against inventories		**115**	216
Depreciation	14	**1,913**	1,763
Amortisation of intangible assets	15	**544**	417
Amortisation of lease prepayments		**99**	87
Auditors' remuneration		**17**	20
Net impairment losses on financial assets	10	**1,006**	–
Staff costs (excluding directors' and supervisors' remuneration (Note 8)):			
– Wages and salaries		**6,622**	6,261
– Pension scheme costs	(a)	**719**	649
– Medical benefit costs	(b)	**407**	376
– Cash housing subsidy costs	(c)	**1**	1
		7,749	7,287
Included in other expenses:			
(Gains)/losses on disposal of items of property, plant and equipment, net		**(21)**	12
(Gains)/losses on disposal of lease prepayments		**(45)**	1
Impairment of items of property, plant and equipment	14	**316**	269
Impairment of trade and other receivables		**–**	165
Warranty provisions	31	**960**	1,381
Research costs		**3,861**	3,391
Royalty fee		**447**	1,156
Other exchange losses, net		**61**	24

6. 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.

6. PROFIT BEFORE INCOME TAX (CONTINUED)

(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.

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.

6. PROFIT BEFORE INCOME TAX (CONTINUED)

(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.

7. FINANCE EXPENSES

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

8. 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	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Fees	**348**	327	**57**	48
Other emoluments:				
– Salaries	**462**	644	**472**	527
– Discretionary bonuses	**1,277**	2,040	**1,059**	430
– Estimated money value of other benefits	**126**	163	**104**	58
– Employer's contribution to a retirement benefit scheme	**177**	230	**148**	80
Total charged to the income statement	**2,390**	3,404	**1,840**	1,143

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

For the year ended 31 December 2018:

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	–	195	486	53	74	808
Li Shaozhu (President)	–	195	478	52	74	799
Liu Weidong (resigned on 15 June 2018)	–	72	313	21	29	435
	–	462	1,277	126	177	2,042
Independent non-executive directors:						
Ma Zhigeng	60	–	–	–	–	60
Zhang Xiaotie	60	–	–	–	–	60
Cao Xinghe	60	–	–	–	–	60
Chen Yunfei	168	–	–	–	–	168
	348	–	–	–	–	348
	348	462	1,277	126	177	2,390
Supervisors:						
Wen Shuzhong	–	168	244	52	74	538
He Wei	–	304	815	52	74	1,245
	–	472	1,059	104	148	1,783
Independent supervisors:						
Zhao Jun	57	–	–	–	–	57
	57	472	1,059	104	148	1,840

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

For the year ended 31 December 2017:

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	–	195	402	47	66	710
Li Shaozhu (President)	–	195	494	47	66	802
Liu Weidong	–	172	516	47	66	801
	–	562	1,412	141	198	2,313
Non-executive directors:						
Tong Dongcheng (resigned on 16 June 2017)	–	41	319	11	16	387
Ouyang Jie (resigned on 16 June 2017)	–	41	309	11	16	377
	–	82	628	22	32	764
Independent non-executive directors:						
Ma Zhigeng	60	–	–	–	–	60
Zhang Xiaotie	60	–	–	–	–	60
Cao Xinghe	60	–	–	–	–	60
Chen Yunfei	147	–	–	–	–	147
	327	–	–	–	–	327
	327	644	2,040	163	230	3,404
Supervisors:						
Ma Liangjie	–	–	278	–	–	278
Wen Shuzhong (appointed on 16 June 2017)	–	101	152	29	40	322
He Wei	–	426	–	29	40	495
	–	527	430	58	80	1,095
Independent supervisors:						
Zhao Jun	48	–	–	–	–	48
	48	527	430	58	80	1,143

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

No retirement benefits or termination benefits were paid to directors or supervisors during the year ended 31 December 2018. No considerations were provided to third parties for making available directors' services (2017: same).

During the year, no loans, quasi-loans or other dealings was entered into by the company in favor of directors or supervisors (2017: 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.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include directors (2017: nil directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the five (2017: five) highest paid employees who are neither a director nor a supervisor of the Company are as follows:

	2018	2017
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,487**	3,898
Bonuses	**8,760**	5,530
Pension scheme contributions	**619**	551
	12,866	9,979

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	
	2018	2017
RMB1,500,001 – RMB2,000,000	**1**	4
RMB2,000,001– RMB2,500,000	**4**	1
	5	5

10. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

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

The Impairment losses of trade receivables, other receivables and loans and receivables from financing services amount to 165 million, which was included in other expenses during the year 2017.

11. INCOME TAX EXPENSE AND DEFERRED INCOME TAX

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

(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.

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

(c) Deferred income tax

Deferred tax assets are mainly recognised 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 realised or the liabilities are settled.

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:

	2018		2017	
	RMB million	***%***	*RMB million* (Restated)	*%*
Profit before income tax	**14,239**		15,775	
At the PRC statutory corporate income tax rate of 25% (2017: 25%)	**3,560**	**25.0**	3,944	25.0
Tax concessions and lower tax rates for specific provinces or locations	**(269)**	**(1.9)**	(239)	(1.5)
Share of profits and losses of Joint ventures and Associates	**(3,184)**	**(22.4)**	(3,507)	(22.2)
Income not subject to corporate income tax	**(28)**	**(0.2)**	(35)	(0.2)
Expenses not deductible for corporate income tax	**16**	**0.1**	38	0.2
Tax losses not recognised	**1,566**	**11.0**	947	6.0
Income tax expense at the Group's effective income tax rate	**1,661**	**11.6**	1,148	7.3

11. 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	
	2018	2017	**2018**	2017
	RMB million	*RMB million* (Restated)	***RMB million***	*RMB million* (Restated)
Deferred tax assets:				
Assets impairment	**287**	222	**(65)**	(25)
Accrued expenses	**1,310**	1,542	**232**	(294)
Warranty provisions	**155**	325	**170**	(37)
Wages payable	**125**	146	**21**	33
Tax losses carry-forwards	**12**	–	**(12)**	–
Interest received in advance	**378**	215	**(163)**	(52)
Others	**109**	82	**(27)**	(11)
Gross deferred tax assets	**2,376**	2,532	**156**	(386)
Deferred tax liabilities:				
Fair value adjustments arising from acquisition of subsidiaries	**(77)**	(90)	**(13)**	(13)
Reallocation subsidy received from government	**(84)**	(99)	**(15)**	99
Changes in the fair value of financial assets at fair value through other comprehensive income	**(18)**	–	**18**	–
Unremitted earnings of oversea businesses	**(1,907)**	(1,366)	**541**	162
Gross deferred tax liabilities	**(2,086)**	(1,555)	**531**	248
			687	(138)
Represented by:				
Deferred tax credited to consolidated income statement			**669**	(164)
Deferred tax credited to consolidated other comprehensive income			**18**	26
			687	(138)

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

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

	31 December	
	2018	2017
	RMB million	*RMB million*
		(Restated)
Deferred income tax assets:		
– Deferred income tax assets to be recovered over 12 months	**248**	310
– Deferred income tax assets to be recovered within 12 months	**2,128**	2,222
	2,376	2,532
Deferred income tax liabilities:		
– Deferred income tax liabilities settled over 12 months	**(2,070)**	(1,541)
– Deferred income tax liabilities settled within 12 months	**(16)**	(14)
	(2,086)	(1,555)
	290	977

12. DIVIDEND

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

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

The dividends paid in 2018 amounted to RMB3,016 million, being RMB0.35 per share (2017: RMB2,843 million, being RMB0.33 per share).

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 capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation 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 above mentioned 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.

