東風汽車集團股份有限公司
DONGFENG MOTOR GROUP COMPANY LIMITED*
Stock Code: 489

2020 Annual Report

* For identification purposes only

Contents

Corporate Profile and Summary of Business

I. CORPORATE INFORMATION

COMPANY NAME

Dongfeng Motor Group Company Limited

REGISTERED ADDRESS

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

II. STOCK PROFILE OF THE COMPANY

LISTING DATE

7 December 2005

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited (hereinafter referred to as "Stock Exchange of Hong Kong")

STOCK CODE

00489

TOTAL SHARE CAPITAL

RMB8,616,120,000

III. OTHER RELATED INFORMATION

COMPANY WEBSITE

www.dfmg.com.cn

JOINT COMPANY SECRETARIES

Yin Yaoliang
Yuen Wing Yan, Winnie (FCG, FCS)

HONG KONG H SHARE REGISTRAR

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

IV. SUMMARY OF BUSINESS

Dongfeng Motor Group Company Limited (hereinafter referred to as "Dongfeng Motor Group") was listed on the the Stock Exchange of Hong Kong on 7 December 2005. Dongfeng Motor Group is one of the most complete automobile groups in China's industrial chain, with its business centered on vehicle manufacturing, covering other complete business systems relating to automobile such as R&D of automobile, parts and equipment manufacturing, automobile finance, automobile sales and travel business. In 2020, the total vehicle sales of the Group will reach 2.868 million, ranking third among domestic automobile manufacturers, with a market share of 11.33%. Dongfeng Motor Group's business bases are distributed in more than 20 cities across the country, such as Wuhan, Shiyan, Xiangyang and Guangzhou, etc. As of 31 December 2020, Dongfeng Motor Group has a vehicle production capacity of approximately 3.57 million, occupying a leading position in the industry.

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

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

In recent years, Dongfeng Motor Group has actively promoted the technological reform on the basis of maintaining the advantages of traditional vehicle manufacturing business, and is striving to develop a new generation of new energy vehicles and intelligent Internet vehicles, strengthen the industrial chain development and model innovation, continuously build the core capabilities of the company, promote the breakthrough and development of its own cause, and further improve the integrated innovation ability of "five modernizations".

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

Chairman's Statement

Dear Shareholders,

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

In 2020, the unexpected COVID-19 pandemic caused sluggish economic growth around the world, the great downward pressure faced by the domestic economy and the slowdown of global economic growth throughout the year. The automobile industry has been deeply adjusted for the third consecutive year, and the competitive landscape and layout of the industry has undergone profound changes. However, the automobile market has achieved a V-shaped rebound for the year, thanks to the strong and effective prevention and control measures taken by the PRC government and the introduction of relevant policies to promote automobile consumption. In 2020, the sales volumes of vehicles in the PRC automobile industry amounted to approximately 25,311,100 units, representing a year-on-year decrease of 1.9%. The sales volume of passenger vehicles was approximately 20,177,700 units, representing a year-on-year decrease of 5.9%. The sales volume of commercial vehicles was approximately 5,133,300 units, representing a year-on-year increase of 18.7%. The sales volume of new energy vehicles was approximately 1,367,000 units, representing a year-on-year increase of 10.9%. The development of the automobile industry throughout the year showed the following characteristics:

I. Automobile market sales of the first quarter fell sharply by 42.4% year-on-year due to the impacts of the pandemic; as the automobile industry has taken the lead in resuming work and production since March, the decline in automobile sales gradually narrowed, driving the rapid and comprehensive recovery of the national economy.

II. The performance of commercial vehicles was apparently better than that of the automobile industry. Under the integrated influence of the phasing out of National III and below models, charging tolls by axle and driven by the infrastructure investment in 2020, the market demand for commercial vehicles increased rapidly.

III. The decline in sales volume in the passenger vehicle market began to narrow rapidly in the second quarter, which was benefited from the better-than-expected recovery in the macro-economy and export markets; the market share of Japanese and German brands increased; the market share of luxury automobiles increased significantly by 2.4 percentage points.

IV. Due to the gradual decline in the impact of the pandemic, the active support from the consumption policies and the strong drivers of new products, the new energy vehicle has been growing strong against the current throughout the year. With the acceleration of electrification and digital transformation, the private consumption market of new energy vehicles has experienced significant growth, and the market is undergoing a transition from policy-driven to market-driven, showing a rapid development momentum.

It was an extraordinary and challenging year for Dongfeng Motor Group in 2020. Over the past year, the Dongfeng Motor Group has resumed its work and production while working on the prevention and control of the pandemic. In the face of a nearly “suspended” operation in the first quarter, the Company formulated a quarterly management and control strategy and strived to achieve year-on-year growth. The Company achieved year-on-year growth in the last three quarters and partially recovered the losses in the first quarter by the unremitting efforts of all the staff. The Dongfeng Motor Group sold approximately 2,868,000 vehicles for the year, representing a year-on-year decrease of approximately 2.2%, which was only 0.3 percentage point lower than the growth rate of the automobile industry. The sales revenue of the Group was approximately RMB107,964 million, representing an increase of approximately 6.8% as compared with the corresponding period of last year. In 2020, profit attributable to shareholders was approximately RMB10,792 million, representing a decrease of approximately 16.1% as compared with the corresponding period of last year. The impact loss of the Group's profit attributable to shareholders reached more than RMB3.8 billion due to COVID-19.

In 2020, the operation of Dongfeng Motor Group mainly showed the following characteristics:

I. Since April, the Company tried to recover the losses caused by COVID-19, and its operation steadily rebounded, and sales had been growing steadily for 9 consecutive months.

II. Continue to build new leading advantages of commercial vehicles. The sales volume of commercial vehicles for the year was 555,000 with a year-on-year growth of 18.5%, and market share was 10.8%, which remained stable with last year. Dongfeng Commercial Vehicle Co., Ltd. further optimized its medium and heavy truck products, accelerated the construction of the intact rate center, and strengthened post-market development; the sales volume of Dongfeng light truck won the market, and strategic commodities were upgraded; the sales volume of Dongfeng Liuzhou Motor Chenglong brand performed better than its peers, making breakthroughs in key areas and channels; Dongfeng Special Commercial Vehicle Huashen brand released a new commodity platform, and the operation is overall positive.

III. Accelerate construction of high-end brand of self-owned new energy vehicles, and promote the development of the brand. In 2020, high-end new energy vehicle brand Voyah of Dongfeng Motor Group and its first new energy vehicle were launched. In the whole year, the Company completed the construction of three “urban spaces”, completed the layout strategy of outlets in 2021, creating a new sales model and digital operation platform.

IV. Promote high-level and open cooperation to enhance healthy and stable development of joint ventures. In 2020, the Company was committed to optimize layout of joint ventures, restructuring Dongfeng Renault and Dongfeng Getrag, and promoting reform and revitalization of Dongfeng Peugeot Citroën Automobile Co., Ltd. Since September, the sales volume of Dongfeng Peugeot Citroën Automobile Co., Ltd. achieved positive growth for four consecutive months; Dongfeng Nissan achieved annual sales volume of more than one million for six consecutive years, and its market share increased steadily; Dongfeng Honda overcame the impact of pandemic, and its sales volume exceeded 850,000 units, bucking the trend with a positive growth of 6.3%.

V. Actively control key core technologies and accelerate improvement of technological strength. In 2020, Dongfeng Motor Group focused on "five modernizations", enhancing efforts to tackle key technical problems, and accelerated digital transformation to enable business development. Sharing-VAN, 5G-enabled autonomous vehicle with L4 applications, achieved commercial delivery; Robotaxi, L4 autonomous vehicle, was in demonstration operation; 5G unmanned truck of port was in operation. Construction of intelligent network platform, big data platform of Dongfeng Travel and Nandou Six Star new energy monitoring platform was further developed.

At present and in the future, China's development is still in the critical period of strategic opportunities, but both opportunities and challenges have undergone new development changes, the development environment and ecology of the automobile industry are also undergoing remarkable changes. 2021 marks the first year of the "14th Five-Year Plan" and an important year for building an excellent Dongfeng and a world-class enterprise. Facing new challenges and opportunities in the post-pandemic period, Dongfeng Motor Group will focus on the following work:

I. Persistently improve quality and efficiency. Commercial vehicles shall seize market opportunities to expand the market in an all-round manner, while passenger vehicles shall seize the policy opportunities of expanding automobile consumption to actively develop new energy vehicles and other markets.

II. Adhere to innovation-driven development and accelerate self-development. Accelerate the research of key and core technologies and enhance the autonomous and controllable capacity of the industry and supply chains. Strive to achieve breakthroughs in sales volume, market share, revenue and core capabilities of self-owned passenger and commercial vehicles, and accelerate digital transformation, facilitating the coordinated development of the self-owned brand business.

III. Adhere to open development and enhance the level of cooperation. Promote business units such as Dongfeng Nissan and Dongfeng Honda to accelerate the implementation of the electrification strategy, accelerate the implementation of the revitalization plan of Dongfeng Peugeot Citroën, consolidate and deepen the strategic cooperation with automobile, energy, telecommunications, finance and internet enterprises and strive to achieve cross-border integration of "five modernizations, one vehicle and four networks."

IV. Persist in deepening reforms and build an excellent Dongfeng system and mechanism. Stimulate vitality and be market-oriented to accelerate the implementation of the three-year action plan for reform. Actively promote incentives for core talents of key positions in an orderly manner, flexibly launch medium-term and long-term incentives in various forms, and continuously promote and deepen incentive mechanisms such as excess profit sharing, dividend right incentives and options incentives.

V. Adhere to strengthening basic management and continuously upgrading system capability. Carry out the benchmarking of full value chain management and promote the improvement of management in the areas of strategy, organization, operation, finance, technology, risk, human resources and information to continue building a modernized management system.

The new journey calls for new achievements and a new layout manifests new responsibility. As the "14th Five-Year Plan" has been introduced, Dongfeng Motor Group will further enhance the dual circulation layout of open cooperation and building new development, continue to promote high-quality development and unswervingly create value for its shareholders.

Zhu Yanfeng
Chairman

29 March 2021

Report of Directors

BUSINESS OVERVIEW

I. Business Operations during the Year under Review

1. Sales volume and market share for whole vehicles of Dongfeng Motor Group in 2020

For the year ended 31 December 2020, the sales volume for whole vehicles of Dongfeng Motor Group were approximately 2,868,000 units. According to the statistics published by China Association of Automobile Manufacturers, Dongfeng Motor Group had a market share of approximately 11.3% in terms of total sales volume of commercial and passenger vehicles made by domestic manufacturers in 2020. The following table sets out the market shares in terms of sales volume of commercial vehicles and passenger vehicles of Dongfeng Motor Group in 2020:

	Sales Volume *(Units)*	**Market share in terms of sales volume** *(%)*[1]
Commercial Vehicles	**554,812**	**10.8**
Trucks	531,274	11.3
Buses	23,538	5.3
Passenger Vehicles	**2,313,497**	**11.5**
Basic passenger cars	1,198,971	12.9
MPV	106,481	10.1
SUV	1,008,045	10.7
Total	**2,868,309**	**11.3**

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

2. *Sales revenue of Dongfeng Motor Group in 2020*

The sales revenue of Dongfeng Motor Group for the year ended 31 December 2020:

Business	**Sales revenue**	**Contribution to the Group's sales revenue**
	(RMB millions)	*(%)*
Passenger vehicles	16,540	15.3
Commercial vehicles	83,552	77.4
Financing service	7,620	7.1
Corporate and others	778	0.7
Elimination	(526)	(0.5)
Total	107,964	100.0

3. *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, certain business units of the Company have shown in varying degrees presented as unreasonable network layout and weak marketing and service capabilities in 2020. In order to adapt to the new development trend and raise marketing competitiveness, Dongfeng Motor Group will continue to optimise the marketing system, innovate the marketing mechanism, optimize the market network and continuously improve the sales and service capacity of the marketing network.

As at the end of 2020, the sales and after-sales services of motor vehicles of Dongfeng Motor Group were mainly provided through 13 sales and service networks in China. Each of these 13 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 Commercial Vehicle Co., Ltd.	Dongfeng (heavy and medium truck)	303	897	31
Dongfeng Liuzhou Motor Co., Ltd.	Chenglong (heavy and medium truck)	378	874	31
Dongfeng Automobile Motor Co., Ltd.	Dongfeng (high-end light truck, light truck, mini truck, pickup)	632	1,285	31
Zhengzhou Nissan Motor Co., Ltd.	Dongfeng	237	413	31
Dongfeng Special Commercial Vehicle Co., Ltd.	Dongfeng	195	760	27

Sales and after-sales services of passenger vehicles are mainly provided through 8 major sales and service networks.

	Brand names	No. of sales outlets	No. of after-sales service outlets	No. of provinces covered
Dongfeng Motor Co., Ltd. (Dongfeng Nissan Passenger Vehicle Sales Co., Ltd.)	Dongfeng Nissan	837	837	31
Dongfeng Motor Co., Ltd. (Dongfeng Infiniti Motor Co., Ltd.)	Dongfeng Infiniti	118	121	29
Dongfeng Motor Co., Ltd. (Dongfeng Venucia Automobile Sales Co., Ltd.)	Venucia	247	218	28
Dongfeng Honda Automobile Co., Ltd.	Dongfeng Honda	575	703	31
Dongfeng Peugeot Citroën Automobile Co., Ltd.	Dongfeng Citroën	194	305	31
Dongfeng Peugeot Citroën Automobile Co., Ltd.	Dongfeng Peugeot	241	338	30
Dongfeng Passenger Vehicle Company	Dongfeng Fengshen	264	266	31
Dongfeng Liuzhou Motor Co., Ltd.	Dongfeng Future	353	425	31

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

As at 31 December 2020, the total whole vehicle production capacity of Dongfeng Motor Group was approximately 3,570,000 units, among which the production capacity of commercial vehicles and passenger vehicles was approximately 710,000 units and 2,860,000 units, respectively.

The following table shows the production capacity distribution of vehicles of Dongfeng Motor Group as at 31 December 2020.

(1). Production capacity of the whole commercial vehicles

Company	**Production capacity** *(0'000 units)*
Dongfeng Commercial Vehicle Co., Ltd.	18
Dongfeng Liuzhou Motor Co., Ltd.	7.5
Dongfeng Automobile Co., Ltd.	27
Zhengzhou Nissan Motor Co., Ltd.	16
Dongfeng Special Commercial Vehicle Co., Ltd.	3

(2). Production capacity of the whole passenger vehicles

Company	**Production capacity** *(0'000 units)*
Dongfeng Motor Co., Ltd.	128
Dongfeng Honda Automobile Co., Ltd.	79
Dongfeng Peugeot Citroën Automobile Co., Ltd.	36
Dongfeng Passenger Vehicle Company	12
Dongfeng Liuzhou Motor Co., Ltd.	16

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 2021, it is expected that the production capacity of whole vehicles will be 3,810,000 units.

5. Capital expenditure

In 2020, Dongfeng Motor Group adhered to its strategic leading, market-driven, lean and efficient investment strategies, and completed a total investment of RMB11,736 million for the year, with focus on work such as the construction of core R&D capacities, upgrading of manufacturing capacity, strategic commodity layout and control of core resources for new businesses.

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

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

(3) Implement the concept of high-quality development and promote the intelligent upgrade of existing manufacturing capacity. The Group has completed the layout of production capacity to meet the requirements of the 14th Five-Year Plan and the commodity plan. Since 2020, the Group has started to pool its advantageous resources to carry out the lean, digital, intelligent and green transformation of the Group's existing production capacity on an ongoing basis, promoting management improvement and manufacturing technology upgrade.

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

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

II. BUSINESS OUTLOOK

In 2021, the Group's overall sales volume targets an increase of 14.8% year on year, among which the sales volume of commercial vehicles targets an increase of 12.3% and that of passenger vehicles targets an increase of 15.4%. In respect of commercial vehicles, the Group will seize the opportunities in the National VI markets by making arrangements for six new models of vehicle models including the Kingland Flagship (天龍旗艦) in advance. Benefiting from the oversizing and overloading control policy, sales of new vehicles as well as post-market transformation, the competitiveness of commercial vehicles of Dongfeng will be greatly enhanced. The increase in sales volume was mainly from Dongfeng Commercial Vehicles Co., Ltd., Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Automobile Co., Ltd.. In terms of passenger vehicles, 17 new models will be launched in 2021, including 6 own brands and 11 joint venture brands, bringing a strong momentum for sales growth. The increase in sales volume was mainly from Dongfeng Nissan, Dongfeng Honda, Dongfeng Peugeot Citroën Automobiles Co., Ltd. and proprietary brands.