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

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

The calculation of basic earnings per share is based on:

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB million*	Equipment *RMB million*	Construction in progress *RMB million*	Total *RMB million*
At 31 December 2017 and 1 January 2018 (Restated):				
Cost	7,237	16,671	2,646	26,554
Accumulated depreciation and impairment	(2,031)	(9,435)	–	(11,466)
Net carrying amount	5,206	7,236	2,646	15,088
At 1 January 2018, net of accumulated depreciation and impairment	5,206	7,236	2,646	15,088
Additions	223	397	2,645	3,265
Acquisition of subsidiaries	60	43	–	103
Disposals	(10)	(105)	–	(115)
Reclassification	725	2,329	(3,054)	–
Other transfer	(170)	–	(107)	(277)
Impairment	(4)	(291)	(21)	(316)
Depreciation during the year	(309)	(1,604)	–	(1,913)
At 31 December 2018, net of accumulated depreciation and impairment	5,721	8,005	2,109	15,835
At 31 December 2018:				
Cost	8,008	18,908	2,130	29,046
Accumulated depreciation and impairment	(2,287)	(10,903)	(21)	(13,211)
Net carrying amount	5,721	8,005	2,109	15,835

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings *RMB million*	Equipment *RMB million*	Construction in progress *RMB million*	Total *RMB million*
At 31 December 2016 and 1 January 2017 (Restated):				
Cost	6,652	14,772	2,218	23,642
Accumulated depreciation and impairment	(1,776)	(7,926)	–	(9,702)
Net carrying amount	4,876	6,846	2,218	13,940
At 1 January 2017, net of accumulated				
Depreciation and impairment	4,876	6,846	2,218	13,940
Additions	79	497	2,725	3,301
Disposal of subsidiaries	(2)	(5)	–	(7)
Disposals	(38)	(7)	–	(45)
Reclassification	555	1,673	(2,228)	–
Other transfer	–	–	(69)	(69)
Impairment	(2)	(267)	–	(269)
Depreciation during the year	(262)	(1,501)	–	(1,763)
At 31 December 2017, net of accumulated depreciation and impairment	5,206	7,236	2,646	15,088
At 31 December 2017:				
Cost	7,237	16,671	2,646	26,554
Accumulated depreciation and impairment	(2,031)	(9,435)	–	(11,466)
Net carrying amount	5,206	7,236	2,646	15,088

15. 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 2018					
Cost:					
At 1 January 2018	**1,882**	**1,336**	**1,915**	**960**	**6,093**
Additions	**88**	**–**	**893**	**149**	**1,130**
Acquisition of subsidiaries	**–**	**–**	**–**	**36**	**36**
Reclassification	**1,184**	**–**	**(1,184)**	**–**	**–**
Disposals	**–**	**–**	**–**	**(37)**	**(37)**
At 31 December 2018	**3,154**	**1,336**	**1,624**	**1,108**	**7,222**
Accumulated amortisation:					
At 1 January 2018	**747**	**355**	**–**	**642**	**1,744**
Amortisation	**368**	**77**	**–**	**99**	**544**
Acquisition of subsidiaries	**–**	**–**	**–**	**10**	**10**
Disposals	**–**	**–**	**–**	**(12)**	**(12)**
At 31 December 2018	**1,115**	**432**	**–**	**739**	**2,286**
Impairment:					
At 1 January 2018	**112**	**–**	**–**	**–**	**112**
Additions	**14**	**–**	**–**	**–**	**14**
Acquisition of subsidiaries	**–**	**–**	**–**	**26**	**26**
Disposals	**–**	**–**	**–**	**(25)**	**(25)**
At 31 December 2018	**126**	**–**	**–**	**1**	**127**
Net carrying amount:					
At 1 January 2018	**1,023**	**981**	**1,915**	**318**	**4,237**
At 31 December 2018	**1,913**	**904**	**1,624**	**368**	**4,809**

15. INTANGIBLE ASSETS (CONTINUED)

	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 2017 (Restated):					
Cost:					
At 1 January 2017	1,707	1,336	1,180	836	5,059
Additions	53	–	884	102	1,039
Reclassification	122	–	(149)	27	–
Disposal of subsidiaries	–	–	–	(5)	(5)
At 31 December 2017	1,882	1,336	1,915	960	6,093
Accumulated amortisation:					
At 1 January 2017	491	276	–	562	1,329
Amortisation	256	79	–	82	417
Disposal of subsidiaries	–	–	–	(2)	(2)
At 31 December 2017	747	355	–	642	1,744
Impairment:					
At 1 January 2017	112	–	–	–	112
At 31 December 2017	112	–	–	–	112
Net carrying amount:					
At 1 January 2017	1,104	1,060	1,180	274	3,618
At 31 December 2017	1,023	981	1,915	318	4,237

16. GOODWILL

	2018 *RMB million*	2017 *RMB million* (Restated)
At 1 January	**1,763**	1,798
Acquisition/(Disposal)	**53**	(35)
At 31 December	**1,816**	1,763

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:

Growth rate	2%–4%
Gross rate	16.5%–19.5%
Discount rate before tax	15%–17.5%

17. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2018 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.	PRC	RMB9,200,000,000	55.00	–	Manufacturing and sales of commercial vehicles
Dongfeng Liuzhou Motor Co., Ltd.	PRC	RMB1,224,700,000	75.00	–	Manufacturing and sale of automobiles, automotive parts and components
Dongfeng Motor Finance Co., Ltd. ("DFF")	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	2.60	Marketing and sale of automobiles
Dongfeng Electric Vehicle Co., Ltd.	PRC	RMB126,364,800	64.56	–	Manufacturing and sale of electric vehicles, parts and components
Dongfeng Off-road Vehicle Co., Ltd.	PRC	RMB155,000,000	100	–	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.	PRC	RMB100,000,000	50.00	–	Marketing and sale of automobiles
Dongfeng Nengdi (Hangzhou) Motor Co., Ltd.	PRC	RMB289,900,700	50.00	50.00	Manufacture and sale of automotive parts and components
Dongfeng Automobile Trade Co., Ltd	PRC	RMB220,000,000	100.00	–	Marketing and sale of automobiles

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.

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with non-controlling interests:

There is no subsidiary with individually material non-controlling interest within the Group. Considering all the subsidiaries with non-controlling interest are automobile industry related companies, their principal activities are manufacturing and sale of automobile, automotive parts as well as components and they all operate their businesses in China mainland, the summarised aggregated financial information for all the subsidiaries that has non-controlling interests are set out below:

Summarised statement of financial position

	31 December	
	2018	2017
	RMB million	*RMB million*
Current assets	**56,631**	62,920
Current liabilities	**56,442**	62,317
Net current assets	**189**	603
Non-current assets	**21,836**	20,679
Non-current liabilities	**3,420**	2,993
Net non-current assets	**18,416**	17,686
Net assets	**18,605**	18,289

Summarised statement of comprehensive income

	2018	2017
	RMB million	*RMB million*
		(Restated)
Revenue	**97,742**	121,874
Profit before income tax	**810**	2,120
Income tax expense	**(630)**	(420)
Profit for the year	**180**	1,700
Other comprehensive income	**20**	93
Total comprehensive income for the year	**200**	1,793

18. INVESTMENTS IN JOINT VENTURES

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

	31 December	
	2018	2017
	RMB million	*RMB million*
Joint ventures, at carrying value	**44,647**	39,858

The movements in investments in joint ventures are as follows:

	2018	2017
	RMB million	*RMB million*
At 1 January	**39,888**	40,549
Additional investments	**20**	50
Share of profits	**13,275**	13,598
Other comprehensive income	**(11)**	26
Other changes in equity	**–**	(33)
Disposals	**(46)**	(49)
Dividends received	**(8,479)**	(14,280)
Translation reserve	**–**	(3)
At 31 December	**44,647**	39,858

18. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Particulars of the joint ventures of the Company as at 31 December 2018 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 Renault Automotive Co., Ltd.	PRC	RMB4,706,303,466	50.00	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	RMB70,000,000	50.00	Manufacture and sale of automotive parts and components

18. 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	
	2018	2017	**2018**	2017	**2018**	2017
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Cash and cash equivalents	**49,826**	29,982	**1,588**	12,986	**21,359**	24,682
Other current assets (excluding cash)	**52,904**	67,418	**4,629**	5,048	**20,524**	17,899
Total current assets	**102,730**	97,400	**6,217**	18,034	**41,883**	42,581
Total non-current assets	**46,294**	44,009	**19,212**	21,911	**11,905**	9,375
Total assets	**149,024**	141,409	**25,429**	39,945	**53,788**	51,956
Current financial liabilities (excluding account payable)	**(619)**	(621)	**(3,687)**	(3,930)	**–**	–
Other current liabilities (including account payable)	**(81,934)**	(84,161)	**(8,980)**	(21,273)	**(36,405)**	(37,044)
Provisions	**(1,047)**	(1,560)	**(25)**	(99)	**(200)**	(440)
Total current liabilities	**(82,553)**	(84,782)	**(12,667)**	(25,203)	**(36,405)**	(37,044)
Non-current financial liabilities (excluding account payable)	**(19)**	(25)	**(277)**	–	**–**	–
Other non-current liabilities (including account payable)	**(6,830)**	(6,805)	**(1,755)**	(2,243)	**(3,081)**	(2,098)
Provisions	**(1,105)**	(1,958)	**(45)**	(143)	**(1,072)**	(430)
Total non-current liabilities	**(6,849)**	(6,830)	**(2,032)**	(2,243)	**(3,081)**	(2,098)
Total liabilities	**(89,402)**	(91,612)	**(14,699)**	(27,446)	**(39,486)**	(39,142)
Non-controlling interests	**(8,998)**	(8,541)	**–**	–	**–**	–
Net assets	**50,624**	41,256	**10,730**	12,499	**14,302**	12,814