III. SIGNIFICANT EVENTS

Proposed Final Dividends

Pursuant to Rule 18 of "Measures for the Administration of Securities Issuance and Underwriting (《證券發行與承銷管理辦法》)" of China Securities Regulatory Commission and related regulatory Q&A requirements, for securities issued domestically, a company that has profit distribution proposal(s), or conversion of capital reserve into share capital proposal(s) which are yet to be submitted to general meeting for voting, or when such proposal has already been approved by general meeting but yet to be implemented, the domestic issuance of securities can only be proceeded after such proposal has been implemented.

According to the above regulations, the Company has considered the steadily advancing work related to the issuance and listing of A Shares of Dongfeng Motor Group. In order to avoid further uncertainty as a result of the annual dividends to the listing schedule, dividends shall be distributed in a timely manner, depending on the listing progress of the A Share, in accordance with the relevant regulatory requirements of the SFC and the Stock Exchange, with the consideration of the Company's long-term development and maintenance of the interests of shareholders. A board meeting and a general meeting of the Company will be convened for consideration and execution of the relevant disclosure process in due course.

Material legal proceedings

For the year ended 31 December 2020, Dongfeng Motor Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against Dongfeng Motor Group as far as Dongfeng Motor Group was aware.

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

In 2020, the Company's JCEs, in total, declared and distributed aggregate dividends of approximately RMB10,297 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 2020 and the assets and the liabilities of are set out on pages 221 to 222 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 33 to the audited financial statements.

Interest capitalized

Details of the interest capitalised of the Company and Group for the year ended 31 December 2020 are set out in note 8 to the audited financial statements.

Property, plant and equipment

Changes in property, plant and equipment of the Group for the year ended 31 December 2020 are set out in note 15 to the audited financial statements.

Designated deposits and overdue term deposits

As at 31 December 2020, 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 2020 are set out in note 45 to the audited financial statements and the consolidated statement of changes in equity on pages 99, 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 18 June 2021.

Donations

The Group has made total donations of approximately RMB10 million for the year ended 31 December 2020.

Major customers and suppliers

During the year ended 31 December 2020, 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 2020, 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 purchases for the year.

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

As at 31 December 2020, details of the subsidiaries and JCEs as well as other companies in which the Company has direct equity interests are set out in notes 19, 20 and 21 to the audited financial statements for the year respectively.

Share capital

As at 31 December 2020, 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 2020, 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 2020, the name of the persons (other than directors and supervisors) entitled to exercise 5% or more (class of shares categorized into domestic shares and H shares) of the voting rights at any general meeting of the Company and the number of underlying shares, as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance are set out below:

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

Name	Class of Shares	Number of shares held	Percentage in the class of issued share capital %	Percentage in the total share capital %
DONGFENG MOTOR CORPORATION	Domestic Shares	5,760,388,000 (L)	100.00	66.86
SCMB Overseas Limited	H Shares	242,282,000 (L)	8.48 (L)	2.81
Standard Chartered Asia Limited	H Shares	242,282,000 (L)	8.48 (L)	2.81
Standard Chartered Bank	H Shares	242,282,000 (L)	8.48 (L)	2.81
Standard Chartered Holding Limited	H Shares	242,282,000 (L)	8.48 (L)	2.81
Standard Chartered Holdings (International) B.V.	H Shares	242,282,000 (L)	8.48 (L)	2.81
Standard Chartered MB Holdings B.V.	H Shares	242,282,000 (L)	8.48 (L)	2.81
Standard Chartered Private Equity Limited	H Shares	242,282,000 (L)	8.48 (L)	2.81
Edinburgh Partners Limited	H Shares	153,514,000 (L)	5.38 (L)	1.78
Brown Brothers Harriman & Co.	H Shares	256,657,918 (L)	8.99 (L)	2.98
		256,657,918 (P)	8.99 (P)	2.98
Reynolds Margaret (Meg)	H Shares	235,443,000 (L)	8.24 (L)	2.73
Ward Bryan	H Shares	235,443,000 (L)	8.24 (L)	2.73
Westwood Global Investments, LLC	H Shares	235,443,000 (L)	8.24 (L)	2.73
Citigroup Inc.	H Shares	199,896,184 (L)	6.99 (L)	2.32
		2,491,396 (S)	0.08 (S)	0.03
		188,702,549 (P)	6.60 (P)	2.19
FIL Limited	H Shares	197,746,000 (L)	6.92 (L)	2.30
Pandanus Associates Inc.	H Shares	197,746,000 (L)	6.92 (L)	2.30
Pandanus Partners L.P.	H Shares	197,746,000 (L)	6.92 (L)	2.30
Invesco Asset Management Limited	H Shares	170,674,867 (L)	5.97 (L)	1.98
FIDELITY FUNDS	H Shares	170,366,000 (L)	5.97 (L)	1.98
BlackRock, Inc.	H Shares	165,636,946 (L)	5.80 (L)	1.92
		9,266,000 (S)	0.32 (S)	0.11
JPMorgan Chase & Co.	H Shares	150,552,996 (L)	5.27 (L)	1.75
		32,114,594 (S)	1.12 (S)	0.37
		109,637,579 (P)	3.83 (P)	1.27

Directors, supervisors and senior management of the Company

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

Directors

Zhu Yanfeng	Executive Director and Chairman
Li Shaozhu	Executive Director and President
You Zheng	Executive Director and Vice President
Cheng Daoran	Non-executive Director (resigned on 25 September 2020)
Yang Qing	Non-executive Director (appointed on 25 September 2020)
Ma Zhigeng	Independent Non-executive Director (resigned on 25 September 2020)
Zhang Xiaotie	Independent Non-executive Director (passed away on 25 May 2020)
Chen Yunfei	Independent Non-executive Director (resigned on 25 September 2020)
Zong Qingsheng	Independent Non-executive Director (appointed on 25 September 2020)
Leung Wai Lap, Philip	Independent Non-executive Director (appointed on 25 August 2020)
Hu Yiguang	Independent Non-executive Director (appointed on 25 September 2020)

Senior Management

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

Brief biographies of each of the directors and senior management are set out on pages 50 to 52 and pages 54 to 55 in this annual report.

Supervisors

He Wei	Chairman of the Supervisory Committee
Bao Hongxiang	Supervisor (appointed on 25 September 2020)
Zheng Hongyi	Employee Supervisor (appointed on 27 August 2020)
Zhao Jun	Independent Supervisor (resigned on 29 September 2020)
Li Pingan	Employee Supervisor (resigned on 27 August 2020)

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 2020, the interests of Directors, supervisors and chief executives of the Company and their associates in the equity or debt securities of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

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

Name	Position	Class of share	Capacity in which shares were/are held	Number of shares bought/sold or involved	Percentage of issued shares in class %	Percentage of issued shares in class %
HE Wei	Supervisor	H share of the Company	Beneficial owner	100,000 (Long Position)	0.00	0.00
ZHENG Hongyi	Employee supervisor	H share of the Company	Beneficial owner	60,000 (Long Position)	0.00	0.00

Confirmations of independence from independent non-executive directors

The Company has received the annual written confirmations of independence from all independent non-executive directors as at 31 December 2020, namely Mr. Zong Qingsheng, Mr. Leung Wai Lap, Philip, and Mr. Hu yiguang. They are independent in the view of the Company.

Directors' and supervisors' service contracts

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

Directors' and supervisors' interests in contracts

Except for service 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 2020.

Remunerations of directors and supervisors

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

Five highest-paid individuals

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

Employees

As at 31 December 2020, Dongfeng Motor Group had a total of 124,270 full-time employees. The number of employees in various divisions and their percentage of the total number of employees are as follows:

Division	**No. of Employees**	**Percentage of Total** *(%)*
Manufacturing workers	77,679	62.51%
Engineering and technology	18,348	14.76%
Management	27,461	22.10%
Services	782	0.63%
Total	124,270	100%

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

Retirement benefits

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

Management contracts

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into with any person, firm or legal person during the year ended 31 December 2020.

Directors' and supervisors' interests in competing businesses

None of the directors, and supervisors 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 Dongfeng Motor Corporation a written confirmation confirming that during the year ended 31 December 2020, 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 2020, the continuing connected transactions between Dongfeng Motor Group and Dongfeng Motor Corporation and its associates (as defined under the Listing Rules) were as follows (together with the highest annual caps exempted subject to the Listing Rules):

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

1. Trademarks Licensing

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

2. Social Insurance Funds

For the year ended 31 December 2020, Dongfeng Motor Group made payments to the following funds or schemes through the accounts of Dongfeng Motor Corporation according to the applicable laws and regulations in the PRC: (1) basic pension fund; (2) supplementary pension fund; (3) medical insurance; (4) unemployment insurance; and (5) housing provident fund (collectively called "Social Insurance Funds").

3. *Master Auto Parts Sales Agreement*

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

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

The proposed annual caps for sales of auto parts to Dongfeng Motor Corporation and its subsidiaries for the year 2020 was approximately RMB200 million. For the year ended 31 December 2020, the annual actual amount for Dongfeng Motor Corporation and its subsidiaries' purchase of auto parts was approximately RMB2 million.

4. *Master Auto Parts Procurement Agreement*

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

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

The proposed annual caps for procurement of auto parts from Dongfeng Motor Corporation and its subsidiaries for the year 2020 was approximately RMB400 million. For the year ended 31 December 2020, the annual actual amount of procurement of auto parts from Dongfeng Motor Corporation and its subsidiaries was approximately RMB292 million.

5. ***Master Logistics Services Agreement***

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

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

The proposed annual caps for the logistics services provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group for the year 2020 is approximately RMB8,000 million. For the year ended 31 December 2020, the annual actual amount for Logistics Service provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group was approximately RMB2,978 million.

6. ***Master Automobile Inspection Services Agreement***

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

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

The annual caps of payment by Dongfeng Motor Group to Dongfeng Motor Corporation and its subsidiaries for the provision of vehicle inspection services by Dongfeng Motor Corporation and its subsidiaries are approximately RMB400 million for the year 2020. For the year ended 31 December 2020, the annual actual amount for vehicle inspection services provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group was approximately RMB397 million.

7. *Financial Services Master Agreement*

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

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

The proposed annual cap for the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Corporation and its subsidiaries to the Company of the year 2020 was RMB1,000 million. As at 31 December 2020, the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Group to Dongfeng Motor Corporation and its subsidiaries (excluding Dongfeng Hongtai Holdings Group Co., Ltd.) were approximately RMB40 million.

8. *Deposit Agreement*

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

Date:	28 December 2019
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Nissan Auto Finance Co., Ltd.
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 and factoring; and financial services in relation to the automobile products of Dongfeng Nissan Auto Finance Co., Ltd., including consumer facilities, buyer facilities and leasing
Term:	Three years from 1 January 2020 to 31 December 2022 (both days inclusive)
Pricing:	Financial services to be provided under the Deposit Agreement will be charged at (i) the government prescribed prices approved by the state or local government; (ii) where there is no government-prescribed price but where there is a government guidance price, the government-guidance prices; and (iii) where there is neither a government prescribed price nor a government guidance price, the market prices; and/or (iv) at rates determined on an arm's length and reasonable basis and comply with the applicable policies and requirements stipulated by the relevant financial regulatory authorities from time to time and other applicable laws, rules and regulations of the PRC.

The maximum balance of Deposits maintained by Dongfeng Motor Group with Dongfeng Nissan Auto Finance Co., Ltd. shall not exceed RMB2,800 million on any given day for the year 2020. As at 31 December 2020, the outstanding amount of the deposits placed by Dongfeng Motor Group with Dongfeng Nissan Auto Finance Co., Ltd. was RMB2,800 million.

9. *Master Land Lease*

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

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

The annual cap of the net value of right-of-use assets arised from leasing by Dongfeng Motor Group from Dongfeng Motor Corporation was approximately RMB2500 million in 2020. For the year ended 31 December 2020, the net value of right-of-use assets arised from leasing by Dongfeng Motor Group (excluding Dongfeng Motor Co., Ltd.) to Dongfeng Motor Corporation was approximately RMB1,745 million.

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

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

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

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

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

For the year ended 31 December 2020, the total net value of right-of-use assets arised from leasing by Dongfeng Motor Company Limited to Dongfeng Motor Corporation was approximately RMB677 million.

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

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

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

For the year ended 31 December 2020, the total consideration paid by Dongfeng Motor Group to Dongfeng Hongtai for purchases of vehicle and auto parts from Dongfeng Hongtai was approximately RMB1,613 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 RMB1,192 million.

11. *For the year ended 31 December 2020, the continuing connected transactions relating to the joint ventures include:*

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

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

During the year ended 31 December 2020, each of Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroën Automobile Co., Ltd., Dongfeng Honda Automobile Co., Ltd, Dongfeng Honda Engine Co., Ltd. and Dongfeng Honda Auto Parts Co., Ltd., (including each of these companies' subsidiaries, joint ventures and associates) regularly purchased auto parts or production facilities from the joint venture partners of the Company in the manner described below and such purchases will continue for the duration of the joint venture term.

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

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

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

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

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

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

For the year ended 31 December 2020, 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 approximately RMB66,418 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 2020.

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

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

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

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

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

As at 31 December 2020, GAC Honda Automobile Co., Ltd. continued to purchase from Dongfeng Honda Engine Co., Ltd. engines and auto parts needed by it.

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

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

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

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

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

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

For the year ended 31 December 2020, the total consideration paid by the joint ventures in respect of purchases of technology license and technical assistance stated above was approximately RMB4,284 million.

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

I. OPERATING ENVIRONMENT

In 2020, the overall situation of China economy remained a steady rise of the momentum when the COVID-19 epidemic brought a serious impact on the global economy. China's GDP exceeded RMB100 trillion with growth rate increasing by 2.3% year on year. The growth rate decreased by 6.8% year on year in the first quarter, increased by 3.2% year on year in the second quarter, increased by 4.9% year on year in the third quarter and increased 6.5% year on year in the fourth quarter. China's economy has gradually overcome the adverse effect of the epidemic, showing a trend of recovery growth and steady recovery and seeing more resilient and vital in its development. Major economic indicators also showed recovery growth.

In 2020, despite the serious and complicated domestic and oversea environment, especially the severe impact of COVID-19 epidemic, the whole automobile production and sales volume in China still remained steady, achieving the volume of 25,225,200 units and 25,311,100 units, and representing a year-on-year decrease of 2.0% and 1.9%, respectively. The overall performance was better than expected and China is still the biggest producer and distributor of the world.

In 2020, the passenger vehicles market ran at a low level with a sales volume of 20,177,700 units, representing a year-on-year decrease of 5.9%. Among which, the sales volume of SUV increased by 1.0% year on year; the sales volume of MPV recorded a significant decrease of 23.8% year on year; the sales volume of basic vehicles decreased by 9.9% year on year. From the aspect of market structure, the structure is severely diversified, and the sale volume of passenger vehicles of Chinese brands recorded a year-on-year decrease by 0.8 percentage point while the sale volume of Japanese and German joint venture brands increased. The trend of consumption upgrading was obvious, and the proportion of luxury models in the passenger vehicles market increased by 2.4 percentage points to 12.9%. The new energy passenger vehicles market went up against the trend, and the annual sales volume increased by 14.6%. Electrification and digital transformation accelerated.

In 2020, the overall production and sales volumes of the commercial vehicle market outperformed the passenger vehicle market. Commercial vehicle sales maintained sustained growth. Through the year, the production and sales volumes of commercial vehicles were 5,231,200 units and 5,133,300 units, representing a year-on-year increase of 20.0% and 18.7% respectively. In terms of different models, the production and sales volumes of buses representing a year-on-year decrease of 4.2% and 5.5% respectively and the production and sales volumes of trucks represented a year-on-year increase of 22.9% and 21.7%, respectively.

II. OPERATION ANALYSIS

Facing the tremendous impact of the COVID-19 pandemic, the Group responded actively, made every effort to recover the losses to promote operation recovery and rebound. In 2020, the Group achieved sales volume of approximately 2,868,000 vehicles, sales revenue of approximately RMB107,964 million, and profit attributed to shareholders of approximately RMB10,792 million.

The Group promptly seized the opportunity of the recovery of the automobile industry after the epidemic. The sales volume of vehicles was 363,000 in the first quarter representing a year-on-year decrease of 46.4%, and the sales volume of vehicles from the second quarter to the fourth quarter was 2,505,000, representing a year-on-year increase of 11.1%, achieving positive sales growth over nine consecutive months.