18. 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	
	2018	2017	**2018**	2017	**2018**	2017
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Revenue	**180,963**	169,144	**24,653**	34,326	**101,121**	94,447
Depreciation and amortisation	**(4,958)**	(4,751)	**(2,235)**	(2,375)	**(957)**	(969)
Interest income	**1,570**	1,077	**252**	287	**440**	445
Interest expenses	**(139)**	(20)	**(119)**	(24)	**(11)**	–
Profit before income tax	**22,122**	20,872	**(1,864)**	(246)	**13,698**	13,869
Income tax expenses	**(4,887)**	(5,134)	**95**	106	**(3,535)**	(3,512)
Profit/(loss) after tax	**17,235**	15,738	**(1,769)**	(140)	**10,163**	10,357
Non-controlling interests	**(1,948)**	(1,878)	**–**	–	**–**	–
Other comprehensive income	**(10)**	34	**–**	–	**–**	–
Total comprehensive income	**15,277**	13,894	**(1,769)**	(140)	**10,163**	10,357
Dividend received	**2,955**	8,039	**–**	735	**4,337**	4,420

18. 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	
	2018	2017	**2018**	2017	**2018**	2017
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Opening net assets at 1 January	**41,256**	43,507	**12,499**	14,110	**12,814**	11,297
Profit after tax	**17,235**	15,738	**(1,769)**	(140)	**10,163**	10,357
Other comprehensive income	**(10)**	34	**–**	–	**–**	–
Dividend	**(5,909)**	(16,078)	**–**	(1,471)	**(8,675)**	(8,840)
Non-controlling interests	**(1,948)**	(1,878)	**–**	–	**–**	–
Other equity movement	**–**	(67)	**–**	–	**–**	–
Capital contribution from non-controlling shareholders	**–**	–	**–**	–	**–**	–
Closing net assets at 31 December	**50,624**	41,256	**10,730**	12,499	**14,302**	12,814
Interest in joint ventures (50%)	**25,312**	20,628	**5,365**	6,250	**7,151**	6,407
Goodwill	**–**	–	**277**	277	**–**	–
Carrying amount of investments in material joint ventures	**25,312**	20,628	**5,642**	6,527	**7,151**	6,407

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

	2018	2017
	RMB million	*RMB million*
Share of joint ventures' results		
Profit after tax	**1,435**	1,560
Other comprehensive income	**(5)**	5
Total comprehensive income	**1,430**	1,565
Aggregate carrying amount of the Group's investments in the joint ventures	**6,542**	6,296

19. INVESTMENTS IN ASSOCIATES

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

	31 December	
	2018	2017
	RMB million	*RMB million*
Associates, at carrying value	**17,682**	14,614

Particulars of the principal associates as at 31 December 2018 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	35.00	Provision of finance services
Wuhan Lear-DFM Auto Electric Co. Ltd. #	PRC	25.00	Manufacture and sale of automotive parts and components
PSA Peugeot Citroën Group ("PSA")	France	12.23	Manufacture and sale of automotive parts and components

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 Group acquired the equity interests in the PSA Peugeot Citroën Group ("PSA"), a company listed on the Paris Bourse Stocks Exchange, for a consideration of EUR 800 million (approximately RMB6,801 million) in 2014. The investment in PSA is accounted for as an investment in associates using equity method since the Group has significant influence over PSA as the Group has the power to participate in the financial and operating policy decisions of PSA mainly by virtue of the fact that the Group is one of the three equal largest shareholders of PSA and the Group has certain representation on the governing body.

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2018 RMB million	2017 RMB million
Associates-Share of profits	3,182	2,207

The movements in investments in associates are as follows:

	2018 RMB million	2017 RMB million
1 January	14,591	12,598
Increase in investment	108	4
Share of profits	3,182	2,207
Other comprehensive income	101	(348)
Other changes in equity	24	(64)
Disposal	–	(6)
Dividend received	(398)	(445)
Translation reserve	74	668
31 December	17,682	14,614

20. OTHER NON-CURRENT ASSETS

		31 December	
		2018	2017
	Note	***RMB million***	*RMB million*
Loans and receivables from financing services	24(b)	**18,228**	13,016
Mandatory reserve deposits with the People's Bank of China (the "PBOC")	(a)	**3,170**	3,029
Restricted fixed term deposits over one year	(b)	**–**	2,000
Others		**328**	224
		21,726	18,269

(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.

(b) Restricted fixed term deposits over one year included RMB0 million (2017: RMB2,000 million) placed by the Company in an associate which is involved in the provision of financing services.

21. INVENTORIES

	31 December	
	2018	2017
	RMB million	*RMB million*
		(Restated)
Raw materials	**1,722**	1,780
Work in progress	**842**	612
Finished goods – at cost	**8,146**	8,265
	10,710	10,657

22. 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	
	2018	2017
	RMB million	*RMB million*
		(Restated)
Within three months	**3,544**	4,229
More than three months but within one year	**3,134**	1,595
More than one year	**904**	530
	7,582	6,354

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 on 1 January 2018 by RMB25 million for trade receivables, and a further increase in the allowance by RMB283 million in the current periods. Note 40(c) provides for details about the calculation of the allowance.

22. TRADE RECEIVABLES (CONTINUED)

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

	31 December	
	2018	2017
	RMB million	*RMB million*
		(Restated)
DMC, its subsidiaries, associates and joint ventures	**205**	135
Non-controlling shareholders of a subsidiary and their subsidiaries	**235**	76
Associates	**14**	12
	454	223

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

23. BILLS RECEIVABLE

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

	31 December	
	2018	2017
	RMB million	*RMB million*
		(Restated)
Within one year	**14,940**	14,730

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		31 December	
		2018	2017
	Notes	***RMB million***	*RMB million*
			(Restated)
Bills receivable	(d)	**2,123**	–
Prepayments		**1,868**	1,884
Deposits and other receivables	(a)	**2,933**	2,428
Restricted fixed term deposits within one year	(c)	**2,000**	1,000
Loans and receivables from financing services	(b)	**30,678**	21,448
		39,602	26,760

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 40(c) provides for details about the calculation of the impairment and risk exposure.

(a) Other receivables

The change of the impairment methodology to other receivables has immaterial impacts on the existing amount of loss allowance as at 1 January 2018.

(b) Loans and receivables from financing services

The change of the impairment methodology to loans and receivables from financing services has immaterial impacts on the existing amount of loss allowance as at 1 January 2018.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Impairment and risk exposure (Continued)

(b) Loans and receivables from financing services (Continued)

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

		31 December	
		2018	2017
	Note	***RMB million***	*RMB million*
			(Restated)
Gross loans and receivables from financing services		**50,384**	34,808
Less: impairment allowances		**(940)**	(344)
		49,444	34,464
Less: current portion		**30,678**	21,448
Non-current portion	20、25	**18,766**	13,016

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

	31 December	
	2018	2017
	RMB million	*RMB million*
		(Restated)
DMC, its subsidiaries, associates and joint ventures	**384**	687
Non-controlling shareholders of a subsidiary and their subsidiaries	**2**	7
Associates	**37**	30
	423	724

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Impairment and risk exposure (Continued)

(c) Restricted fixed term deposits within one year

The balance of restricted fixed term deposits within one year is RMB2,000 million (2017: RMB1,000 million) placed by the Company in an associate (2017: a joint venture) which is involved in the provision of financing services

The change of the impairment methodology to restricted fixed term deposits within one year has immaterial impacts on the existing amount of loss allowance as at 1 January 2018.

(d) Bills receivable

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

25. BALANCES WITH JOINT VENTURES

	Notes	31 December 2018 RMB million	31 December 2017 RMB million (Restated)
Due from joint ventures, amount			
Interest-bearing loans to joint ventures		**2,070**	1,152
Dividends receivable from joint ventures		**5,302**	7,957
Loans and receivables from financing services	24(b)	**538**	–
Trade receivables	40(c)	**416**	741
Others	(a)	**1,798**	3,740
		10,124	13,590
Less: Current portion		**(9,586)**	(13,590)
Non-current portion		**538**	–
Due to joint ventures			
Cash deposits in DFF	(b)	**9,093**	8,631
Others	(a)	**5,292**	4,999
		14,385	13,630
Less: Current portion		**(14,385)**	(13,630)
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.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December	
	2018	2017
	RMB million	*RMB million*
		(Restated)
Non-current:		
Unlisted equity investments at fair value through other comprehensive income	**219**	–

27. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES AND TIME DEPOSITS

		31 December	
		2018	2017
	Notes	***RMB million***	*RMB million*
			(Restated)
Cash and bank balances		**24,875**	18,161
Time deposits		**6,029**	25,897
Restricted fixed term deposits within one year	24(c)	**2,000**	1,000
Restricted fixed term deposits over one year	20(b)	**–**	2,000
		32,904	47,058
Less: Pledged bank balances and time deposits for securing general banking facilities		**(3,653)**	(10,617)
Less: Restricted fixed term deposits within one year	24(c)	**(2,000)**	(1,000)
Less: Restricted fixed term deposits over one year	20(b)	**–**	(2,000)
Cash and cash equivalents as stated in the consolidated statement of financial position		**27,251**	33,441
Less: Non-pledged time deposits with original maturity of three months or more when acquired		**(2,276)**	(1,800)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**24,975**	31,641

27. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES AND TIME DEPOSITS (CONTINUED)

Time deposits included RMB200 million (2017: RMB200 million) placed by the Company in an associate which is involved in the provision of financing services and RMB1,900 million (2017: RMB1,600 million) placed by the Company in a joint venture 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 equivalents and the pledged deposits approximate their fair values.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December	
	2018	2017
	RMB million	*RMB million*
		(Restated)
Current		
Wealth management product		
– with principal and interests non-guaranteed	**50**	–
Structural deposits	**1,819**	–
Euro and HK dollar swaps	**30**	–
	1,899	–

29. SHARE CAPITAL

	31 December 2018 RMB million	31 December 2017 RMB million (Restated)
Registered, issued and fully paid:		
– 5,760,388,000 (2017: 5,760,388,000) Domestic Shares of RMB1.00 each	**5,760**	5,760
– 2,855,732,000(2017: 2,855,732,000) H shares of RMB1.00 each	**2,856**	2,856
	8,616	8,616

30. INTEREST-BEARING BORROWINGS

	31 December					
	2018			2017		
	Effective interest rate *(%)*	**Maturity**	***RMB million***	Effective interest rate *(%)*	Maturity	*RMB million* (Restated)
Current						
Bank loans – secured	**0.65+HIBOR**	**2019**	**737**	0.75	2018	702
Bank loans – unsecured	**4.57–5.22, 0.65+HIBOR**	**2019**	**2,828**	2.90–5.22, 6MEURIBOR+1.9	2018	1,541
Guaranteed notes	**–**	**–**	**–**	1.61	2018	3,897
Other loans – unsecured	**2.25**	**2019**	**11,859**	–	–	8,241
			15,424			14,381

30. INTEREST-BEARING BORROWINGS (CONTINUED)

	31 December					
	2018			2017		
	Effective interest rate *(%)*	**Maturity**	***RMB million***	Effective interest rate *(%)*	Maturity	*RMB million* (Restated)
Non-Current						
Bank loans –secured	**3.325, 6MEURIBOR +1.3**	**2021–2022**	**2,231**	1.82	2022	2,273
Bank loans –unsecured	**3.35**	**2020**	**500**	1.82–5.00	2018–2022	125
Guaranteed notes	**1.15–1.606**	**2021–2023**	**4,698**	–	–	–
Unsecured notes	**3.96–5.49**	**2021–2023**	**3,300**	–	–	–
			10,729			2,398
			26,153			16,779

Other loans mainly represented cash deposits placed by DMC, its subsidiaries, associates and joint ventures amounting to RMB1,078 million (2017: RMB4,236 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 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.

30. 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 above secured bank loans and certain general facilities granted by the banks were secured by certain assets of the Group. An analysis of the carrying values of these assets included in the financial statements is as follows:

	31 December	
	2018	2017
	RMB million	*RMB million*
		(Restated)
Time deposits and bank balances	**3,653**	4,415

30. INTEREST-BEARING BORROWINGS (CONTINUED)

The maturity profiles of the interest-bearing borrowings of the Group are as follows:

	31 December	
	2018	2017
	RMB million	*RMB million*
		(Restated)
Bank loans repayable:		
Within one year or on demand	**3,565**	2,243
One year to two years	**578**	214
Two years to three years	**191**	78
Three years to five years	**1,962**	2,106
	6,296	4,641
Notes repayable:		
Within one year or on demand	**–**	3,897
One year to two years	**–**	–
Two years to three years	**–**	–
Three years to five years	**7,998**	–
	7,998	3,897
Other loans repayable:		
Within one year or on demand	**11,859**	8,241
	26,153	16,779

The carrying amounts of the interest-bearing borrowings approximate their fair values.

30. INTEREST-BEARING BORROWINGS (CONTINUED)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31 December	
	2018	2017
	RMB million	*RMB million*
		(Restated)
RMB	**18,600**	10,566
EUR	**6,816**	6,213
HKD	**737**	–
	26,153	16,779

31. PROVISIONS

	31 December	
	2018	2017
	RMB million	*RMB million*
		(Restated)
Non-current	**659**	652
Current	**1,127**	1,285
	1,786	1,937

31. PROVISIONS (CONTINUED)

The movements of the Group's provisions are analyzed as follows:

	Environmental restoration costs	**Warranty provisions**	**Total**
	RMB million	*RMB million*	*RMB million*
At 1 January 2017	109	1,650	1,759
Provisions during the year	–	1,381	1,381
Utilised	(20)	(1,183)	(1,203)
At 31 December 2017	89	1,848	1,937
Provisions during the year	**–**	**960**	**960**
Utilised	**(43)**	**(1,068)**	**(1,111)**
At 31 December 2018	**46**	**1,740**	**1,786**

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.

32. GOVERNMENT GRANTS

The movements of the government grants related to assets are analyzed as follows:

	RMB million
At 1 January 2017	872
Received during the year	670
Recognised as other income during the year	(771)
At 31 December 2017 and 1 January 2018	771
Received during the year	**2,013**
Recognised as other income during the year	**(1,017)**
At 31 December 2018	**1,767**

33. TRADE PAYABLES

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

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

33. TRADE PAYABLES (CONTINUED)

Included in the above balances are the following balances with related parties:

	31 December	
	2018	2017
	RMB million	*RMB million*
		(Restated)
DMC, its subsidiaries, associates and joint ventures	**367**	243
Non-controlling shareholders of a subsidiary and their subsidiaries	**13**	57
Associates	**16**	31
	396	331

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

34. BILLS PAYABLE

The maturity profile of the bills payable is as follows:

	31 December	
	2018	2017
	RMB million	*RMB million*
Within one year	**19,918**	22,563

35. OTHER PAYABLES AND ACCRUALS

	31 December 2018 RMB million	31 December 2017 RMB million (Restated)
Advances from customers	**385**	2,963
Accrued salaries, wages and benefits	**2,090**	1,879
Other payables	**10,837**	12,670
	13,312	17,512

Included in the other payables and accruals are the following balances with related parties:

	31 December 2018 RMB million	31 December 2017 RMB million (Restated)
DMC, its subsidiaries, associates and joint ventures	**313**	66
Non-controlling shareholders of a subsidiary and their subsidiaries	**305**	333
	618	399

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 RMB55 million, which is expected to be settled within one year since the balance sheet date. The payable amounting to RMB173 million expected to be settled over one year since the balance sheet date are classified as other long term liabilities.

36. NET DEBT RECONCILIATION

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 2018 RMB million	31 December 2017 RMB million
Cash and cash equivalents	**27,251**	33,441
Borrowings – repayable within one year (including overdraft)	**(15,424)**	(14,381)
Borrowings – repayable after one year	**(10,729)**	(2,398)
Net debt	**1,098**	16,662

	Cash	Borrow. due within 1 year	Borrow. due after 1 year	Total
		RMB million	*RMB million*	*RMB million*
Net debt as at 1 January 2017	30,909	(7,130)	(7,087)	16,692
Cash flows	2,532	(3,157)	1,046	421
Foreign exchange adjustments	–	(43)	(408)	(451)
Other non-cash movements	–	(4,051)	4,051	–
Net debt as at 31 December 2017	33,441	(14,381)	(2,398)	16,662
Cash flows	**(6,190)**	**(916)**	**(8,461)**	**(15,567)**
Foreign exchange adjustments	**–**	**(49)**	**52**	**3**
Other non-cash movements	**–**	**(78)**	**78**	**–**
Net debt as at 31 December 2018	**27,251**	**(15,424)**	**(10,729)**	**1,098**

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.