In 2020, the sales volume of the passenger vehicle of the Company was 2,313,000 units, representing a year-on-year decrease of 6.1%, which was basically the same as the industry. Among which, the sales volume of passenger vehicle business of joint ventures was 2,057,000 units, representing a year-on-year decrease of 3.8% and outperforming the market.

Dongfeng brand is one of the most favorite and preferred brands of commercial vehicles in China. In 2020, the sales volume of commercial vehicles of Dongfeng brand were approximately 555,000 units, with a year-on-year growth of 18.5%.

III. INFLUENCE OF THE COVID-19 EPIDEMIC

In 2020, confronting the impact of the COVID-19 epidemic and the complex and changeable market environment, the Group actively responded and took immediate measures. By planning the layout in advance, the Group actively reduced costs and increased efficiency, strictly controlled fixed expenses and various expenses, and actively communicated and cooperated closely with upstream suppliers and downstream distributors of the industry, striving to reverse the unfavorable situation caused by the epidemic and promote the recovery of production, operation and the results growth.

The epidemic in the first half of 2020 caused various impacts on all links of the whole value chain of the automobile industry. Especially during February to April, employees returned to work late due to the pandemic, construction progress of new projects was delayed, and related costs increased, leading to the cost increase of the Group and throwing great impact on the Group's profits in the first half of the year. During May to June, with the gradual ease of the epidemic, the automobile market boom improved significantly, and the Group's production and sales gradually recovered and then returned to normal level at the end of June.

In 2020, the impact loss of the Group's profit attributable to the equity holders reached more than RMB3.8 billion due to COVID-19.

IV. FINANCIAL ANALYSIS

1. Revenue

The revenue of the Group for 2020 was approximately RMB107,964 million, representing an increase of approximately RMB6,877 million, or approximately 6.8%, as compared with approximately RMB101,087 million for the corresponding period of last year. The increase in revenue was mainly caused by the increase in sales revenue of Dongfeng Commercial Vehicle Co., Ltd. and Dongfeng Liuzhou Motor Co., Ltd.. The Group has achieved continuous improvement in its product structure. Although the sales volume included in the consolidated revenue fell by 2.9% year on year, the revenue increased by 6.8%. The average revenue per unit increased from approximately RMB202,000 per unit in 2019 to approximately RMB222,000 per unit in 2020.

	2020 Sales Revenue *RMB million*	2019 Sales Revenue *RMB million*
Passenger vehicles	**16,540**	26,738
Commercial vehicles	**83,552**	68,893
Financing service	**7,620**	5,387
Corporate and others	**778**	565
Elimination	**(526)**	(496)
Total	**107,964**	101,087

1.1 Passenger Vehicle Business

The sales revenue of passenger vehicles of the Group for 2020 decreased by approximately RMB10,198 million, or approximately 38.1%, to approximately RMB16,540 million from approximately RMB26,738 million of the corresponding period of last year. The decrease in revenue was mainly from the decrease of RMB5,879 million from Dongfeng Peugeot Citroën Automobile Sales Co., Ltd., that of RMB1,913 million from Dongfeng Passenger Vehicle Company and that of RMB2,180 million from the passenger vehicle business of Dongfeng Liuzhou Motor Co., Ltd..

1.2 *Commercial Vehicle Business*

Commercial vehicle business of the Group remained a strong rise momentum. For the year 2020, the sales revenue of commercial vehicle business increased by approximately RMB14,659 million, or approximately 21.3%, to approximately RMB83,552 million from approximately RMB68,893 million of the corresponding period of last year. The increase in revenue was mainly from the increase of RMB7,301 million from Dongfeng Commercial Vehicle Co., Ltd. and that of RMB6,386 million from the commercial vehicle business of Dongfeng Liuzhou Motor Co., Ltd..

1.3 *Auto Financing Service Business*

Finance company and leasing company of the Group coordinated development, carried out financial business transformation, extended the value exploration of the automotive aftermarket, and improved the sales support for the automobiles business.

The revenue of auto financing service of the Group for 2020 increased by approximately RMB2,233 million, or approximately 41.5%, to approximately RMB7,620 million from approximately RMB5,387 million of the corresponding period of last year. The Group's financing service business maintained its steady growth.

2. Cost of Sales and Gross Profit

The total cost of sales of the Group for 2020 was approximately RMB92,304 million, representing an increase of approximately RMB4,708 million, or approximately 5.4%, as compared with approximately RMB87,596 million of the corresponding period of last year. The total gross profit was approximately RMB15,660 million, representing an increase of approximately RMB2,169 million, or approximately 16.1%, as compared with approximately RMB13,491 million of the corresponding period of last year. The comprehensive gross profit margin was approximately 14.5%, representing an increase of 1.2 percentage points as compared with the corresponding period of last year. Such increase in gross profit margin is mainly due to the impact of cost reduction and changes in sales structure. Among them, the gross profit of commercial vehicle business increased by approximately RMB1,380 million, the gross profit of financial business increased by approximately RMB1,353 million, and the gross profit of passenger vehicle business decreased compared to last year.

3. Other Income

The total other income of the Group for 2020 amounted to approximately RMB4,765 million, representing an increase of approximately RMB2,534 million compared with approximately RMB2,231 million of the corresponding period of last year.

The increase in other income was mainly due to the income from debt reorganization of Dongfeng Motor (Wuhan) Co., Ltd., and the disposal of joint ventures of China Dongfeng Motor Industry Import and Export Co., Ltd. and the disposal of subsidiaries of Dongfeng Special Commercial Vehicle Co., Ltd..

4. Selling and Distribution Expenses

The selling and distribution expenses of the Group for 2020 increased by approximately RMB591 million to approximately RMB4,940 million from approximately RMB4,349 million of the corresponding period of last year.

The increase in selling and distribution expenses was mainly due to the expenses rising from increase in the sales volume of Dongfeng Commercial Vehicle Co., Ltd. and Dongfeng Liuzhou Motor Co., Ltd..

5. Administrative Expenses

The administrative expenses of the Group for 2020 decreased by approximately RMB563 million to approximately RMB4,513 million from approximately RMB5,076 million of the corresponding period of last year.

The decrease in administrative expenses was mainly due to the Company's strict control over all kinds of costs in its active response to the COVID-19.

6. Net Impairment Losses on Financial Assets

The net impairment losses on financial assets of the Group for 2020 increased by approximately RMB193 million to approximately RMB1,356 million from approximately RMB1,163 million of the corresponding period of last year.

The increase in net impairment losses on financial assets was mainly due to the scale expansion of financial business of Dongfeng Motor Finance Co., Ltd..

7. Other Expenses

The other expenses of the Group for 2020 amounted to approximately RMB8,679 million, representing an increase of approximately RMB3,179 million as compared with approximately RMB5,500 million of the corresponding period of last year.

The increase in other expenses for the year 2020 was mainly due to the year-on-year increase of RMB356 million in R&D expenses as the Group intensified its investment in R&D; and the provision of impairment losses of assets such as Dongfeng Getrag Transmission Co., Ltd. and Dongfeng Motor (Wuhan) Co., Ltd. of approximately RMB1,689 million as the Group actively disposed the non-performing and inefficient assets.

8. Finance Expenses

The finance expenses of the Group for 2020 amounted to approximately RMB1,174 million, representing an increase of approximately RMB599 million as compared with approximately RMB575 million of the corresponding period of last year.

The increase in financial expenses was mainly due to the interest expense of RMB267 million generated by issuing RMB bonds, and the exchange loss of RMB208 million caused by the rise of Euro to RMB exchange rate.

9. Share of Profits and Losses of Joint Ventures

Share of profits and losses of joint ventures of the Group for 2020 decreased by approximately RMB2,138 million to approximately RMB9,495 million from approximately RMB11,633 million of the corresponding period of last year. The main reasons are the year-on-year decrease of sales volume by 3.8% due to the epidemic situation despite of the passenger vehicle business of joint ventures outperforming the market, and the decrease in profit with the rise of additional expenses under the influence of the epidemic.

10. Share of Profits and Losses of Associates

Share of profits and losses of associates of the Group for 2020 amounted to approximately RMB2,960 million, representing a decrease of approximately RMB953 million as compared with that of approximately RMB3,913 million of the corresponding period of last year, which mainly due to the decrease in investment income from PSA Group by approximately RMB1,100 million under the influence of overseas epidemic and the disposal of part of PAS Shares.

11. Income Tax Expense

The income tax expense of the Group for 2020 decreased by approximately RMB141 million to approximately RMB1,618 million from approximately RMB1,759 million of the corresponding period of last year. The effective tax rate for the period was approximately 13.2%, representing an increase of approximately 1.2 percentage points as compared with approximately 12.0% of the corresponding period of last year.

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

The profit attributable to the equity holders of the Group for 2020 was approximately RMB10,792 million, representing a decrease of approximately RMB2,066 million, or approximately 16.1% as compared with that of approximately RMB12,858 million of the corresponding period of last year. The net profit margin (a percentage of profit attributable to the equity holders of the Company to total revenue) was approximately 10.0%, representing a decrease of approximately 2.7 percentage points as compared with approximately 12.7% of the corresponding period of last year. The return on net assets (a percentage of profit attributable to equity holders of the Company to average equity attributable to equity holders of the Company) was approximately 8.2%, representing a decrease of approximately 2.2 percentage points as compared with approximately 10.4% of the corresponding period of last year.

13. Total Assets

Total assets of the Group as at the end of 2020 amounted to approximately RMB316,521 million, representing an increase of approximately RMB44,521 million, or 16.4%, as compared with approximately RMB272,000 million as at the end of last year. The increase was mainly due to the increase in investments in associates, property, plant and equipment and loans and receivables generated from financial services.

14. Total Liabilities

Total liabilities of the Group as at the end of 2020 amounted to approximately RMB175,395 million, representing an increase of approximately RMB37,363 million, or 27.1%, as compared with approximately RMB138,032 million as at the end of last year. The increase was mainly due to the increase in long-term and short-term interest-bearing borrowings, trade payables and bills payable and due to joint ventures, among which long-term and short-term interest-bearing borrowings increased by approximately RMB17,467 million, trade payables and bills payable increased by RMB11,308 million and due to joint ventures increased by RMB2,003 million.

15. Total Equity

Total equity of the Group as at the end of 2020 amounted to approximately RMB141,126 million, representing an increase of approximately RMB7,158 million or 5.3% as compared with approximately RMB133,968 million as at the end of last year. Equity attributable to equity holders of the Company amounted to approximately RMB135,808 million, representing an increase of approximately RMB8,027 million as compared with approximately RMB127,781 million as at the end of last year.

16. Liquidity and Sources of Capital

	Twelve months ended 31 December 2020 ***(RMB million)***	Twelve months ended 31 December 2019 *(RMB million)*
Net cash flows used in operating activities	**1,228**	(11,555)
Net cash flows generated from investment activities	**11,434**	1,472
Net cash flows generated from financing activities	**7,582**	11,241
Net decrease in cash and cash equivalents	**20,244**	1,158

The Group's net cash flows generated from operating activities was approximately RMB1,228 million. The amount mainly consisted of: (1) profit before taxation amounted to approximately RMB6,756 million, net of depreciation, impairment and other non-cash items; (2) increase of net cash flow by approximately RMB12,865 million with the rising balance of trade payables, other payables and accruals; (3) increase of approximately RMB19,067 million in loans and receivables generated from financial services; (4) decrease of income tax payment by approximately RMB1,014 million;

The Group's net cash flows generated from investment activities was approximately RMB11,434 million. The amount mainly consisted of: (1) receipt of dividend from joint ventures and associates, representing cash inflow of approximately RMB12,462 million; (2) receipt of government grants, representing cash inflow of approximately RMB405 million; (3) receipt of cash from disposal of certain equity of subsidiaries and joint ventures, representing cash inflow of approximately RMB1,494 million.

The Group's net cash flows generated from financing activities was approximately RMB7,582 million. This amount mainly reflected: (1) increase of bank borrowings resulting in a cash inflow of approximately RMB17,203 million; (2) issuance of bonds, resulting in a cash inflow of approximately RMB9,140 million; (3) repayment of bank borrowings and bonds and payment of dividends, resulting in a cash outflow of approximately RMB18,675 million. The increase in financing was mainly to supplement the rapidly growing funding needs of financial business.

As a result of the above, the Group's cash and cash equivalents (excluding non-pledged time deposits with original maturity of three months or more when acquired) amounted to approximately RMB46,377 million as at 31 December 2020, representing an increase of approximately RMB20,244 million as compared with approximately RMB26,133 million as at 31 December 2019. Cash and bank balances (including non-pledged time deposits with original maturity of three months or more when acquired) amounted to approximately RMB47,640 million, representing an increase of approximately RMB20,872 million as compared with approximately RMB26,768 million as at 31 December 2019.

As at 31 December 2020, the Group's equity ratio (a percentage of total borrowings to equity attributable to equity holders of the Company) was approximately 44.7%, representing an increase of approximately 10.9 percentage points as compared with approximately 33.8% as at 31 December 2019. The Group's liquidity ratio was approximately 1.21 times, representing a decrease of approximately 0.12 times compared to approximately 1.33 times as at 31 December 2019. The Group's quick ratio was approximately 1.12 times, representing a decrease of approximately 0.10 times from approximately 1.22 times as at 31 December 2019.

The inventory turnover days of the Group decreased by approximately 1 day to approximately 50 days as at 31 December 2020 from approximately 51 days as at 31 December 2019. The turnover days of receivables decreased by approximately 5 days to approximately 34 days from approximately 39 days as at 31 December 2019.

17. Major Financial Figures Based on Proportionate Consolidation

Based on proportionate consolidation, the revenue of the Group for 2020 was approximately RMB260,666 million, representing an increase of approximately RMB6,625 million, or approximately 2.6%, as compared with approximately RMB254,041 million of the corresponding period of last year. Profit before income tax for 2020 was approximately RMB17,137 million, representing a decrease of approximately RMB4,063 million, or approximately 19.2%, as compared with approximately RMB21,200 million of the corresponding period of last year. Total assets for 2020 were RMB401,051 million, representing an increase of approximately RMB50,922 million, or approximately 14.5%, as compared with approximately RMB350,129 million of last year.

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

DIRECTORS

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

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

Li Shaozhu, Executive Director and President

Mr. Li Shaozhu, born in 1960, is a researcher-level senior engineer. He is currently the executive director and President of the Company. Mr. Li graduated from Tsinghua University in 1983 with a Bachelor of engineering degree in Foundry Technology and Equipment. From 1994 to 1996, he majored in Business Administration of Zhongnan University of Finance and Economics and obtained graduate degree and master's degree in Business Administration. In 2004, he was employed by the Academic Degree Committee of the State Council as a member of the second National Steering Committee of Engineering Master degree education. Since 1983, he has worked in Dongfeng Motor Co., Ltd. and successively served as the chief engineer, factory director and deputy general manager. He has been the executive director of the Company since August 2005 and the president of the Company since August 2016. Mr. Li concurrently served as the director, general manager and Deputy Secretary of the Party committee of Dongfeng Motor Group Co., Ltd., director of Dongfeng Motor Co., Ltd., Chairman of Dongfeng Commercial Vehicle Co., Ltd., Chairman of Dongfeng Honda Motor Co., Ltd., Chairman of Dongfeng Renault Motor Co., Ltd. (from December 2016 to May 2020), vice Chairman of the board of supervisors of Peugeot Citroen Group, etc.

You Zheng, Executive Director and Vice President

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

Yang Qing, Non-Executive Director

Mr. Yang Qing, born in 1966, is a senior engineer with a bachelor's degree in engineering. He was elected as the non-executive director of the Company on 25 September 2020. He has worked at the second steam piston bearing factory since 1988. He has served successively as the deputy section chief and deputy chief engineer of the inspection department, the director, branch secretary of the Party Committee, the duty officer of the department of the steel pipe ring of the piston bearing factory of Dongfeng Motor Corporation, the deputy general manager of Dongfeng Motor Piston Bearing Co., Ltd., the general manager of Dongfeng Auto Fasteners Co., Ltd., general manager of Dongfeng Axle Co., Ltd., executive deputy general manager of Dongfeng Dana Axle Co., Ltd., deputy general manager of Dongfeng Commercial Vehicle Co., Ltd., general manager of Dongfeng Motor Co., Ltd., general manager of Dongfeng Commercial Vehicle Co., Ltd., deputy president of Dongfeng Motor Group Co., Ltd. and general manager of Dongfeng Commercial Vehicle Co., Ltd., member of the of the Standing Committee of the Party Committee and deputy general manager of Dongfeng Motor Group Co., Ltd. and general manager and secretary of the Party Committee of Dongfeng Commercial Vehicle Co., Ltd., and director and deputy secretary of the Party Committee of Dongfeng Motor Group Co., Ltd.