37. COMMITMENTS

(a) Operating lease commitments as lessee

The Group's future minimum rental payables under non-cancellable operating leases are as follows:

	31 December	
	2018	2017
	RMB million	*RMB million*
		(Restated)
Within one year	**198**	167
After one year but not more than two years	**171**	149
After two year but not more than three years	**175**	139
More than three years	**4,540**	4,560
	5,084	5,015

(b) Capital commitments

In addition to the operating lease commitments detailed in Note 37(a) above, the Group had the following capital commitments at the end of the reporting period:

	31 December	
	2018	2017
	RMB million	*RMB million*
Contracted, but not provided for:		
– Property, plant and equipment	**1,771**	1,755

38. 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	2018 *RMB million*	2017 *RMB million* (Restated)
Purchases of automotive parts/raw materials from and payment of royalty fee to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**609**	649
– Joint ventures		**15,237**	16,612
– Associates		**145**	199
– Subsidiaries' joint ventures		**3,886**	3,728
– Non-controlling shareholders of a subsidiary and their subsidiaries		**46**	182
		19,923	21,370
Purchases of automotive from：	(i)		
– DMC, its subsidiaries, associates and joint ventures		**10**	3
– Joint ventures		**21,547**	34,883
		21,557	34,886
Purchases of water, steam and electricity from DMC	(i)	**358**	574

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with DMC, its subsidiaries, associates and joint ventures, the Group's joint ventures and associates (Continued)

	Note	2018 RMB million	2017 RMB million (Restated)
Purchases of items of property, plant and equipment and intangible assets from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		35	18
– Joint ventures		157	157
– Non-controlling shareholders of a subsidiary and their subsidiaries		63	145
		255	320
Rental expenses to DMC	(i)	128	129
Purchases of services from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		317	371
– Joint ventures		243	280
– Subsidiaries' joint ventures		–	1
– Non-controlling shareholders of a subsidiary and their subsidiaries		160	239
		720	891

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with DMC, its subsidiaries, associates and joint ventures, the Group's joint ventures and associates (Continued)

	Note	2018 RMB million	2017 RMB million (Restated)
Sales of automotive parts/raw materials to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		157	245
– Joint ventures		3,934	4,159
– Associates		–	2
– Subsidiaries' joint ventures		35	88
– Non-controlling shareholders of a subsidiary and their subsidiaries		3	1
		4,129	4,495
Sales of automobiles to: :	(i)		
– DMC, its subsidiaries, associates and joint ventures		1,927	1,720
– Joint ventures		381	783
– Subsidiaries' joint ventures		29	50
– Non-controlling shareholders of a subsidiary and their subsidiaries		1,278	1,321
		3,615	3,874
Provisions of services to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		1	5
– Joint ventures		107	62
– Subsidiaries' joint ventures		4	8
		112	75

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with DMC, its subsidiaries, associates and joint ventures, the Group's joint ventures and associates (Continued)

	Note	2018 RMB million	2017 RMB million (Restated)
Interest expense paid to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		8	41
– Joint ventures		210	139
– Subsidiaries' joint ventures		9	–
– Non-controlling shareholders of a subsidiary and their subsidiaries		11	13
		238	193
Interest incomes from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		50	79
– Joint ventures		96	14
– Associates		2	2
– Subsidiaries' joint ventures		1	–
		149	95

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with DMC, its subsidiaries, associates and joint ventures, the Group's joint ventures and associates (Continued)

	Note	2018 RMB million	2017 RMB million (Restated)
Fee and commission incomes from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**1**	–
– Joint ventures		**9**	9
		10	9
Dispatch Fee from:	(i)		
– Joint ventures		**313**	253
Dividend paid to:			
– Non-controlling shareholders of a subsidiaries and their subsidiaries		**258**	793

Note :

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

38. 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 22, 24, 27, 30, 33 and 35 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 25 to the financial statements.

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

	2018 RMB '000	2017 RMB '000
Short term employee benefits	**3,905**	4,237
Post-employment benefits	**325**	310
Total compensation paid to key management personnel	**4,230**	4,547

Further details of the directors' emoluments are included in note 8 to the financial statements.

39. 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

	31 December	
	2018	2017
	RMB million	*RMB million*
		(Restated)
Financial assets at amortised cost		
Other non-current assets	**21,398**	18,045
Trade receivables	**7,582**	6,354
Bills receivable	**14,940**	14,730
Financial assets included in prepayments, deposits and other receivables	**34,752**	23,893
Due from joint ventures	**10,041**	11,489
Pledged bank balances and time deposits	**3,653**	10,617
Cash and cash equivalents	**27,251**	33,441
Financial assets at fair value through other comprehensive income		
Financial assets at fair value through other comprehensive income	**219**	–
Bills receivable included in prepayments, deposits and other receivables	**2,123**	–
Available-for-sale financial assets	**–**	174
Financial assets at fair value through profit or loss	**1,899**	–
	123,858	118,743

39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period were as follows (Continued):

Financial liabilities

	31 December	
	2018	2017
	RMB million	*RMB million*
		(Restated)
Liabilities at amortised cost		
Trade payables	**17,222**	21,571
Bills payable	**19,918**	22,563
Financial liabilities included in other payables and accruals	**10,252**	11,865
Due to joint ventures	**13,947**	13,337
Interest-bearing borrowings	**26,153**	16,779
Other long term liabilities	**1,072**	714
	88,564	86,829

40. 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:

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 2018, all the Group's interest-bearing borrowings is mainly euro dollars (EUR)-denominated floating rate contract, the amount is RMB2,119 million, and Hong Kong dolloars (HKD)-denominated floating rate contract, the amount is RMB737 million (as at 31 December 2017：EUR-denominated floating rate contract, RMB2,398 million).

(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 EUR and HKD.

As at 31 December 2018 and 31 December 2017, the carrying amounts in RMB equivalent of the Group's liabilities denominated in foreign currencies are summarised below:

	31 December	
	2018	2017
	RMB million	*RMB million*
		(Restated)
Interest-bearing borrowings	**7,553**	6,213

Fluctuations in the exchange rates of RMB against these foreign currency can affect the Group's results of operations.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the EUR and HKD, exchange rates, with all other variables held constant, of the Group's post tax profit (due to changes in the fair values of monetary liabilities).

	Increase/(decrease) in post tax profit	
	2018	2017
	RMB million	*RMB million*
		(Restated)
If RMB strengthens against EUR/HKD by 5%	**283**	233
If RMB weakens against EUR/HKD by 5%	**(283)**	(233)

(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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Trade receivables

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence of impairment, the impairment loss is recognised in the consolidated income statement. The carrying amount of trade receivable individually measured is RMB160 million and the loss allowance for these trade receivable is RMB160 million. The Group performs a collective assessment for all other trade receivable that are not individually significant or for which impairment has not yet been identified by including the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The loss allowance as at 31 December 2018 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 year *RMB million*	Total *RMB million*
31 December 2018					
Expected loss rate	2.60%	22.44%	43.62%	100.00%	9.05%
Gross carrying amount – trade receivables	6,867	712	634	165	8,378
Gross carrying amount – trade receivables in due from joint ventures	402	10	1	3	416
Loss allowance– trade receivables	189	162	277	168	796

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Trade receivables (Continued)

The loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 and to the closing loss allowance as at 31 December 2018 as follows:

	Trade receivables	
	2018	2017
	RMB million	*RMB million*
Closing loss advance as at 31 December (calculated under IAS39)	**648**	617
Amounts restated through opening retained earnings	**25**	–
Opening loss allowance as at 1 January (calculated under IFRS 9)	**673**	617
Increase in loss allowance recognised in profit or loss during the year	**299**	38
Receivables written off during the year as uncollectible	**(16)**	(7)
As at 31 December	**956**	648

Other financial assets at amortised cost

Other financial assets at amortised cost included deposits and other receivables include 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 equivalents, bills receivable and other receivable included in due from joint ventures.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Other financial assets at amortised cost (Continued)

The loss allowance for other receivables as at 31 December 2017 reconciles to the opening loss allowance on 1 January 2018 and to the closing loss allowance as at 31 December 2018 as follows:

	Deposits and other receivables included in prepayment, deposits and other receivables and other receivables included in due from joint ventures *RMB million*
Closing loss allowance as at 31 December 2017 (calculated under IAS 39)	88
Amounts restated through opening retained earnings	–
Opening loss allowance as at 1 January 2018 (calculated under IFRS 9)	88
Increase in the allowance recognised in profit or loss during the period	21
Closing loss allowance as at 31 December 2018	109

(i) Impairment on mandatory reserve deposits with the PBOC, fixed term deposits, pledged bank balances and time deposits, and cash and cash equivalents is measured as 12-month expected credit losses. These financial assets above 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 repayment are guaranteed by large banks, and the expected credit losses is immaterial.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services

Under IFRS 9 for the periods beginning on or after 1 January 2018

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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

Under IFRS 9 for the periods beginning on or after 1 January 2018 (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 borrowers. 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 corrections 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), the financial instrument is then moved to “Stage 3”. The expected credit loss is measured on lifetime basis.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

Under IFRS 9 for the periods beginning on or after 1 January 2018 (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). 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.

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 to have experienced a significant increase in credit risk if the borrower is past due 30 days on its contractual payments.

(2) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, when the borrower is more than 90 days past due on its contractual payments. This has been applied to all loans and receivables from financing service held by the Group.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

Under IFRS 9 for the periods beginning on or after 1 January 2018 (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. Expected credit losses are 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 broad money 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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

Under IFRS 9 for the periods beginning on or after 1 January 2018 (Continued)

(i) ECL model for loans and receivables from financing service, as summarised below: (Continued)

(5) Grouping of instruments for losses measured on a collective basis

For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

(ii) Provision for impairment

The provision for impairment recognised in the period is impacted by a variety of factors, as described below:

- Additional provisions for new financial instruments recognised, as well as releases for loans and receivables from financing service derecognised in the period;
- Loans and receivables from financing service derecognised and write-offs of provision related to assets that were written off during the period

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

Under IFRS 9 for the periods beginning on or after 1 January 2018 (Continued)

(ii) Provision for impairment (Continued)

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 2018	50,168	51	166	50,385
Provision for impairment of loans and receivables from financing service of 1 January 2018	193	14	137	344
Increases	597	15	74	686
Write-offs	–	–	(90)	(90)
Provision for impairment of loans and receivables from financing service of 31 December 2018	790	29	121	940
Net value of loans and receivables from financing service of 31 December 2018	49,378	22	45	49,445

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

Under IFRS 9 for the periods beginning on or after 1 January 2018 (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. Indicators that 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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 2018				
	Within one year or on demand	**In the second year**	**In the third to fifth years**	**Beyond five years**	**Total**
	RMB million	***RMB million***	***RMB million***	***RMB million***	***RMB million***
Interest-bearing borrowings	**15,424**	**578**	**10,151**	**–**	**26,153**
Trade payables	**17,222**	**–**	**–**	**–**	**17,222**
Bills payable	**19,918**	**–**	**–**	**–**	**19,918**
Other payables	**11,831**	**1,153**	**500**	**64**	**13,548**
Due to joint ventures	**13,947**	**–**	**–**	**–**	**13,947**
	78,342	**1,731**	**10,651**	**64**	**90,788**

	31 December 2017				
	Within one year or on demand	In the second year	In the third to fifth years	Beyond five years	Total
	RMB million (Restated)	*RMB million* (Restated)	*RMB million* (Restated)	*RMB million* (Restated)	*RMB million* (Restated)
Interest-bearing borrowings	14,381	214	2,184	–	16,779
Trade payables	21,571	–	–	–	21,571
Bills payable	22,563	–	–	–	22,563
Other payables	13,465	577	278	84	14,404
Due to joint ventures	13,337	–	–	–	13,337
	85,317	791	2,462	84	88,654

40. 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 2018 and 2017.

The Group monitors capital using a net debt to equity ratio, which is net debt divided by equity. Net debt includes interest-bearing borrowings, less cash and cash equivalents. Equity represents equity attributable to equity holders of the Company. The net debt to equity ratio as at the end of the reporting period was as follows:

	31 December	
	2018	2017
	RMB million	*RMB million*
		(Restated)
Interest-bearing borrowings	**26,153**	16,779
Less: Cash and cash equivalents	**(27,251)**	(33,441)
Net debt	**(1,098)**	(16,662)
Equity attributable to equity holders of the Company	**118,356**	108,515
Net debt to equity ratio	**-0.93%**	-15.35%

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value estimation

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.

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.

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.

At at 31 December 2018		**Level 1**	**Level 2**	**Level 3**	**Total**
	Notes	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Financial assets					
Financial assets at FVPL					
Wealth management product – with principal and interests non-guaranteed	28	–	–	50	50
Structural deposits	28	–	–	1819	1819
Euro and HKD swap	28	–	–	30	30
Financial assets at FVOCI					
Bills receivable	24	–	–	2,123	2,123
Unlisted equity securities	26	–	–	219	219
Total financial assets		–	–	4,241	4,241

41. EVENTS AFTER THE REPORTING PERIOD

A final dividend in respect of the year ended 31 December 2018 of RMB0.25 per share, amounting to a total dividend of RMB2,154 million, was proposed by the Board of Directors at a meeting held on 27 March 2019, 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.

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2018	2017
	RMB million	*RMB million*
ASSETS		
Non-current assets		
Property, plant and equipment	**3,829**	3,369
Lease prepayments	**281**	288
Intangible assets	**640**	862
Investments in subsidiaries	**17,128**	12,619
Investments in joint ventures	**16,338**	16,268
Investments in associates	**595**	595
Financial assets at fair value through other comprehensive income	**49**	–
Available-for-sale financial assets	**–**	68
Other non-current assets	**–**	2000
Total non-current assets	**38,860**	36,069
Current assets		
Inventories	**932**	1,345
Trade receivables	**3,366**	2,147
Bills receivable	**365**	759
Prepayments, deposits and other receivables	**10,273**	3,455
Due from joint ventures	**166**	8,103
Pledged bank balances	**82**	4,295
Cash and cash equivalents	**34,671**	25,416
Total current assets	**49,855**	45,520
TOTAL ASSETS	**88,715**	81,589

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (Continued)

	As at 31 December	
	2018	2017
	RMB million	*RMB million*
EQUITY AND LIABILITIES		
Equity		
Issued capital	**8,616**	8,616
Reserves	**11,785**	10,665
Retained profits	**54,763**	53,676
TOTAL EQUITY	**75,164**	72,957
Non-current liabilities		
Interest-bearing borrowings	**3,800**	–
Other non-current liabilities	**57**	56
Provisions	**295**	276
Government grants	**1,076**	81
Total non-current liabilities	**5,228**	413

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (Continued)

	As at 31 December	
	2018	2017
	RMB million	*RMB million*
Current liabilities		
Trade payables	**3,687**	3,807
Bills payable	**853**	666
Other payables and accruals	**2,555**	2,409
Contract liabilities	**444**	–
Due to joint ventures	**444**	732
Interest-bearing borrowings	**–**	250
Income tax payable	**211**	211
Provisions	**129**	144
Total current liabilities	**8,323**	8,219
TOTAL LIABILITIES	**13,551**	8,632
TOTAL EQUITY AND LIABILITIES	**88,715**	81,589

The balance sheet of the Company was approved by the Board of Directors on 27 March 2019 and was signed on its behalf.

Zhu Yanfeng
Director

Li Shaozhu
Director

42. 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 2017	2,541	6,976	45,728	55,245
Total comprehensive income for the year	–	–	11,939	11,939
Transfer to reserve	1,148	–	(1,148)	–
Final 2016 and interim 2017 dividend declared and paid	–	–	(2,843)	(2,843)
As at 31 December 2017	3,689	6,976	53,676	64,341
Change in accounting policy – IFRS 9	(6)	–	(70)	(76)
As at 1 January 2018	**3,683**	**6,976**	**53,606**	**64,265**
Total comprehensive income for the year	**–**	**–**	**5,267**	**5,267**
Business combination involving enterprises under common control	**(40)**	**–**	**–**	**(40)**
Transfer to reserve	**1,162**	**–**	**(1,162)**	**–**
Final 2017 and interim 2018 dividend declared and paid	**–**	**–**	**(3,016)**	**(3,016)**
Others	**4**	**–**	**68**	**72**
As at 31 December 2018	**4,809**	**6,976**	**54,763**	**66,548**

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

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 12, 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.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2019.