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

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

Mr. Leung Wai Lap, Philip, born in 1959, is currently an independent non-executive director of the Company, is a certificated public accountant of the Hong Kong Institute of Certified Accountants and a senior member of the Association of Chartered Certified Accountants. Mr. Leung graduated from the Hong Kong Polytechnic College (currently Hong Kong Polytechnic University) in 1982, joined Ernst & Young in the same year, became a partner in 1994, and retired in June 2020. From 1994 to 2019, Mr. Leung served the business management partner of Ernst & Young Greater China, the managing partner of Ernst & Young Central China region, the managing partner of Ernst & Young Shanghai branch, the managing partner of the listing service of Ernst & Young Greater China and the managing partner of the listing service of Ernst & Young East District. Mr. Leung has extensive experience in corporate restructuring and listing.

Mr. Zong Qingsheng, Independent Non-Executive Director

Mr. Zong Qingsheng, born in 1959, is currently an independent non-executive director of the Company. He graduated from Nanjing University with a bachelor's degree of Arts in Chinese, then obtained a master's degree of business administration from HEC Paris. Mr. Zong is a senior international business engineer. He successively served as director of department of personnel, education and labor organization division and director of labor and wage division of personnel department of the Ministry of Foreign Trade and Economic Cooperation, director of President Office of China National Metals and Minerals Import and Export Corporation (中國五金礦產進出口總公司), general manager of Minmetals Investment & Development Co. Ltd. (五礦投資發展有限責任公司), general manager of investment management department of China Minmetals Corporation (中國五礦集團公司), the assistant to president of China Minmetals Corporation, and the general manager of Human Resources department of China Minmetals Corporation, etc. From November 2016 to November 2019, He has served as the secretary to the board of directors and assistant to president of China Minmetals Corporation, whose Chinese name was later renamed as "中國五礦集團有限公司".

Hu Yiguang, Independent Non-Executive Director

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

SUPERVISORS

He Wei, Chairman of the Board of Supervisors

Mr. He Wei, born in 1963, has been serving as the Chairman of the Supervisory Committee of the Company after being elected at the extraordinary general meeting held on 29 November 2019. Mr. He took part in the work in 1982. From 2002 to 2004, he studied in-service in the Business Administration major of the School of Management of Huazhong University of Science and Technology and obtained a master's degree in Business Administration for senior managers. He has successively served as the director and Deputy Secretary of the Youth League Committee of the Second Automobile Equipment Factory, the secretary of the Secretary Office, deputy-level secretary and general-level Secretary of the Party Committee Office of the Second Automobile Equipment Factory, the director, deputy secretary and secretary of the Youth League Committee of Dongfeng Motor Corporation, the secretary of the Party committee and Discipline Inspection Committee of Dongfeng Motor Fastener Co., Ltd., the general manager of Dongfeng Motor Fastener Co., Ltd., and the deputy general manager of Dongfeng Motor parts business department, deputy secretary of the Party committee, Secretary of the Discipline Inspection Commission, Chairman of the labor union, Secretary of the Party committee, deputy general manager, Secretary of the Discipline Inspection Commission, Chairman of the labor union of the parts business department of Dongfeng Motor Co., Ltd., director of Dongfeng Motor Office (Party Committee Office), director of Dongfeng Motor military products business platform, and director of Dongfeng Motor personnel (cadre) department. Since August 2016, he has been the Deputy Secretary of the Party committee of the Company, and since September 2018, he has been the Chairman of the labor union of Dongfeng Motor Group Co., Ltd.

Bao Hongxiang, Supervisor

Mr. Bao Hongxiang, born in 1959, is currently a supervisor of the Company from September of 2020. He graduated from the Infrastructure Economics Department of Liaoning University of Finance and Economics with a bachelor's degree in economics, and then graduated from the Open University of Hong Kong with a master's degree in business administration. From 1984 to 1994, Mr. Bao served as a clerk, section member, chief section member and deputy director of the Adult Education Division of the Personnel and Education Department of the Ministry of Finance. From 1994 to 1999, he served as deputy director of the Comprehensive System Division, director and office director of the Administrative Retirement Division of the Social Security Department of the Ministry of Finance. From 1999 to 2000, he served as the assistant to the special inspector of the General Office of the State Council. From 2000 to 2018, he served as a full-time supervisor of the board of supervisors of key state owned large-scale enterprises. From 2018 to January 2020, He served as director of the United Front Audit Bureau of the National Audit Office.

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

Zheng Hongyi, Employee Supervisor

Mr. Zheng Hongyi, born in 1971, He was appointed employee supervisor on August 2020. He joined the Communists' Party of PRC in May 1992 and worked in the Communists' Party in October 1992. He graduated from the Party School of the Central Committee of C.P.C. and is an economist. He served as a worker in the workshop of the second carburetor plant, a translator in the Technical Department of the carburetor plant of Dongfeng Motor Company, a secretary and organizer of the Party committee office of Dongfeng Carburetor Co., Ltd., a researcher, deputy section chief and secretary section chief of the research department of the office of the truck company of Dongfeng Motor Co., Ltd., the business management section chief of the Business Planning Department of Dongfeng Motor Co., Ltd., and business director of the Personnel (cadre) Department of Dongfeng Motor Co., Ltd. He has also served as the deputy director and director of Human Resources Department, director of secretary section of office affairs of Dongfeng Motor Corporation (Party committee office), currently secretary of the Party committee, secretary of Discipline Inspection Committee, Chairman of the labor union of Zhengzhou Nissan Automobile Co., Ltd.

SENIOR MANAGEMENT

Qiao Yang, Vice President

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

Feng Changjun, Vice President, Secretary to the Board

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

Yin Yaoliang, Secretary of Joint Company

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

Yuen Wing Yan, Winnie, Joint Company Secretary

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

HEADS OF DEPARTMENTS

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

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

The head of the Strategic Planning Department of the Company is Mr. Gao Guolin

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

The head of the Organization and Information Department and the office of comprehensively deepening reform and promoting of the Company is Mr. Yu Jun

The general manager of the International Business Department of the Company is Mr. Li Junzhi

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

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

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

The head of the Supervisory Department of the Company is Mr. Zeng Xian'an

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

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

Report of the Supervisory Committee

Dear shareholders,

In 2020, 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 2020, the Supervisory Committee held five meetings, among which four meetings were held in the form of video meetings and one meeting was held in the form of written resolution. The number of attended supervisors formed quorums of the meetings as stipulated by the Company Law.

In 2020, the Supervisory Committee has reviewed and approved: the 2019 report of the Supervisory Committee of the Company; the 2019 financial report of the Company, which was audited by PricewaterhouseCoopers Zhong Tian LLP; the 2019 auditor's report of the Company, which was audited by PricewaterhouseCoopers and reviewed and approved by the Audit Committee; the 2019 annual report and preliminary results announcement of the Company; the 2019 profit distribution and payment of dividend proposal of the Company; the plan of the initial public offering of Renminbi ordinary Shares (A Shares) and listing on Growth Enterprise Market ("GEM") of the Company; the Extraordinary General Meeting ("EGM") and Shareholders Class Meetings authorize the Board of Directors and persons authorized by the Board of Directors the discretion to deal with the matters in relation to the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM of the Company; the 2020 interim report and results announcement of the Company; the distribution proposal of 2020 interim dividend of the Company; the use of proceeds raised from the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM and its feasibility analysis report of the Company; the accumulated profits distribution plan prior to the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM of the Company; the three-year dividend distribution plan for Shareholders after the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM of the Company; the dilution of immediate returns due to initial public offering of Renminbi ordinary Shares (A shares) and listing on GEM and remedial measures of the Company; A Share price stabilization plan within three years after the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM of the Company; the amendments to the Articles of Association of Dongfeng Motor Group Company Limited; the undertakings as to the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM of the Company; the amendments to the Rules of Procedure of the Meeting of Board of Directors of Dongfeng Motor Group Company Limited; the triennial audit report and related reports of the Company; the related party transactions during the reporting period; the Internal Control Self-evaluation Report of the Company during the reporting period; the plan of candidates for the fifth Supervisory Committee of the Company; the remuneration plan of candidates of the fifth Supervisory Committee of the Company; the election the chairman of the fifth Supervisory Committee of the Company.

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

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

After the supervision on the directors and senior management of the Company, the Supervisory Committee is of the view that the Board of Directors was in compliance with the Company Law, the Securities Law, the Listing Rules of the Stock Exchange of Hong Kong, the Articles of Association of the Company and other relevant laws, rules and regulations and all Directors diligently performed their duties in 2020. 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 was reasonable and procedures of decision-making were in compliance with laws and valid. 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 2019 annual report and 2020 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 2020 financial report gives a full, true and fair view of the operating results and financial position of the Company for the year and that the unqualified opinion in the financial report issued by PricewaterhouseCoopers, the auditors of the Company, are objective and fair.

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

The Supervisory Committee has seen the operating results and assets position of the Company in 2020 to its satisfaction. In 2021, 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

He Wei
Chairman of the Supervisory Committee

Wuhan, the PRC
29 March 2021

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 2020, the Company had been in compliance with all Code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the circumstances as stated below:

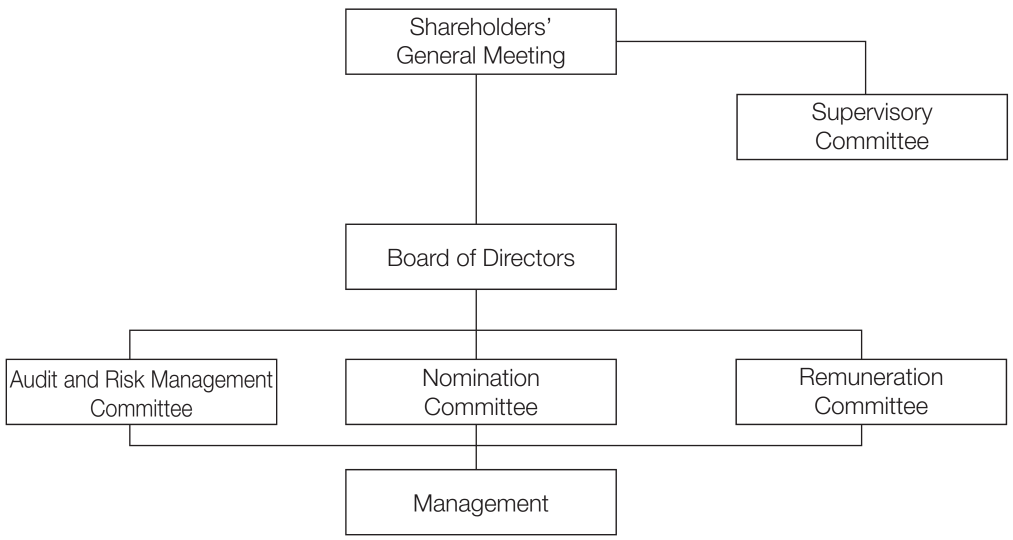
According to Code Provision A.4.2, every director should be subject to retirement by rotation at least once every three years. The term of office of the fourth session of the Board of Directors (including Mr. Zhu Yanfeng who was appointed on 19 June 2015) should end on 9 October 2016 and the directors should be subject to retirement by rotation. The Company has not yet completed the above process until the EGM held on 25 September 2020, upon the approval of the election of the fifth session of the Board. The appointment of the fifth session of the Board shall become effective from the date being approved by the EGM of the Company with a term of three years. After the election of the fifth session of the Board of the Company, the Company meets the requirements of Code Provision A.4.2.

Meanwhile, following the passing away of an independent non-executive director of the Company, Mr. Zhang Xiaotie on 25 May 2020, the Company has failed to meet the requirement under Rules 3.10(1) and 3.10(2) of the Listing Rules. On the EGM held on 25 August 2020, Mr. Leung Wai Lap, Philip ("Mr. Leung") has been approved as an independent non-executive director of the Company. After Mr. Leung's appointment as an independent non-executive director of the Company, the Company meets the requirements of Rule 3.10(1) and 3.10(2) of the Listing Rules.

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 (formerly known as the "Audit Committee"), Nomination Committee and Remuneration Committee. As authorised by the Articles of Association, the Board of Directors is responsible for major business decision and the supervision on daily operation and management of the senior management. The Supervisory Committee is mainly responsible for the supervision on the performance of the Board of Directors and senior management. The Board of Directors and the Supervisory Committee are independently accountable to the shareholders' general meeting.



2. Shareholders and Shareholders' General Meeting

(1) Shareholders

As at 31 December 2020, Dongfeng Motor Group Company Limited, the controlling shareholder of the Company, held approximately 66.86% equity interest in the Company both directly and indirectly, with a market value of RMB52,077.07 million. The remaining approximately 33.14% equity interest in the Company was held by public shareholders, with a market value of RMB25,812.65 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 20 in this annual report.

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

(2) Rights of Shareholders

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

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

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

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

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

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

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

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

(3) Communication with Shareholders/Investor Relations

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

During the year under review, the Company has amended its Articles of Association. Details of the amendments are set out in the supplementary circular dated 10 August 2020 and the circular dated 10 September 2020 to the shareholders. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

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 six general meetings including the one annual general meeting, three extraordinary general meetings, one domestic shares class meeting and one H share class meeting. The date, time and venue of the general meetings are as follows:

– The 2019 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 19 June 2020 (Friday).

– The 2020 first extraordinary general meeting was held at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, the People's Republic of China, at 9:00 a.m. on 25 August 2020 (Tuesday).

– The 2020 second extraordinary general meeting, 2020 first domestic shares class meeting and 2020 first H share class 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 25 September 2020 (Friday).

– The 2020 third extraordinary general meeting was held at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, the People's Republic of China, at 9:00 a.m. on 1 December 2020 (Tuesday).

The resolutions considered at the abovementioned meetings and the percentages of voters for and against can be viewed on the websites of the Company and the Hong Kong Stock Exchange.

Voting Results of the Domestic Shareholders Class Meeting

A total of 5,760,388,000 domestic shares, representing 100% of the total issued domestic shares of the Company, entitled shareholders to attend and vote on the resolutions proposed at the Domestic Shareholders Class Meeting. No shareholders had the right to attend the Domestic Shareholders Class Meeting but were required in accordance with the requirements of Rules 13.40 of the Listing Rules to abstain from voting in favour of or to abstain from voting in accordance with the Listing Rules. Shareholders and authorized proxies holding an aggregate of 5,760,388,000 shares of the Company, representing 100% of the total issued domestic shares of the Company, attended the Domestic Shareholders Class Meeting.

The poll results in respect of the resolutions proposed at the Domestic Shareholders Class Meeting are as follow:

<table>
<tr><th colspan="2" rowspan="2">Resolutions</th><th colspan="2">For</th><th colspan="2">Against</th></tr>
<tr><th>No. of shares voted</th><th>Percentage (%)</th><th>No. of shares voted</th><th>Percentage (%)</th></tr>
<tr><td colspan="6">As Special Resolutions</td></tr>
<tr><td rowspan="2">1</td><td>To consider and approve the proposal on the plan of the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM</td><td>5,760,388,000</td><td>100.00</td><td>0</td><td>0.00</td></tr>
<tr><td colspan="5">As more than two-thirds of the votes were cast in favour of the resolution, the resolution was duly passed as a special resolution.</td></tr>
<tr><td rowspan="2">2</td><td>To consider and approve the proposal that the EGM and Shareholders Class Meetings authorize the Board of Directors and persons authorized by the Board of Directors the discretion to deal with the matters related to the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM</td><td>5,760,388,000</td><td>100.00</td><td>0</td><td>0.00</td></tr>
<tr><td colspan="5">As more than two-thirds of the votes were cast in favour of the resolution, the resolution was duly passed as a special resolution.</td></tr>
<tr><td rowspan="2">3</td><td>To consider and approve the proposal on the use of proceeds raised from the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM and its feasibility analysis report</td><td>5,760,388,000</td><td>100.00</td><td>0</td><td>0.00</td></tr>
<tr><td colspan="5">As more than two-thirds of the votes were cast in favour of the resolution, the resolution was duly passed as a special resolution.</td></tr>
<tr><td rowspan="2">4</td><td>To consider and approve the proposal on the accumulated profits distribution plan prior to the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM</td><td>5,760,388,000</td><td>100.00</td><td>0</td><td>0.00</td></tr>
<tr><td colspan="5">As more than two-thirds of the votes were cast in favour of the resolution, the resolution was duly passed as a special resolution.</td></tr>
</table>

Resolutions		For		Against	
		No. of shares voted	Percentage *(%)*	No. of shares voted	Percentage *(%)*
5	To consider and approve the proposal on the dilution of immediate returns due to initial public offering of Renminbi ordinary Shares (A shares) and listing on GEM and remedial measures	5,760,388,000	100.00	0	0.00
	As more than two-thirds of the votes were cast in favour of the resolution, the resolution was duly passed as a special resolution.				
6	To consider and approve the proposal on A Share price stabilization plan within three years after the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM	5,760,388,000	100.00	0	0.00
	As more than two-thirds of the votes were cast in favour of the resolution, the resolution was duly passed as a special resolution.				
7	To consider and approve the proposal relating to the undertakings as to the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM	5,760,388,000	100.00	0	0.00
	As more than two-thirds of the votes were cast in favour of the resolution, the resolution was duly passed as a special resolution.				