Five Year Financial Summary

For the year ended 31 December 2018

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				
	2018	2017	2016	2015	2014
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
		(Restated)			
RESULTS					
Revenue	**104,543**	125,980	122,535	126,566	83,114
Cost of sales	**(91,128)**	(109,716)	(105,020)	(109,637)	(72,297)
Gross profit	**13,415**	16,264	17,515	16,929	10,817
Other income	**3,164**	2,817	2,201	1,897	1,565
Selling and distribution expenses	**(6,342)**	(7,460)	(7,634)	(7,144)	(4,168)
Administrative expenses	**(4,506)**	(4,610)	(3,767)	(3,691)	(3,359)
Net impairment losses on financial assets	**(1,006)**	–	–	–	–
Other expenses	**(5,683)**	(6,425)	(5,701)	(5,834)	(3,490)
Finance expenses	**(265)**	(592)	(445)	189	503
Share of profits and losses of:					
Joint ventures	**12,280**	13,574	11,665	10,422	10,664
Associates	**3,182**	2,207	1,897	1,297	2,089
PROFIT BEFORE TAX	**14,239**	15,775	15,731	14,065	14,621
Income tax expense	**(1,661)**	(1,148)	(1,276)	(1,353)	(1,364)
PROFIT FOR THE YEAR	**12,578**	14,627	14,455	12,712	13,257
Profit attributable to:					
Equity holders of the Company	**12,979**	14,061	13,345	11,550	12,797
Non-controlling interests	**(401)**	566	1,110	1,162	460
	12,578	14,627	14,455	12,712	13,257

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB million	*RMB million* (Restated)	*RMB million*	*RMB million*	*RMB million*
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**226,517**	213,908	185,079	160,786	146,977
Total liabilities	**(101,592)**	(98,584)	(81,441)	(69,302)	(71,541)
Non-controlling interests	**(6,569)**	(6,809)	(6,912)	(6,834)	(1,621)
	118,356	108,515	96,726	84,650	73,815

Note: In 2018 the Group acquired certain business from DMC. For the business combination under common control, the comparative figures for Year 2017 have been restated. In addition, the financial figures for Year 2016 were extracted from the accountant's report of the Company which has been announced to the public on 27 March 2018. The financial figures for Year 2014 and 2015 were extracted from the accountant's report of the Company which has been announced to the public on 29 March 2016. No retrospective adjustments for the business combination under common control were made on the financial figures for these three years.

Notice of Annual General Meeting and Relating Information

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR 2018

NOTICE IS HEREBY GIVEN that an Annual General Meeting (hereinafter referred to as the "AGM") of Dongfeng Motor Group Company Limited (hereinafter referred to as the "Company") for the year 2018 will be held at 9:00 a.m. on Friday, 14 June 2019 at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei 430056, the People's Republic of China (hereinafter referred to as the "PRC") for the purposes of considering and, if thought appropriate, passing with or without amendments, the following resolutions:

I. AS ORDINARY RESOLUTIONS:

1. To consider and approve the report of the board of directors of the Company for the year ended 31 December 2018.

2. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2018.

3. To consider and approve the independent auditors' report and audited financial statements of the Company for the year ended 31 December 2018.

4. To consider and approve the profit distribution proposal of the Company for the year ended 31 December 2018, and authorise the Board to deal with all issues in relation to the Company's distribution of final dividend for the year 2018.

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 2019 at its absolute discretion (including, but not limited to determine whether to distribute interim dividend for the year 2019).

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 2019 to hold office until the conclusion of annual general meeting for the year 2019, and to authorise the Board to determine their remunerations.

7. To consider and approve the remuneration of the directors and the supervisors of the Company determined by the Board for the year 2019.

II. **AS SPECIAL RESOLUTIONS:**

8. To consider and approve the amendments to Rules of Procedures of the Board of Directors of the Company.

9. To consider and approve the application for bond financing for the year 2019.

10. For the purpose of increasing the flexibility and efficiency of operation, to grant a general mandate to the Board to issue, allot and deal with additional Domestic Shares not exceeding 20 percent of total number of Domestic Shares in issue and additional H Shares not exceeding 20 percent of total number of H Shares in issue, and authorise 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.

"THAT

(A) (a) subject to paragraph (c) and in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Articles of Association of the Company and the applicable laws and regulations of the PRC, the exercise by the Board during the Relevant Period of all the powers of the Company to allot, issue and deal with, either separately or concurrently, additional Domestic Shares and H shares and to make or grant offers, agreements, options and powers of exchange or conversion which might require the exercise of such powers be hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall authorise the Board during the Relevant Period to make or grant offers, agreements, options and powers of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;

(c) each of the aggregate nominal amounts of Domestic Shares and H shares allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with (whether pursuant to an option or otherwise) by the Board pursuant to the approval granted in paragraph (a) shall not exceed 20 percent of each of the total number of Domestic Shares and H shares in issue as at the date of passing this resolution, otherwise than pursuant to (i) a Rights Issue or (ii) any scrip dividend or similar arrangement providing for allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company; and

(d) for the purposes of this resolution:

"**Relevant Period**" means the period from (and including) the date of passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of a period of 12 months from the date of passing of the special resolution granting the general mandate; or

(iii) the date of revocation or revision of the authority given under this resolution by a special resolution of the Company in a general meeting.

"**Rights Issue**" means an offer of shares open for a period fixed by the directors to the holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws, or the requirements, of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) and an offer, allotment or issue of shares by way of rights shall be construed accordingly.

(B) The Board shall be authorised 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 as provided in subparagraph (a) of paragraph (A) of this resolution."

By order of the Board
Zhu Yanfeng
Chairman

Wuhan, the PRC, 29 April 2019

As at the date of this notice, Mr. Zhu Yanfeng and Mr. Li Shaozhu are the executive directors of the Company; and Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei are the independent non-executive directors of the Company.

Notes:

1. (1) Eligibility for Attending the General Meeting and Closure of Register of Members for H Shares

In order to determine the shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from Wednesday, 15 May 2019 to Friday, 14 June 2019, both days inclusive. In order to attend and vote at the AGM, holders of H shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on Tuesday, 14 May 2019, being the last Share registration date.

(2) Eligibility for Receiving Final Dividend and Closure of Register of Members for H Shares

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

2. PROXY

(1) A shareholder entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on his behalf. A proxy needs not be a shareholder of the Company. Where a shareholder appoints more than one proxy, his proxies may only exercise the voting rights via voting.

(2) The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorised in writing. If the shareholder is a corporation, that instrument must be either under its common seal or under the hand(s) of its director(s) or duly authorised attorney(s). If that instrument is signed by an attorney of the shareholder, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.

(3) In order to be valid, the form of proxy together with the power of attorney or other authorisation document (if any) must be deposited at the Secretariat of the Board at the Company's principal place of business in the PRC for holders of the Domestic Shares and at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, for holders of the H Shares no later than 24 hours before the time appointed for the AGM (i.e. no later then 9:00 a.m. on 13 June 2019).

(4) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointer, or the revocation of the proxy or the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the AGM.

3. REGISTRATION PROCEDURE FOR ATTENDING THE AGM

(1) A shareholder or his proxy shall produce proof of identity when attending the AGM. If a shareholder is a corporation, its legal representative or other person authorised by the board of directors or other competent body of such shareholder may attend the AGM by producing a copy of the resolution of the board of directors or other competent body of such shareholder appointing such person to attend the meeting.

(2) In accordance with the Articles of Association of the Company, where two or more persons are registered as the joint holders of any share, only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting rights attached to such share at the AGM, and this notice shall be deemed to be given to all joint holders of such share.

(3) For information purpose only, shareholders who intend to attend the AGM in person or by proxy shall return the reply slip to the Secretariat of the Board at the Company's principal place of business in the PRC for the holders of the Domestic Shares or to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, for the holders of the H Shares on or before Friday, 24 May 2019 by hand, by post or by fax.

4. MISCELLANEOUS

(1) The AGM is expected to be concluded within half a day. Shareholders (in person or by proxy) attending the AGM are responsible for their own transportation and accommodation expenses.

(2) The address and contact details of the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, are as follows:

Address:	Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel:	(852) 2862 8628
Fax:	(852) 2865 0990

(3) The address and contact details of the Company's principle place of business in the PRC are as follows:

Address:	Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, the People's Republic of China
Postcode:	430056
Tel:	(8627) 8428 5274
Fax:	(8627) 8428 5057

THE 43RD MEETING OF THE FOURTH SESSION OF THE BOARD OF DIRECTORS OF DONGFENG MOTOR GROUP COMPANY LIMITED

RESOLUTIONS IN REACTION TO THE ANNUAL REPORT

To: Annual General Meeting

According to the Resolutions on the Annual Report considered and approved by the 43rd Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors has decided to propose the following resolutions to the Annual General Meeting of the Company:

1. To consider and approve the 2018 financial report audited by PricewaterhouseCoopers Zhong Tian LLP and the 2018 auditors' report audited by PricewaterhouseCoopers.