Voting Results of the H Shareholders Class Meeting

A total of 2,855,732,000 H shares, representing 100% of the total issued H shares of the Company, entitled shareholders to attend and vote on the resolutions proposed at the H Shareholders Class Meeting. No shareholders had the right to attend the H Shareholders Class Meeting but were required in accordance with the requirements of Rules 13.40 of the Listing Rules to abstain from voting in favour of or to abstain from voting in accordance with the Listing Rules. Shareholders and authorized proxies holding an aggregate of 1,798,479,085 H shares of the Company, representing 62.98% of the total issued H shares of the Company, attended the H Shareholders Class Meeting.

The poll results in respect of the resolutions proposed at the H Shareholders Class Meeting are as follow:

Resolutions		For		Against	
		No. of shares voted	Percentage (%)	No. of shares voted	Percentage (%)
As Special Resolutions					
1	To consider and approve the proposal on the plan of the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM	1,797,913,085	99.97	566,000	0.03
	As more than two-thirds of the votes were cast in favour of the resolution, the resolution was duly passed as a special resolution.				
2	To consider and approve the proposal on that the EGM and Shareholders Class Meetings authorize the Board of Directors and persons authorized by the Board of Directors the discretion to deal with the matters related to the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM	1,798,479,085	100.00	0	0.00
	As more than two-thirds of the votes were cast in favour of the resolution, the resolution was duly passed as a special resolution.				
3	To consider and approve the proposal on the use of proceeds raised from the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM and its feasibility analysis report	1,798,479,085	100.00	0	0.00
	As more than two-thirds of the votes were cast in favour of the resolution, the resolution was duly passed as a special resolution.				
4	To consider and approve the proposal on the accumulated profits distribution plan prior to the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM	1,798,479,085	100.00	0	0.00
	As more than two-thirds of the votes were cast in favour of the resolution, the resolution was duly passed as a special resolution.				
5	To consider and approve the proposal on the dilution of immediate returns due to initial public offering of Renminbi ordinary Shares (A shares) and listing on GEM and remedial measures	1,798,479,085	100.00	0	0.00
	As more than two-thirds of the votes were cast in favour of the resolution, the resolution was duly passed as a special resolution.				
6	To consider and approve the proposal on A Share price stabilization plan within three years after the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM	1,798,479,085	100.00	0	0.00
	As more than two-thirds of the votes were cast in favour of the resolution, the resolution was duly passed as a special resolution.				
7	To consider and approve the undertakings as to the initial public offering of Renminbi ordinary Shares (A Shares) and listing on GEM	1,798,479,085	100.00	0	0.00
	As more than two-thirds of the votes were cast in favour of the resolution, the resolution was duly passed as a special resolution.				

The full text of the resolutions of the EGM, the Domestic Shareholders Class Meeting and H Shareholders Class Meeting is contained in the circular of the Company dated 10 September 2020. Administrative System for A Share Connected Transactions, Administrative System for External Guarantees, Administrative System for A Share Proceeds and Working Rules of Independent Non-executive Directors shall take effect from the date of the Company's A share issuance and listing. Except that the amendment on the number of directors in Article 97 of the original Articles of Association (i.e. Article 139 of the amended Articles of Association) shall take effect immediately from the date of consideration and approval of the shareholders general meeting, other amendments to the Articles of Association and the amendments to the Rules of Procedure of the Shareholders General Meeting, the Rules of Procedure of the Meeting of Board of Directors and the Rules of Procedure of the Meeting of Supervisory Committee shall take effect from the date of the Company's A share issuance and listing.

All the resolutions proposed at the 2019 annual general meeting, the 2020 first extraordinary annual general meeting, the 2020 second extraordinary general meeting and the 2020 third extraordinary general meeting, 2020 first domestic shares class meeting and 2020 first H share class meeting, were approved. There was no restriction on shareholders to cast votes on the resolutions proposed at the 2019 annual general meeting, the 2020 first extraordinary annual general meeting, the 2020 second extraordinary general meeting and the 2020 third extraordinary general meeting, 2020 first domestic shares class meeting and 2020 first H share class meeting. Computershare Hong Kong Investor Services Limited, the share registrar of the Company, retained lawyer Dai Yifeng from Beijing Zhong Lun (Wuhan) Law Firm, lawyer Di Xiaofeng, from Commerce & Finance Law Offices, lawyer Wu Daini from Computershare Hong Kong Investor Services Limited, lawyer Tong Hao from Computershare Hong Kong Investor Services Limited as the scrutineer for the vote-taking at the 2019 annual general meeting, the 2020 first extraordinary annual general meeting, the 2020 second extraordinary general meeting and the 2020 third extraordinary general meeting, 2020 first domestic shares class meeting and 2020 first H share class 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 2021. The dates are subject to changes in situation. Shareholders should refer to our announcements issued from time to time.

2021 Shareholders' Calendar

29 March	Announcement of final results and final dividend for the year ended 31 December 2020
Late April	Upload of the 2020 annual report on the websites of the Company and the Hong Kong Stock Exchange
Late April	Dispatch of the 2020 annual report to shareholders
18 June	2020 annual general meeting
27 August	Announcement of interim results and interim dividends for the six months ending 30 June 2021, if any
Mid October	Payment of interim dividends for the six months ending 30 June 2021, if any

3. Directors and Board of Directors

(1) Directors

1) Composition and Term of Office of Directors

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

The current session of the Board of Directors is the fifth session since the establishment of the Company and the fourth session of the Board of Directors was re-elected on 25 September 2020. The fifth session of the Board of Directors consists of seven directors, including Mr. Zhu Yanfeng, Mr. Li Shaozhu and Mr. You Zheng as executive directors, Mr. Yang Qing as non-executive director, Mr. Zong Qingsheng, Mr. Leung Wai Lap, Philip and Mr. Hu Yiguang as independent non-executive directors. The term of the fifth session of the Board of Directors will expire on 24 September 2023. Prior to the re-election of the new session of the Board of Directors, the above directors shall perform their duty in good faith. In addition, independent non-executive directors are all independent parties who do not have any related-party relationship with the Company and substantial shareholders and their term of office does not exceed nine years.

There are no financial, business, family or other material relationships among members of the Board of Directors of the Company.

Members of the Board of Directors of the Company have different industry backgrounds, having expertise and extensive experience in areas of corporate management, financial accounting, laws and investment. The Board of Directors has formulated the Board Diversification Policy and reviews its composition at least once a year. Brief biographies of each of the directors are set out on pages 50 to 52 in this annual report.

2) *Chairman and President*

The Chairman and President of the Company are acted by different persons with a clear division of duties. In particular, the Chairman is responsible for supervising the daily operation of the Board of Directors, examining the execution of the Board resolutions and other duties, while the President is responsible for the daily operation management of the Company and implementing the resolutions of the Board of Directors under the Chairman's leadership. Details of the senior management of the Company are set out on pages 54 to 55 in this annual report.

3) *Independent non-executive directors*

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

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

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

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

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

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

4) *Non-executive directors*

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

5) *Training and Continuous Professional Development Directors*

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

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

	Information Reviewed
Executive directors	
Mr. Zhu Yanfeng	38 issues
Mr. Li Shaozhu	38 issues
Mr. You Zheng	38 issues
Non-executive directors	
Mr. Yang Qing	38 issues
Independent non-executive directors	
Mr. Zong Qingsheng	10 issues
Mr. Leung Wai Lap, Philip	16 issues
Mr. Hu Yiguang	10 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 2020.

7) *Remuneration of Directors*

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

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

During the reporting period, the Company paid remuneration of RMB30,000 (after tax) to each of two independent non-executive directors of the fifth session of the Board of Directors, namely Mr. Zong Qingsheng and Mr. Hu Yiguang; Mr. Leung Wai Lap, Philip was paid remuneration of RMB42,299 (after tax).

8) *Board Diversity Policy*

On 27 March 2019, Board of the Company passed the Board Diversity Policy. This Board Diversity Policy aims at setting out the approach adopted for achieving the diversity of the board of directors 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 operators of the Company is responsible for the daily operation and management.

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

- to be responsible for the convening of the shareholders' general meeting and to report on its work to the shareholders in general meetings;

- to implement the resolutions passed by the shareholders in general meetings;
- to determine the business plans and investment proposals of the Company;
- to formulate the preliminary and final annual financial budgets of the Company;
- to formulate the profit distribution proposal and loss recovery proposal of the Company;
- to formulate the debt and financial policies, proposals for the increase or reduction of the registered capital of the Company and for the issuance of debentures;
- to draw up the material acquisition or disposal proposals and plans for the merger, division or dissolution of the Company;
- to determine the establishment of the internal management structure of the Company;
- to appoint or remove the president of the Company, to appoint or remove the vice president and the finance director of the Company based on the nominations of the president, and to decide on their remuneration;
- to decide on the establishment of the branch organizations of the Company;
- to set up the basic management system of the Company, including the financial management and human resources management systems;
- to formulate proposals for any amendment of the Articles of Association;
- to submit the proposals for application of bankruptcy of the Company;
- to determine the external guarantees of the Company under the authorisation of general meetings;
- except for the matters that the Company Law and the Articles of Association require to be resolved by the shareholders in general meeting, to decide on other important and administrative matters of the Company and to execute other important agreements;
- to exercise such other authorities as conferred at general meetings and the Articles of Association.

The Board shall exercise the above powers by passing resolutions at Board Meetings. The directors could also seek independent professional advice when performing their duties.

1) *The Board Meeting*

The Board shall convene at least four meetings every year at an interval of approximately once a quarter. During the reporting period, the Board held 12 meetings, including four regular meetings and eight extraordinary board meetings. 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	General Meeting
Executive directors					
Mr. Zhu Yanfeng (chairman)	12/12(100%)	–	–	6/6(100%)	3/4(100%)
Mr. Li Shaozhu (president)	12/12(100%)	–	5/5(100%)	–	4/4(100%)
Mr. You Zheng	12/12(100%)	–	–	–	–
Non-executive directors					
Mr. Yang Qing (appointed on 25 September 2020)	4/4(100%)	–	–	–	–
Mr. Cheng Daoran (retired on 25 September 2020)					
Independent non-executive directors					
Mr. Zong Qingsheng (appointed on 25 September 2020)	4/4(100%)	1/1(100%)	1/1(100%)	2/2(100%)	2/2(100%)
Mr. Leung Wai Lap, Philip (appointed on 25 August 2020)	4/4(100%)	–	2/2(100%)	–	–
Mr. Hu Yiguang (appointed on 25 September 2020)	4/4(100%)	1/1(100%)	1/1(100%)	–	–
Mr. Ma Zhigeng (retired on 25 September 2020)					
Mr. Chen Yunfei (retired on 25 September 2020)					
Mr. Zhang Xiaotie (passed away on 25 May 2020)					

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

2) *Committees under the Board*

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

Audit and Risk Management Committee

Committee members

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

Major duties

- advising the Board on the appointment or replacement of intermediary firms such as auditor and their remuneration;

- reviewing the financial reports of the Company, accounting policy of the Company and its changes, and other financial documents that required approval of the Board, and making suggestions to the Board;

- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

- meeting with the auditor, in the absence of the management, at least twice a year to discuss about the auditing fee, issues arising from the auditing work and other matters suggested by the auditor;

- reviewing the systems for financial control, internal control and risk management of the Company, and discussing the internal control system with the management to ensure the management has performed their duties to establish an effective internal control system;

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

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

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

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

- other duties as authorized by the Board.

The major works in 2020

The Audit and Risk Management Committee held three meetings in 2020 and the attendance of its members was set out in this report.

The major works of the Audit and Risk Management Committee in 2020 includes:

- reviewing the annual financial report of the Company for 2019;

- reviewing the engagement of chief auditor of the Company for 2020;

- reviewing the work report of internal control system for 2019;

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

- considering the resolutions on the triennial audit report and relevant report;

- considering the resolution on the confirmation of related party transactions during the reporting period;

- considering the resolution on the self-evaluation on internal control of the Company during the reporting period;

- considering the work plan of Audit and Risk Management Committee for 2021.

Remuneration Committee

Committee members

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

Major duties

- to formulate the remuneration structure and strategy of senior management, and submit the same to the Board for approval;
- to formulate the remuneration proposal of Directors, Supervisors and senior management and medium and long term incentive schemes and submit it to the Board for approval, and conduct performance appraisal for senior management;
- to make suggestion on the remuneration of particular Executive Directors and senior management to the Board;
- to review and approve the compensation (if any) payable to the Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and is also fair and reasonable and not excessive for the Company;
- to review and approve compensation arrangements (if any) relating to the dismissal or removal of the Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and compensation payment is reasonable and appropriate;
- to ensure that no Director or any of his/her associates are involved in determining his/her own remuneration. The remuneration of a non-executive director who is a member of the Remuneration Committee shall be determined by other committee members;
- to comply with any new requirements on the duties and authorities of the Remuneration Committee under the listing rules of the places where the Company is located and where the shares of the Company are listed;
- other duties authorised by the Board.

Details of the remuneration of each senior management are set out in note 9 to the Financial Statement contained in this annual report.

The major works in 2020

The Remuneration Committee held five meetings in 2020 and the attendance of its members was set out in this report.

The major works of the Remuneration Committee in 2020 included:

- reviewing the remuneration scheme of the Directors and Supervisors of the Company for 2020;
- determining the remuneration of Mr. Leung Wai Lap, Philip;
- considering the standard proposal on the adjustment of work allowances for relevant external directors;
- resolution on determining the remuneration plan for the candidates of the fifth session of the Board of Directors;
- reviewing and considering the work plan of the Remuneration Committee of the Board for 2021.

Nomination Committee

Committee members

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

Major duties

- to advise the Board on the composition of the Board based on the operation, asset scale and equity structure of the Company;
- to advise the Board on the selection criteria and procedures of Directors;
- to identify and select qualified candidates to be nominated as Directors;

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

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

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

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

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

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

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

- other duties as authorized by the Board.

The major works in 2020

The Nomination Committee held six meetings in 2020 and the attendance of its members was set out in this report.

The major works of the Nomination Committee in 2020 included:

- assessing the independence of the independent non-executive directors;
- considering the proposal relating to the appointment adjustments on the members of the special committees of the fourth session of the Board of Directors of the Company;
- considering the matters relating to the nomination of Mr. Leung Wai Lap, Philip as an Independent Non-executive Director of the Company;
- considering the proposal relating to the appointment of members of the Nomination Committee;
- considering the proposal relating to the appointment of members of the Audit Committee;
- considering the matter relating to the appointment of senior management of the Company;
- considering the matter relating to the adjustment on the Directors of the Company;
- proposal relating to the plan of recommendation on candidates of the fifth session of the Board of Directors of the Company;
- proposal relating to the nomination of the chairman of the fifth session of the Board of Directors of the Company;
- proposal relating to the nomination of the senior management of the Company;
- reviewing the composition of the Board;
- considering and approving the work plan of the Nomination Committee of the Board for 2021.

4. Supervisors and the Supervisory Committee

(I) Supervisors

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

The current Supervisory Committee is the fifth session of Supervisory Committee since the establishment of the Company and currently comprises three Supervisors. Before 25 September 2020 (inclusive), the fourth session of the Supervisory Committee was composed of Mr. He Wei (the Chairman of the Supervision Committee), Mr. Li Ping'an (Employee Supervisor) and Mr. Zhao Jun (Independent Supervisor). After 25 September 2020, the fifth session of the Supervisory Committee was composed by Mr. He Wei (the Chairman of the Supervision Committee), Mr. Zheng Hongyi (Employee Supervisor) and Mr. Bao Hongxiang (Independent Supervisor).