2. To consider and approve the report of the Board of Directors of the Company of 2018.

3. To consider and approve the results announcement of the Company of 2018.

4. To approve the distribution of dividend payments of RMB2,154 million by the Company for the year 2018 to the shareholders, amounting to RMB0.25 per ordinary share.

5. To authorise the Board of Directors to deal with any matters in relation to the distribution of the interim dividends for 2019 as they think appropriate, including but not limited to the determination of distribution of interim dividends for 2019.

6. To approve the reappointments of PricewaterhouseCoopers as the overseas auditor of the Company and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor of the Company for 2019 to hold office until the conclusion of Annual General Meeting for 2019, and to authorise the Board of Directors to determine their remunerations.

The above resolutions will be submitted to the Annual General Meeting for shareholders' consideration.

The Board of Directors
Dongfeng Motor Group Company Limited

27 March 2019

THE 43RD MEETING OF THE FOURTH SESSION OF THE BOARD OF DIRECTORS OF DONGFENG MOTOR GROUP COMPANY LIMITED

RESOLUTIONS ON THE RELEVANT MATTERS OF APPLICATION FOR BOND FINANCING LIMIT FOR 2019

To: Annual General Meeting

According to the Resolutions on the Annual Report considered and approved by the 43rd Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the “Company”), the Board of Directors has decided to propose the following resolutions to the Annual General Meeting of the Company:

1. To consider and approve the application for bond financing limit with an amount of RMB26 billion, among which securities market bond (corporate bond) of RMB16 billion and inter-bank market bond (short-term financing bonds or mid-term notes) of RMB10 billion;

2. To authorise the Board of Directors of the Company to apply for registration and issuance within the amount of bond financing in the securities market and inter-bank market in line with actual needs, and to sign relevant declaration, issuance document and agreement.

The above resolutions will be submitted to the Annual General Meeting for shareholders’ consideration.

The Board of Directors
Dongfeng Motor Group Company Limited

27 March 2019

THE 43RD MEETING OF THE FOURTH SESSION OF THE BOARD OF DIRECTORS OF DONGFENG MOTOR GROUP COMPANY LIMITED

RESOLUTIONS ON THE ISSUANCE AND ALLOTMENT OF SHARES

To: Annual General Meeting

According to the Resolutions on the Issuance and Allotment of Shares considered and approved by the 43rd Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors has decided to propose the following resolutions to the Annual General Meeting of the Company:

1. To approve and authorise the Board of Directors to issue, allot and deal with, either separately or concurrently, additional domestic shares not exceeding 20 per cent of the total number of domestic shares in issue and/or additional H shares not exceeding 20 per cent of total number of H shares in issue.

2. To approve and authorise the Board of Directors to make corresponding amendments to the Articles of Association of the Company to reflect the new capital structure upon the issue, allotment and dealing of the additional domestic shares and/or additional H shares and the increase of registered capital of the Company.

The above resolutions will be submitted to the Annual General Meeting for shareholders' consideration.

The Board of Directors
Dongfeng Motor Group Company Limited

27 March 2019

THE 43RD MEETING OF THE FOURTH SESSION OF THE BOARD OF DIRECTORS OF DONGFENG MOTOR GROUP COMPANY LIMITED

RESOLUTIONS ON THE REMUNERATION OF DIRECTORS AND SUPERVISORS

To: Annual General Meeting

According to the resolution on the remuneration of Directors and Supervisors of the Company for 2019 passed at the 43rd Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors has decided to propose the resolution on the remuneration of Directors and Supervisors for 2019 to the Annual General Meeting of the Company:

I. To consider and approve the proposed remuneration of Directors and Supervisors for 2019 as follows:

1. Annual Remuneration

Positions		Cash	Mid- and long-term incentive
Executive Directors		Nil	Nil
Non-executive Directors		Nil	Nil
Independent Non-executive Directors	Held by head of state-owned enterprise who quit his/her position	Administration subsidies of RMB60,000 before tax	Nil
	Not held by head of state-owned enterprise who quit his/her position	Administration subsidies of RMB147,000 before tax	Nil
Supervisors		Nil	Nil
Independent Supervisors		Administration subsidies of RMB40,000 after tax	Nil

Notes:

- The Executive Directors and Non-executive Directors do not receive remuneration in their capacities of directors, while Executive Directors receive salaries in their capacities of employees of the Company and Non-executive Directors receive their relevant remuneration in the Company
- Internal Supervisors receive salaries in their capacities of employees of the Company rather than supervisors

2. *Allowance of Meetings*

No.	Positions		Allowance of meetings (RMB before tax) Meetings of the Board	Meetings of special committees	Meetings of supervisory committee	Notes
1	**Executive Directors**		Nil	Nil	Nil	
2	**Non-executive Directors**		Nil	Nil	Nil	
3	**Independent Non-executive Directors**	Held by head of state-owned enterprise who quit his/her position	Nil	Nil	Nil	Implemented according to SASAC (Guo Zi Ting Fen Pei [2016] No. 531)
		Held by other personnel	RMB3,000/meeting	RMB2,000/meeting	Nil	
4	**Supervisors**		Nil	Nil	Nil	
5	**Independent Supervisors**		Nil	Nil	RMB3,000/meeting	

II. To agree and submit the above remuneration of the directors and supervisors of the Company for the year 2019 determined by the Board to the Annual General Meeting for approval.

The above resolution will be submitted to the Annual General Meeting for shareholders' consideration.

The Board of Directors
Dongfeng Motor Group Company Limited

27 March 2019

THE 43RD MEETING OF THE FOURTH SESSION OF THE BOARD OF DIRECTORS OF DONGFENG MOTOR GROUP COMPANY LIMITED

RESOLUTIONS ON THE AMENDMENTS TO THE RULES OF PROCEDURES FOR MEETING OF THE BOARD OF DIRECTORS

To: Annual General Meeting

According to the Resolution on the Amendments to the Rules of Procedures for Meeting of the Board of Directors considered and passed by the 43rd Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors has decided to propose the Resolution on Amendments to the Rules of Procedures for Meeting of the Board of Directors to the general meeting of the Company. Details of amendments are as follows:

No.	Contents before amendment	Contents after amendment
1	Article 12 (8) to review the structure, size and composition of the Board of Directors (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;	Article 12 (8) to review the structure, size and composition of the board of directors at least once a year. While reviewing and assessing the composition of the board of directors and nomination of directors, the Company shall consider various factors in relation to diversity of the members of the board of directors, including but not limited to: gender, age, culture and education background, professional experience, skills and industry experience, and to propose restructuring of the board of directors to facilitate the implementation of the strategy of the Company;

No.	Contents before amendment	Contents after amendment
2	Article 13 The Audit and Risk Management Committee shall comprise three to five directors, a majority of whom shall be independent non-executive directors, and at least one of the independent non-executive directors shall have appropriate professional qualifications and experience in accounting or relevant financial management.	Article 13 The Audit and Risk Management Committee shall comprise three to five directors, a majority of whom shall be independent non-executive directors, and at least one of the independent non-executive directors shall have appropriate professional qualifications and experience in accounting or relevant financial management; but the original partner of the accounting firm responsible for the audit of the Company shall not serve as a member of the Audit Committee within two years from the following date (whichever is the later): (1) the date when the partner no longer serves as the partner of the accounting firm; or (2) the date when the partner is no longer entitled to any remuneration or other financial revenue of the accounting firm.

The above resolutions will be submitted to the general meeting for shareholders' consideration.

The Board of Directors
Dongfeng Motor Group Company Limited

27 March 2019

Definitions

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

"the Company"	東風汽車集團股份有限公司 (Dongfeng Motor Group Company Limited), a joint stock limited company registered in the PRC on 12 October 2004 in accordance with the laws of the PRC or where the context refers to any time prior to the date of incorporation, those entities and businesses which were contributed to and conducted by the Company upon its establishment
"Dongfeng Joint Venture Companies"	Jointly-controlled Entities in which the Company, its subsidiaries or Jointly-controlled Entities (including their respective subsidiaries and Jointly-controlled Entities) have equity interests as at 31 December 2018
"Dongfeng Motor Corporation" or "DMC"	the controlling shareholder of the Company, state-owned enterprise incorporated under the laws of the PRC, referred to as DMC
"Dongfeng Motor Group" or "the Group"	the Company and its subsidiaries, the Dongfeng joint venture companies and their respective 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
"Macau"	the Macau Special Administrative Region of the PRC
"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)