(II) Supervisory Committee

During the reporting period, the Supervisory Committee held three regular meetings and two extraordinary 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**	**General meeting**
Supervisor			
Mr. He Wei (Chairman)	5/5(100%)	4/4(100%)	3/3(100%)
Independent Supervisor			
Mr. Bao Hongxiang (appointed on 25 September 2020)	1/1(100%)	1/1(100%)	0/0(0%)
Zhao Jun (resigned on 25 September 2020)			
Employee Supervisor			
Mr. Zheng Hongyi (appointed on 27 August 2020)	1/1(100%)	1/1(100%)	0/0(0%)
Li Pingan (resigned on 27 August 2020)			

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

The Supervisory Committee reviewed the annual and interim financial reports and relevant information of the Company. Upon the audit, the certified public accountant has issued unqualified auditors' reports on the 2019 annual financial report and 2020 interim financial report of the Company, confirmed that the consolidated financial statements give an objective, true and fair view of the financial position and the financial performance of the Company.

5. Accountability and Auditing

(I) Financial Reporting

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

The statement of the auditor of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 92 to 93 of this annual report.

(II) Auditor and Remuneration

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

During the reporting period, the Company engaged PricewaterhouseCoopers as the overseas auditor of the Company in 2020 and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor of the Company in 2020, whose work contents are review of the interim report and audit of the annual report, and the term of office is until the conclusion of the annual general meeting of shareholders in 2020. With the authorisation at the general meeting, the Board determined that the total remuneration of the chief auditor to be RMB12.90 million; in addition, the Board paid RMB100,000 to Ernst & Young CPA LLP for remuneration of review of interim report of Dongfeng Peugeot Citroën Automobile Company, a subsidiary 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 for 2020.

(III) Risk Management and Internal Control

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

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

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

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

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

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

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

6. Company Secretaries

Mr. Lu Feng ("Mr. Lu"), with effect from 25 September 2020 resigned as the joint company secretary of the Company. Following Mr. Lu's resignation, Mr. Yin Yaoliang ("Mr. Yin") has been appointed as the joint company secretary of the Company in place of Mr. Lu, with effect from 25 September 2020.

Ms. Yuen Wing Yan, Winnie 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. Yin, the Jointly Company Secretary.

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

7. Other Stakeholders

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

8. Strengthening of Corporate Governance

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

Independent Auditor's Report

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

OPINION

What we have audited

The consolidated financial statements of Dongfeng Motor Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 91 to 217, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

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

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Warranty provisions	
Refer to Note 3 "Significant Accounting Estimates and Judgements", Note 7 "Profit Before Income Tax", Note 20 "Investments in Joint Ventures" and Note 34 "Provisions" to the consolidated financial statements. As at 31 December 2020, the balance of warranty provisions in the consolidated statement of financial position of the Group amounted to RMB2,010 million, and warranty provisions made for the year of RMB960 million were recorded in the consolidated income statement of the Group. Meanwhile, the Group's share of profits of joint ventures ("JVs") for the year ended 31 December 2020 which were accounted for using the equity method amounted to RMB9,471 million. The warranty provisions made by JVs during the year were significant to the JVs' profit, therefore it had significant impact on the consolidated income statement of the Group. Provisions for warranties granted by the Group and its JVs for the passenger and commercial vehicles sold are recognized based on sales volume and past experience of the cost of repair and replacement. The key judgement adopted by management as part of the process includes determining the estimated unit cost of warranty provisions of passenger and commercial vehicles sold.	Our audit procedures performed on warranty provisions of the Group's components, including the Company and its subsidiaries and JVs ("the Components") included: • We understood, evaluated and validated the key controls over the estimation of the warranty provisions. These includes the information technology general controls and the specific automatic controls related to the maintenance of data which was used to calculate the warranty provisions of the Components. • We assessed management's warranty provision models using our knowledge of the Components and experience of the passenger and commercial vehicles industry. We also tested the mathematical accuracy of calculations therein by re-performing the calculations. • We compared management's estimation on the warranty cost per unit with the historical actual claims on a sample basis and checked the selected historical actual claims to supporting documents. • We compared the sales volume of different vehicle models to supporting documents on a sample basis.

KEY AUDIT MATTERS (CONTINUED)

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

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter (Continued)

Impairment assessment of property, plant and equipment and intangible assets

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

The Group recorded a total impairment provision charge of RMB1,689 million against PP&E and intangible assets to the consolidated income statement of the Group for the year ended 31 December 2020.

Meanwhile, the Group's share of profits of the JVs for the year ended 31 December 2020 which were accounted for using the equity method amounted to RMB9,471 million. The impairment charged over PP&E and intangible assets made by JVs during the year was significant to the JVs' profit, therefore it had significant impact on the consolidated income statement of the Group.

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

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

How our audit addressed the Key Audit Matter (Continued)

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

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

VIU

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

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

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

We challenged management's key assumptions by:

- Comparing the revenue growth rates within the budget period with the relevant CGU's historical growth rates;

- Comparing the revenue growth rates beyond the budget period with our independent expectation based on economic data;

- Comparing the gross margin with the relevant CGU's past performance, taking into consideration of market trends; and

KEY AUDIT MATTERS (CONTINUED)

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

Impairment assessment of property, plant and equipment and intangible assets (Continued)

VIU

Management used VIU to assess the recoverability of the CGUs and applied significant estimations in determining the VIU calculation. The estimations included: growth rates to extrapolate revenue within the budget period, growth rates to extrapolate revenue beyond the budget period, gross margin and discount rate.

FVLCOD

In determining the FVLCOD, management leveraged their knowledge of subject assets and considered available information and information from an independent third party valuer.

We focused on this area due to the magnitude of the impairment provision, the significance of management judgements adopted in identified the relevant CGU to which these PP&E and intangibles assets belong and the significance of management estimations in assessing the recoverable amount.

- Evaluating the discount rate by considering and recalculating the weighted average cost of capital for the CGU and comparable companies in the relevant industry , as well as considering territory specific factors, such as risk free interest rate and debt ratio prevailing in China market as a base with the assistance of in-house valuation experts.

FVLCOD

We evaluated the competency, qualifications, experience and objectivity of management's independent third party valuer.

We evaluated management's judgement, including the judgement and methodology used in the third party valuer's report, with the assistance from our in-house valuation experts. We checked the third party evidence and market data to corroborate with management's information.

According to the audit procedures performed, we found that management's judgements and estimations applied in the Group's impairment assessment of PP&E and intangible assets including the JVs' impairment assessment of PP&E and intangible assets noted in respect of the Group's share of the profit and net assets of JVs were supported by available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2021

Consolidated Income Statement

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 RMB million	2019 RMB million
Revenue	5	**107,964**	101,087
Cost of sales		**(92,304)**	(87,596)
Gross profit		**15,660**	13,491
Other income	6	**4,765**	2,231
Selling and distribution expenses		**(4,940)**	(4,349)
Administrative expenses		**(4,513)**	(5,076)
Net impairment losses on financial assets	11	**(1,356)**	(1,163)
Other expenses		**(8,679)**	(5,500)
Finance expenses	8	**(1,174)**	(575)
Share of profits and losses of:			
Joint ventures	20	**9,495**	11,633
Associates	21	**2,960**	3,913
PROFIT BEFORE INCOME TAX	7	**12,218**	14,605
Income tax expense	12	**(1,618)**	(1,759)
PROFIT FOR THE YEAR		**10,600**	12,846
Profit attributable to:			
Equity holders of the Company		**10,792**	12,858
Non-controlling interests		**(192)**	(12)
		10,600	12,846
Earnings per share attributable to ordinary equity holders of the Company:	14		
Basic for the year		**125.26 cents**	149.23 cents
Diluted for the year		**125.26 cents**	149.23 cents

The notes on pages 105 to 220 form an integral part of the consolidated financial information.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
PROFIT FOR THE YEAR	**10,600**	12,846
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	**(89)**	228
Remeasurements of post-employment benefit obligations	**(47)**	27
Changes in the fair value of financial assets at fair value through other comprehensive income	**2**	(28)
	(134)	227
Items that may be reclassified to profit or loss		
Currency translation differences	**516**	(47)
Share of other comprehensive income of investments accounted for using the equity method	**(297)**	(245)
	219	(292)
Income tax effect		
Item that will not be reclassified subsequently to profit or loss	**10**	1
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**95**	(64)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**10,695**	12,782
Total comprehensive income attributable to:		
Equity holders of the Company	**10,902**	12,789
Non-controlling interests	**(207)**	(7)
	10,695	12,782

The notes on pages 105 to 220 form an integral part of the consolidated financial information.

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	31 December 2020 RMB million	31 December 2019 RMB million (Restated) (Note 4)
ASSETS			
Non-current assets			
Property, plant and equipment	15	**20,071**	17,309
Right-of-use assets	16	**4,231**	3,327
Investment properties		**148**	229
Intangible assets	17	**5,061**	5,076
Goodwill	18	**1,733**	1,749
Investments in joint ventures	20	**39,596**	40,427
Investments in associates	21	**28,774**	24,824
Financial assets at fair value through other comprehensive income	28	**206**	205
Other non-current assets	22	**41,295**	36,470
Deferred income tax assets	12	**2,928**	2,356
Due from joint ventures	27	**395**	1,035
Total non-current assets		**144,438**	133,007
Current assets			
Inventories	23	**12,524**	12,191
Trade receivables	24	**9,988**	10,690
Bills receivable	25	**1,427**	1,439
Prepayments, deposits and other receivables	26	**62,236**	51,550
Financial assets at fair value through other comprehensive income	28	**18,169**	12,121
Due from joint ventures	27	**8,519**	12,442
Financial assets at fair value through profit or loss	30	**8,117**	6,972
Pledged bank balances and time deposits	29	**3,463**	3,317
Cash and cash in bank	29	**47,640**	26,768
Assets held for sale	31	**–**	1,503
Total current assets		**172,083**	138,993
TOTAL ASSETS		**316,521**	272,000

The notes on pages 105 to 220 form an integral part of the consolidated financial information.

Consolidated Statement of Financial Position (Continued)

For the year ended 31 December 2020

	Notes	31 December 2020 RMB million	31 December 2019 RMB million (Restated) (Note 4)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	32	**8,616**	8,616
Reserves		**20,293**	18,336
Retained profits		**106,899**	100,829
		135,808	127,781
Non-controlling interests		**5,318**	6,187
TOTAL EQUITY		**141,126**	133,968
Non-current liabilities			
Interest-bearing borrowings	33	**22,373**	23,923
Lease liabilities	16	**1,984**	2,075
Other long term liabilities		**3,166**	2,733
Government grants	35	**2,309**	2,094
Deferred income tax liabilities	12	**2,692**	2,275
Provisions	34	**805**	750
Total non-current liabilities		**33,329**	33,850

The notes on pages 105 to 220 form an integral part of the consolidated financial information.

Consolidated Statement of Financial Position (Continued)

For the year ended 31 December 2020

	Notes	31 December 2020 RMB million	2019 RMB million (Restated) (Note 4)
Current liabilities			
Trade payables	36	**21,015**	19,220
Lease liabilities	16	**138**	154
Bills payable	37	**36,882**	27,369
Other payables and accruals	38	**17,121**	12,796
Contract liabilities		**4,111**	3,402
Due to joint ventures	27	**21,973**	19,970
Interest-bearing borrowings	33	**38,276**	19,259
Income tax payable		**1,309**	1,008
Provisions	34	**1,241**	1,004
Total current liabilities		**142,066**	104,182
TOTAL LIABILITIES		**175,395**	138,032
TOTAL EQUITY AND LIABILITIES		**316,521**	272,000

The notes on pages 105 to 220 form an integral part of the consolidated financial information.

Zhu Yanfeng
Director

Li Shaozhu
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to equity holders of the Company						
	Issued capital RMB million	Capital reserve RMB million	Statutory reserves RMB million	Retained profits RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Year ended 31 December 2020							
As at 1 January 2020	8,616	2,727*	15,609*	100,829	127,781	6,187	133,968
Profit for the year	–	–	–	10,792	10,792	(192)	10,600
Other comprehensive income for the year	–	110	–	–	110	(15)	95
Total comprehensive income for the year	–	110	–	10,792	10,902	(207)	10,695
Transfer to reserves	–	–	1,753	(1,753)	–	–	–
Capital contribution from non-controlling shareholders	–	4	–	–	4	103	107
Share of capital reserve of investments accounted for using the equity method	–	161	–	–	161	–	161
Final 2019 and interim 2020 dividend declared and paid	–	–	–	(3,016)	(3,016)	(828)	(3,844)
Transactions with non-controlling equity capital	–	(104)	–	–	(104)	104	–
Others	–	33	–	47	80	(41)	39
As at 31 December 2020	8,616	2,931*	17,362*	106,899	135,808	5,318	141,126

* These reserve accounts comprise the consolidated reserves of RMB20,293 million (2019: RMB18,336 million) in the consolidated statement of financial position.

The notes on pages 105 to 220 form an integral part of the consolidated financial information.

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2020

	Attributable to equity holders of the Company						
	Issued capital *RMB million*	Capital reserve *RMB million*	Statutory reserves *RMB million*	Retained profits *RMB million*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
Year ended 31 December 2019							
As at 31 December 2018	8,616	2,939*	13,473*	93,328	118,356	6,569	124,925
Change in accounting policy — IFRS 16	–	–	–	(187)	(187)	(85)	(272)
As at 1 January 2019	8,616	2,939	13,473	93,141	118,169	6,484	124,653
Profit for the year	–	–	–	12,858	12,858	(12)	12,846
Other comprehensive income for the year	–	(69)	–	–	(69)	5	(64)
Total comprehensive income for the year	–	(69)	–	12,858	12,789	(7)	12,782
Transfer to reserves	–	–	2,136	(2,136)	–	–	–
Capital contribution from non-controlling shareholders	–	–	–	–	–	59	59
Share of capital reserve of investments accounted for using the equity method	–	(127)	–	–	(127)	–	(127)
Final 2018 and interim 2019 dividend declared and paid	–	–	–	(3,016)	(3,016)	(351)	(3,367)
Transactions with non-controlling equity capital	–	(16)	–	–	(16)	16	–
Others	–	–	–	(18)	(18)	(14)	(32)
As at 31 December 2019	8,616	2,727*	15,609*	100,829	127,781	6,187	133,968

* These reserve accounts comprise the consolidated reserves of RMB18,336 million (2018: RMB16,412 million) in the consolidated statement of financial position.

The notes on pages 105 to 220 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 RMB million	2019 RMB million
		Year ended 31 December	
Cash flows from operating activities			
Profit before income tax		**12,218**	14,605
Adjustments for:			
Share of profits and losses of joint ventures and associates		**(12,455)**	(15,546)
Loss/(Gain) on disposal of items of property, plant and equipment and intangible assets, net	7	**88**	(107)
Gain on changes in fair value of financial assets at fair value through profit or loss		**22**	(45)
Depreciation of right-of-use assets	7	**238**	221
Provision against inventories	7	**245**	123
Impairment losses on financial assets	7	**1,356**	1,163
Impairment losses on assets held for sale		**330**	–
Exchange loss/(gains), net	7	**23**	(15)
Depreciation of property, plant and equipment	7	**2,067**	1,991
Impairment of items of property, plant and equipment	7	**1,488**	159
Impairment of goodwill		**–**	14
Impairment of intangible assets	7	**201**	–
Amortisation of intangible assets	7	**892**	769
Interest expenses of lease liabilities	16	**100**	109
Finance expenses	8	**1,074**	466
Interest income	6	**(998)**	(712)
Government grants	35	**(133)**	(505)
		6,756	2,690

The notes on pages 105 to 220 form an integral part of the consolidated financial information.

For the year ended 31 December 2020

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
(Increase)/Decrease in trade and bills receivables and prepayments,deposits and other receivables	**(5,647)**	451
Increase in inventories	**(659)**	(1,383)
Decrease/(Increase) in amounts due from joint ventures	**2,504**	(1,006)
Increase in trade and bills payables, contract liabilities and other payables and accruals	**12,865**	10,643
Increase in loans and receivables from financing services	**(19,067)**	(28,585)
Increase in cash deposits received from financing services	**4,297**	2,346
Increase in a mandatory reserve with the People's Bank of China	**(739)**	(562)
Increase in amounts due to joint ventures	**2,506**	5,522
Increase/(Decrease) in provisions	**292**	(32)
Cash from/(used in) operations	**3,108**	(9,916)
Interest paid	**(866)**	(418)
Income tax paid	**(1,014)**	(1,221)
Net cash flows from/(used in) operating activities	**1,228**	(11,555)

The notes on pages 105 to 220 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	Notes	***RMB million***	*RMB million*
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(4,039)**	(4,300)
Increase in right-of-use assets and other long term assets		**(473)**	(609)
Purchases of intangible assets		**(1,018)**	(898)
Investments in joint ventures and associates		**(185)**	(3,523)
Proceeds from disposal of items of property, plant and equipment		**18**	271
Proceeds from sale of intangible assets		**6**	20
Dividends from joint ventures and associates		**12,462**	13,936
Dividends from financial assets at fair value through other comprehensive income		**–**	2
Government grants received		**405**	832
Interest received		**970**	474
Increase in pledged bank balances and time deposits and financial assets at fair value through profit or loss	29, 30	**(1,313)**	(5,028)
(Increase)/Decrease in non-pledged time deposits with original maturity of three months or more when acquired	29	**(628)**	1,641
Cash increased relating to disposal of subsidiaries and associates		**1,494**	–
Cash increased relating to acquisition of subsidiary		**951**	–
Cash received/(paid) relating to other investing activities		**2,784**	(1,346)
Net cash flows from investing activities		**11,434**	1,472

The notes on pages 105 to 220 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 RMB million	2019 RMB million
Cash flows from financing activities			
Proceeds from borrowings		**26,343**	23,610
Repayment of borrowings		**(15,217)**	(8,857)
Capital contribution from non-controlling shareholders		**107**	59
Dividends paid to non-controlling shareholders		**(442)**	(315)
Dividends paid to the equity holders of the Company		**(3,016)**	(3,016)
Other payments related to financing activities		**(193)**	(240)
Net cash from financing activities		**7,582**	11,241
Net increase in cash and cash equivalents		**20,244**	1,158
Cash and cash equivalents at beginning of year		**26,133**	24,975
Cash and cash equivalents at end of year	29	**46,377**	26,133

The notes on pages 105 to 220 form an integral part of the consolidated financial information.

1. GENERAL INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2020. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

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

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

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

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

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

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

		Effective for annual periods beginning on or after
Amendments to IFRS 1 and IFRS 8	Definition of Material	1 January 2020
Amendments to IFRS 3	Definition of a Business	1 January 2020
Amendments to IFRS9, IFRS 39 and IFRS 7	Interest Rate Benchmark Reform	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020

The group also elected to adopt the following amendments early.

		Effective for annual periods beginning on or after
Amendments to IFRS 16	Covid-19-Related Rent Concessions	1 June 2020

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

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16	Interest rate benchmark reform — Phase 2	1 January 2021
Amendments to IFRS 3	Update reference to the conceptual framework	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous contracts — costs of fulfilling a contract	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or Non-current	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

(ii) rights arising from other contractual arrangements; and

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

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

Investments in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

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

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

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

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

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

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

2.3 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 recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

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

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

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

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

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

Intangible assets (other than goodwill)

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (Continued)

(i) Patents and licenses

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

(ii) Research and development costs

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

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

(iii) Customer relationships

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

(i) Classification

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

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

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

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

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

(ii) Recognition and derecognition

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

(iii) Measurement

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

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

Debt instruments

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

(iii) Measurement (Continued)

Equity instruments

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

(iv) Impairment

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

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

Loans and borrowings

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and borrowings (Continued)

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

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

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

Borrowing costs

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

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

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

Derecognition of financial liabilities

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

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

Inventories

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

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

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

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

Trade and other receivables

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

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

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

Revenue recognition

Sale of goods

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

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

Rendering of services

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

Financing components

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest income

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

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

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

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

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

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

Leases

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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

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

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

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

(i) Current income tax

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

(ii) Deferred income tax

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

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

(ii) Deferred income tax (Continued)

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

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

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

Government grants

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

Employee benefits

(i) Retirement benefits

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

(ii) Medical benefits

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

(iii) Cash housing subsidies

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

(iv) Termination and early retirement benefits

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

Dividends

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognised in other comprehensive income.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

(iv) Disposal of foreign operation and partial disposal

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

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

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Warranty provisions

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

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(ii) Deferred tax assets

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

(iii) Income tax

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

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

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

(v) Impairment of financial assets

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

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(vi) Measurement of expected credit loss

The Group calculates expected credit losses through default risk exposure and expected credit loss rate, and determines the expected credit loss rate based on default probability and default loss rate. In determining the expected credit loss rate, the Group uses data such as internal historical credit loss experience, etc., and adjusts historical data based on current conditions and forward-looking information. When considering forward-looking information, the indicators used by the Group include the risk of economic downturn, the expected increase in unemployment rate, external market environment, technological environment and changes in customer situations. The Group regularly monitors and reviews assumptions related to the calculation of expected credit losses. In 2020, there was no significant change in the above estimation techniques and key assumptions.

(vii) Impairment of goodwill

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

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

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

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

(viii) Impairment of inventory

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

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

4 RESTATEMENT OF THE OPENING BALANCE — ASSETS HELD FOR SALE

On 18 December 2019, the Group signed a stock repurchase agreement with PSA Peugeot Citroën Group (an associate of the Group, "PSA"), and both parties agreed to sell 30.7 million PSA shares held by the Group to PSA or a third party. According to the agreement, the sale of the shares is expected to be completed within one year after the signing of the stock repurchase agreement. Pursuant to this arrangement, the 30.7 million PSA shares held for sale met the classification condition of assets held for sale, thus presented as assets held for sale in the statement of financial position as of 31 December 2019 in curriculum with the accounting standards.

In September 2020, the Group disposed 10 million PSA shares to a third party according to the agreement and signed a revised stock repurchase agreement with PSA on 25 September 2020 to extend the period of disposal of the remaining shares in circumstances of the economic condition, market environment and future business outlook. Pursuant to this revised agreement, the Group agreed to dispose the unsold shares (including the unsold 20.7 million PSA shares, or the shares of the combined entity held by the Group according to the relevant agreement after completion of merger between PSA and Fiat Chrysler Group ("FCA")) to one or multiple third parties through one or multiple transactions on or before 31 December 2022. As a consequence, the 20.7 million PSA shares no longer met the classification condition of assets held for sale and have to be accounted for as investments in associates or joint ventures accounted for using the equity method on a retrospective basis. Accordingly, the Group has restated the comparative information in the consolidated financial statements as follows:

	31 December 2019 Consolidated Statement of Financial Position		
	As per originally reported	Retrospective adjustments	As restated
	RMB million	*RMB million*	*RMB million*
Assets held for sale	4,614	(3,111)	1,503
Investments in associates	21,713	3,111	24,824

The above adjustments has no effect on the consolidated statement of profit or loss in 2019.

5. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

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

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

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 2020, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020

	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	83,514	16,123	7,558	769	–	107,964
Sales to internal customers	38	417	62	9	(526)	–
	83,552	16,540	7,620	778	(526)	107,964
Results						
Segment results	2,501	(4,267)	2,929	(3,152)	1,928	(61)
Interest income	795	218	4	1,628	(1,647)	998
Finance expenses						(1,174)
Share of profits and losses of:						
Joint ventures	221	9,379	155	(260)	–	9,495
Associates	10	1,939	926	85	–	2,960
Profit before income tax						12,218
Income tax expense						(1,618)
Profit for the year						10,600

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020 (Continued)

	Commercial vehicles *RMB million*	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	1,353	1,865	107	714	–	4,039
– Intangible assets	411	542	23	42	–	1,018
– Right-of-use assets and other non-current assets	54	23	394	2	–	473
Depreciation of property, plant and equipment	1,128	700	5	234	–	2,067
Amortisation of intangible assets	697	35	10	150	–	892
Depreciation of right-of-use assets	126	102	5	5	–	238
Provision against inventories	180	42	–	23	–	245
Impairment losses of financial assets	84	56	1,402	147	(333)	1,356
Impairment losses of non-current assets	18	1,546	–	125	–	1,689
Warranty provisions	871	78	–	11	–	960

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019

	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	68,872	26,372	5,281	562	–	101,087
Sales to internal customers	21	366	106	3	(496)	–
	68,893	26,738	5,387	565	(496)	101,087
Results						
Segment results	2,804	(3,914)	2,287	(3,175)	920	(1,078)
Interest income	504	262	7	974	(1,035)	712
Finance expenses						(575)
Share of profits and losses of:						
Joint ventures	374	11,512	241	(494)	–	11,633
Associates	–	3,079	756	78	–	3,913
Profit before income tax						14,605
Income tax expense						(1,759)
Profit for the year						12,846

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019 (Continued)

	Commercial vehicles *RMB million*	Passenger vehicles *RMB million*	Financing service *RMB million*	Corporate and others *RMB million*	Elimination *RMB million*	Total *RMB million*
Other segment information						
Capital expenditure:						
– Property, plant and equipment	1,607	2,459	142	92	–	4,300
– Intangible assets	670	182	20	26	–	898
– Right-of-use assets and other non-current assets	82	20	505	2	–	609
Depreciation of property, plant and equipment	883	907	5	196	–	1,991
Amortisation of intangible assets	570	68	8	123	–	769
Depreciation of right-of-use assets	112	87	4	18	–	221
Provision against inventories	71	41	–	11	–	123
Impairment losses of financial assets	(12)	136	989	50	–	1,163
Impairment losses of non-current assets	4	132	2	36	–	174
Warranty provisions	521	81	–	1	–	603

6. OTHER INCOME

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

	Note	2020 RMB million	2019 RMB million
Net income from disposal of other materials		**38**	107
Government grants and subsidies		**509**	505
Interest income		**998**	712
Management dispatch fee received from joint ventures		**271**	302
Gain on debt restruction	(a)	**1,520**	–
Others		**1,429**	605
		4,765	2,231

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

7. PROFIT BEFORE INCOME TAX

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

	Note	2020 RMB million	2019 RMB million
Cost of inventories recognized as expense		86,114	81,917
Interest expense for financing services (included in cost of sales)		541	330
Provision against inventories		245	123
Depreciation of property, plant and equipment	15	2,067	1,991
Amortization of intangible assets	17	892	769
Depreciation of right-of-use assets	16	238	221
Auditors' remuneration*		19	19
Net impairment losses on financial assets	11	1,356	1,163
Staff costs (excluding directors' and supervisors' remuneration (Note 9)):			
– Wages and salaries		7,711	7,482
– Pension scheme costs	(a)	355	686
– Medical benefit costs	(b)	422	429
– Cash housing subsidy costs	(c)	7	1
		8,495	8,598
Included in other expenses:			
Gains on disposal of items of property, plant and equipment, net		102	(64)
Gains on disposal of right-of-use assets		(14)	(43)
Impairment of items of property, plant and equipment	15	1,488	159
Impairment of intangible assets	17	201	–
Impairment of goodwill		–	13
Warranty provisions	34	960	603
Research costs		5,098	4,742
Royalty fee		48	74
Other exchange losses/(gains), net		23	(15)

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

7. PROFIT BEFORE INCOME TAX (CONTINUED)

(a) Retirement benefits

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

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

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

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

(b) Medical benefits

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

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

7. PROFIT BEFORE INCOME TAX (CONTINUED)

(b) Medical benefits (Continued)

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

(c) Cash housing subsidies

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

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

(d) Termination and early retirement benefits

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

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

8. FINANCE EXPENSES

	2020 RMB million	2019 RMB million
Interest expenses on bank loans and other borrowings	894	495
Interest expenses on lease liabilities (Note 16)	100	109
Exchange net losses/(gains) of financing activities	180	(28)
Less: Amount capitalized	–	(1)
Finance expenses	1,174	575

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	Directors		Supervisors	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Fees	284	322	36	48
Other emoluments:				
– Salaries	772	468	611	568
– Discretionary bonuses	3,625	1,373	1,861	1,864
– Estimated money value of other benefits	214	118	110	113
– Employer's contribution to a retirement benefit scheme	225	170	104	153
Total charged to the income statement	5,120	2,451	2,722	2,746

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

For the year ended 31 December 2020:

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

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

For the year ended 31 December 2020 (Continued):

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

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

For the year ended 31 December 2019:

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	–	219	590	54	74	937
Li Shaozhu (Executive Director and President)	–	219	590	54	74	937
You Zheng (appointed on 29 November 2019)	–	15	166	5	16	202
	–	453	1,346	113	164	2,076
Non-executive directors:						
Cheng Daoran (appointed on 29 November 2019)	–	15	27	5	6	53
Independent non-executive directors:						
Ma Zhigeng	60	–	–	–	–	60
Zhang Xiaotie	60	–	–	–	–	60
Cao Xinghe (resigned on 29 November 2019)	55	–	–	–	–	55
Chen Yunfei	147	–	–	–	–	147
	322	–	–	–	–	322
	322	468	1,373	118	170	2,451

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

For the year ended 31 December 2019 (Continued):

Name	Fees	Salary	Discretionary bonuses	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors:						
Wen Shuzhong (resigned on 29 November 2019)	–	173	289	50	68	580
He Wei	–	350	1,491	54	74	1,969
Li Pingan (appointed on 29 October 2019)	–	45	84	9	11	149
	–	568	1,864	113	153	2,698
Independent supervisors:						
Zhao Jun	48	–	–	–	–	48
	48	568	1,864	113	153	2,746

No retirement benefits or termination benefits were paid to directors or supervisors during the year ended 31 December 2020. No considerations were provided to third parties for making available directors' services (2019: same).

During the year, no loans, quasi-loans or other dealings were entered into by the company in favor of directors or supervisors (2019: same).

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include directors (2019: nil directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the five (2019: five) highest paid employees who are neither a director nor a supervisor of the Company are as follows:

	2020	2019
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,225**	3,473
Bonuses	**11,391**	12,941
Pension scheme contributions	**680**	429
	15,296	16,843

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	
	2020	2019
HKD2,500,001 — HKD3,000,000	**2**	1
HKD3,000,001 — HKD3,500,000	**1**	1
HKD3,500,001 — HKD4,000,000	**1**	2
HKD4,000,001 — HKD4,500,000	**1**	1
	5	5

11. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2020 *RMB million*	2019 *RMB million*
Impairment losses of trade receivables	222	153
Impairment losses of other receivables	52	13
Impairment losses of loans and receivables from financing services	957	907
Others	125	90
	1,356	1,163

12. INCOME TAX EXPENSE AND DEFERRED INCOME TAX

	2020 *RMB million*	2019 *RMB million*
Current income tax	1,763	1,490
Deferred income tax	(145)	269
Income tax expense for the year	1,618	1,759

(a) Corporate income tax

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

(b) Hong Kong profits tax

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

(c) Deferred income tax

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

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

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

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

	2020 *RMB million*	2019 *RMB million*
Profit before income tax	12,218	14,605
At the PRC statutory corporate income tax rate of 25% (2019: 25%)	3,055	3,651
Tax concessions and lower tax rates for specific provinces or locations	(248)	(314)
Share of profits and losses of Joint ventures and Associates	(2,625)	(3,090)
Income not subject to corporate income tax	–	(33)
Expenses not deductible for corporate income tax	17	19
Tax losses not recognized	2,107	1,868
Others	(688)	(342)
Income tax expense at the Group's effective income tax rate	1,618	1,759

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

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

	Consolidated statement of financial position As at 31 December		Consolidated income statement and statement of comprehensive income Year ended 31 December	
	2020	2019	**2020**	2019
	RMB million	*RMB million*	***RMB million***	*RMB million*
Deferred tax assets:				
Assets impairment	**836**	400	**(436)**	(113)
Accrued expenses	**594**	706	**112**	604
Warranty provisions	**293**	177	**(116)**	(22)
Wages payable	**98**	182	**84**	(57)
Interest received in advance	**879**	767	**(112)**	(389)
Others	**228**	124	**(104)**	(3)
Gross deferred tax assets	**2,928**	2,356	**(572)**	20
Deferred tax liabilities:				
Fair value adjustments arising from acquisition of subsidiaries	**(49)**	(63)	**(14)**	(14)
Reallocation subsidy received from government	**(63)**	(73)	**(10)**	(11)
Changes in the fair value of financial assets at fair value through other comprehensive income	**(25)**	(25)	**–**	7
Unremitted earnings of oversea businesses	**(2,555)**	(2,114)	**441**	207
Gross deferred tax liabilities	**(2,692)**	(2,275)	**417**	189
			(155)	268
Represented by:				
Deferred tax credited to consolidated income statement			**(145)**	269
Deferred tax credited to consolidated other comprehensive income			**(10)**	(1)
			(155)	268

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

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

	31 December	
	2020	2019
	RMB million	*RMB million*
Deferred income tax assets：		
Deferred income tax assets to be recovered over 12 months	**720**	633
Deferred income tax assets to be recovered within 12 months	**2,208**	1,723
	2,928	2,356
Deferred income tax liabilities：		
Deferred income tax liabilities settled over 12 months	**(2,679)**	(1,672)
Deferred income tax liabilities settled within 12 months	**(13)**	(603)
	(2,692)	(2,275)
	236	81

13. DIVIDEND

	2020	2019
	RMB million	*RMB million*
Proposed final — Nil (2019: RMB0.25) per ordinary share	**–**	2,154

The total dividends paid in 2020 amounted to RMB3,016 million, being RMB0.35 per share (2019: RMB3,016 million, being RMB0.35 per share).

13. DIVIDEND (CONTINUED)

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

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

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

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

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

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

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

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

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

The calculation of basic earnings per share is based on:

	2020	2019
	RMB million	*RMB million*
Earnings:		
Profit for the year attributable to ordinary equity holders of the Company	**10,792**	12,858
	Number of shares	
	million	*million*
Shares:		
Weighted average number of ordinary shares in issue during the year	**8,616**	8,616
Earnings per share	**125.26 cents**	149.23 cents

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

15. PROPERTY, PLANT AND EQUIPMENT

	Note	Buildings RMB million	Equipment RMB million	Construction in progress RMB million	Total RMB million
At 31 December 2019 and 1 January 2020:					
Cost		8,318	19,248	3,943	31,509
Accumulated depreciation and impairment		(2,573)	(11,627)	–	(14,200)
Net carrying amount		5,745	7,621	3,943	17,309
At 1 January 2020, net of accumulated depreciation and impairment		5,745	7,621	3,943	17,309
Additions		229	527	3,422	4,178
Acquisition of subsidiary		1,100	738	502	2,340
Disposals		(94)	(44)	–	(138)
Reclassification		315	1,313	(1,628)	–
Other transfer		–	–	(63)	(63)
Impairment	(a)	(303)	(1,046)	(139)	(1,488)
Depreciation during the year		(350)	(1,717)	–	(2,067)
At 31 December 2020, net of accumulated depreciation and impairment		6,642	7,392	6,037	20,071
At 31 December 2020:					
Cost		9,712	21,384	6,176	37,272
Accumulated depreciation and impairment		(3,070)	(13,992)	(139)	(17,201)
Net carrying amount		6,642	7,392	6,037	20,071

(a) Due to the fierce competition in the domestic automobile market, the sales volume and profit of the Group and JVs have declined, certain PP&E assets had impairment indicators. As a result, the Group recorded a total impairment provision charge of RMB1,488 million against PP&E assets to the consolidated income statement of the Group for the year.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB million*	Equipment *RMB million*	Construction in progress *RMB million*	Total *RMB million*
At 31 December 2018 and 1 January 2019:				
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
At 1 January 2019, net of accumulated depreciation and impairment	5,721	8,005	2,109	15,835
Additions	207	603	3,229	4,039
Disposals	(55)	(148)	–	(203)
Reclassification	286	968	(1,254)	–
Other transfer	(71)	–	(141)	(212)
Impairment	(4)	(155)	–	(159)
Depreciation during the year	(339)	(1,652)	–	(1,991)
At 31 December 2019, net of accumulated depreciation and impairment	5,745	7,621	3,943	17,309
At 31 December 2019:				
Cost	8,318	19,248	3,943	31,509
Accumulated depreciation and impairment	(2,573)	(11,627)	–	(14,200)
Net carrying amount	5,745	7,621	3,943	17,309

16. LEASES

	2020 RMB million	1 January 2019 RMB million
Leasehold land and land use rights*	4,004	3,123
Buildings	225	204
Equipment and vehicles	2	–
Total right-of-use assets	4,231	3,327
Current lease liabilities	138	154
Non-current lease liabilities	1,984	2,075
Total lease liabilities	2,122	2,229

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

16. LEASES (CONTINUED)

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

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

	31 December	
	2020	2019
	RMB million	*RMB million*
Leasehold land and land use rights	**194**	179
Buildings	**44**	42
Equipment and vehicles	**–**	–
Total depreciation of right-of-use assets (Note 7)	**238**	221
Interest expense (Note 8)	**100**	109
Expense relating to short-term leases	**127**	145
Expense relating to leases of low-value assets	**39**	44

The total cash outflow for leases in 2020 was RMB193 Million.

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

	31 December	
	2020	2019
	RMB million	*RMB million*
Lease liabilities:		
– DMC, its subsidiaries, associates and joint ventures	**1,917**	2,042

17. INTANGIBLE ASSETS

	Patents and licenses *RMB million*	Customer relationships *RMB million*	Research and development costs *RMB million*	Others *RMB million*	Total *RMB million*
For the year ended 31 December 2020					
Cost:					
At 1 January 2020	4,477	1,336	1,032	1,329	8,174
Additions	183	–	676	219	1,078
Reclassification	357	–	(559)	202	–
Disposals	–	–	–	(49)	(49)
At 31 December 2020	5,017	1,336	1,149	1,701	9,203
Accumulated amortization:					
At 1 January 2020	1,626	511	–	835	2,972
Amortization	602	79	–	211	892
Disposals	–	–	–	(49)	(49)
At 31 December 2020	2,228	590	–	997	3,815
Impairment:					
At 1 January 2020	126	–	–	–	126
Additions	201	–	–	–	201
Disposals	–	–	–	–	–
At 31 December 2020	327	–	–	–	327
Net carrying amount:					
At 1 January 2020	2,725	825	1,032	494	5,076
At 31 December 2020	2,462	746	1,149	704	5,061

Amortisation expenses are included in cost of sales (RMB34 Million; 2019 — RMB40 Million), research costs (RMB520 Million; 2019 — RMB445 Million;), selling and distribution expenses (RMB6 Million; 2019 — RMB4 Million;) and administration expenses (RMB332 Million; 2019 — RMB280 Million;).

17. 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 2019					
Cost:					
At 1 January 2019	3,154	1,336	1,624	1,108	7,222
Additions	–	–	796	243	1,039
Reclassification	1,388	–	(1,388)	–	–
Disposals	–	–	–	(22)	(22)
Write-off	(65)	–	–	–	(65)
At 31 December 2019	4,477	1,336	1,032	1,329	8,174
Accumulated amortization:					
At 1 January 2019	1,115	432	–	739	2,286
Amortization	576	79	–	114	769
Disposals	–	–	–	(18)	(18)
Write-off	(65)	–	–	–	(65)
At 31 December 2019	1,626	511	–	835	2,972
Impairment:					
At 1 January 2019	126	–	–	1	127
Disposals	–	–	–	(1)	(1)
At 31 December 2019	126	–	–	–	126
Net carrying amount:					
At 1 January 2019	1,913	904	1,624	368	4,809
At 31 December 2019	2,725	825	1,032	494	5,076

18. GOODWILL

	31 December	
	2020	2019
	RMB million	*RMB million*
Cost:		
At 1 January	**1,762**	1,816
Disposal	**(16)**	(54)
At 31 December	**1,746**	1,762
Impairment:		
At 1 January	**13**	–
Additions	**–**	13
At 31 December	**13**	13
Net carrying amount:		
At 1 January 2020	**1,749**	1,816
At 31 December 2020	**1,733**	1,749

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:

	2020	2019
Growth rate	**2%-4%**	2%-4%
Gross rate	**16.5%-20%**	16.5%-20%
Discount rate before tax	**15%-17.5%**	15%-17.5%

19. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2020 were as follows:

Name	Place of establishment and business	Paid-up and registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Dongfeng Commercial Vehicles Co., Ltd. ("DFCV")	PRC	RMB9,200,000,000	55.00	–	Manufacturing and sales of commercial vehicles
Dongfeng Liuzhou Motor Co., Ltd. ("Dongfeng Liuqi")	PRC	RMB1,224,700,000	75.00	–	Manufacturing and sale of automobiles, automotive parts and components
Dongfeng Motor Finance Co., Ltd.	PRC	RMB9,000,000,000	100.00	–	Provision of finance services
China Dongfeng Motor Industry Import and Export Co., Ltd.	PRC	RMB200,000,000	95.00	–	Marketing and sale of automobiles
Dongfeng Changxing (Wuhan) Technology Co., Ltd	PRC	RMB506,816,200	95.39	–	Manufacturing and sale of electric vehicles, parts and components
Zhixin Technology Co., Ltd.	PRC	RMB1,000,000,000	82.14	–	Manufacturing and sale of electric vehicles, parts and components
Dongfeng Off-road Vehicle Co., Ltd.	PRC	RMB155,000,000	100.00	–	Manufacturing and sale of off-road vehicles, parts and components
Dongfeng Special Commercial Vehicle Co., Ltd.	PRC	RMB343,314,200	75.08	–	Manufacturing and sale of special commercial vehicles, parts and components
Dongfeng Peugeot Citroën Automobile Sales Co., Ltd. ("DPCS")	PRC	RMB100,000,000	50.00	–	Marketing and sale of automobiles

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company as at 31 December 2020 were as follows (continued):

Name	Place of establishment and business	Paid-up and registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Dongfeng Getrag Transmission Co., Ltd.	PRC	RMB662,281,100	100.00	–	Manufacture and sale of automotive parts and components
Dongfeng Nengdi (Hangzhou) Motor Co., Ltd.	PRC	RMB359,900,700	59.72	40.28	Manufacture and sale of automotive parts and components
Chuang Ge Financing Lease Co., Ltd.	PRC	RMB800,000,000	70.00	30.00	Provision of financing leases
Dongfeng Automobile Trade Co., Ltd.	PRC	RMB220,000,000	100.00	–	Marketing and sale of automobiles
Dongfeng Motor (Wuhan) Co., Ltd. (originally "Dongfeng Renault Automotive Co., Ltd. ")	PRC	RMB4,706,303,400	100.00	–	Manufacturing and sale of automobiles, automotive parts and components
Voyah Automobile Sales and Service Co., Ltd.	PRC	RMB100,000,000	100.00	–	Manufacturing and sale of automobiles, automotive parts and components

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

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarized financial information on subsidiaries with non-controlling interests:

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

Summarized statement of financial position

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

	31 December 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
DFCV	36,518	13,306	49,824	34,109	2,763	36,872
Dongfeng Liuqi	15,296	4,675	19,971	13,276	965	14,241
DPCS	1,579	453	2,032	6,190	1	6,191

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Summarized statement of comprehensive income

	For the year ended 31 December 2020			
	Revenue	**Profit for the year**	**Other comprehensive income**	**Total comprehensive income for the year**
	RMB million	***RMB million***	***RMB million***	***RMB million***
DFCV	**51,754**	**2,864**	**2,829**	**3,987**
Dongfeng Liuqi	**23,843**	**653**	**653**	**4,485**
DPCS	**5,698**	**(2,000)**	**(2,000)**	**(1)**

	For the year ended 31 December 2019			
	Revenue	Profit for the year	Other comprehensive income	Total comprehensive income for the year
	RMB million	*RMB million*	*RMB million*	*RMB million*
DFCV	44,453	2,239	2,260	3,961
Dongfeng Liuqi	19,638	651	643	1,287
DPCS	11,576	(2,478)	(2,478)	(48)

20. INVESTMENTS IN JOINT VENTURES

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

	31 December	
	2020	2019
	RMB million	*RMB million*
Joint ventures, at carrying value	**39,596**	40,427

The movements in investments in joint ventures are as follows:

	2020	2019
	RMB million	*RMB million*
At 1 January	**40,427**	44,557
Share of profits	**9,471**	11,548
Other comprehensive income	**80**	(72)
Other changes in equity	**(2)**	(26)
Disposals	**(83)**	(3)
Dividends received	**(10,297)**	(15,577)
At 31 December	**39,596**	40,427

20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Particulars of the principal joint ventures of the Group as at 31 December 2020 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	USD 560,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Engine Co., Ltd.	PRC	USD 121,583,517	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Auto Parts Co., Ltd.	PRC	USD 62,500,000	44.00	Manufacture and sale of automotive parts and components
Dongfeng Peugeot Citroën Auto Finance Co., Ltd.	PRC	RMB1,000,000,000	50.00	Provision of auto financial services
eGT New Energy Automotive Co., Ltd.	PRC	RMB140,000,000	50.00	Manufacture and sale of automotive parts and components

20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The financial information of material joint ventures

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

(i) ***Statement of financial position of material joint ventures***

	DFL		DPCA		DHAC	
	31 December		31 December		31 December	
	2020	2019	**2020**	2019	**2020**	2019
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Cash and cash in bank	**31,726**	43,471	**844**	1,418	**31,860**	27,942
Other current assets (excluding cash and cash in bank)	**78,317**	56,955	**7,305**	6,792	**24,327**	19,746
Total current assets	**110,043**	100,426	**8,149**	8,210	**56,187**	47,688
Total non-current assets	**49,235**	48,307	**12,992**	16,464	**14,234**	13,132
Total assets	**159,278**	148,733	**21,141**	24,674	**70,421**	60,820
Current financial liabilities (excluding account payable)	**(950)**	(579)	**(5,794)**	(5,902)	**–**	–
Other current liabilities (including account payable)	**(86,660)**	(81,030)	**(5,706)**	(7,354)	**(55,504)**	(47,287)
Provisions	**(1,043)**	(1,036)	**(45)**	(64)	**(244)**	(242)
Total current liabilities	**(87,610)**	(81,609)	**(11,500)**	(13,256)	**(55,504)**	(47,287)
Non-current financial liabilities (excluding account payable)	**(240)**	(35)	**(1,114)**	(1,209)	**–**	–
Other non-current liabilities (including account payable)	**(12,258)**	(9,689)	**(2,428)**	(2,106)	**(1,996)**	(1,733)
Provisions	**(1,042)**	(1,067)	**(408)**	(35)	**(319)**	(274)
Total non-current liabilities	**(12,498)**	(9,724)	**(3,542)**	(3,315)	**(1,996)**	(1,733)
Total liabilities	**(100,108)**	(91,333)	**(15,042)**	(16,571)	**(57,500)**	(49,020)
Non-controlling interests	**(9,422)**	(8,340)	**–**	–	**–**	–
Net assets	**49,748**	49,060	**6,099**	8,103	**12,921**	11,800

20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The financial information of material joint ventures (Continued)

(ii) Statement of comprehensive income of material joint ventures

	DFL		DPCA		DHAC	
	2020	2019	**2020**	2019	**2020**	2019
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Revenue	**169,385**	178,115	**7,048**	13,664	**118,657**	112,299
Depreciation and amortization	**(4,887)**	(4,502)	**(1,466)**	(1,835)	**(1,225)**	(1,192)
Interest income	**(774)**	1,609	**27**	28	**596**	485
Interest expenses	**(306)**	(172)	**(275)**	(290)	**(16)**	–
Profit/(loss) before income tax	**15,432**	22,042	**(1,579)**	(1,899)	**13,224**	14,663
Income tax expenses	**(3,497)**	(5,496)	**(426)**	(728)	**(3,381)**	(3,742)
Profit/(loss) after tax	**11,935**	16,546	**(2,005)**	(2,627)	**9,843**	10,921
Non-controlling interests	**2,189**	2,244	**–**	–	**–**	–
Other comprehensive income	**148**	(144)	**–**	–	**–**	–
Total comprehensive income	**12,083**	16,402	**(2,005)**	(2,627)	**9,843**	10,921
Dividend received	**4,599**	7,748	**–**	–	**6,711**	4,337

20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Reconciliation of financial information

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

	DFL		DPCA		DHAC	
	2020	2019	**2020**	2019	**2020**	2019
	RMB million	*RMB Million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Opening net assets at 1 January	**49,060**	50,624	**8,104**	10,730	**11,799**	14,302
Profit after tax	**11,935**	16,546	**(2,005)**	(2,627)	**9,843**	10,921
Other comprehensive income	**148**	(144)	**–**	–	**–**	–
Dividend	**(9,198)**	(15,496)	**–**	–	**(8,721)**	(13,423)
Non-controlling interests	**(2,189)**	(2,244)	**–**	–	**–**	–
Other equity movement	**(8)**	(226)	**–**	–	**–**	–
Capital contribution from non-controlling shareholders	**–**	–	**–**	–	**–**	–
Closing net assets at 31 December	**49,748**	49,060	**6,099**	8,103	**12,921**	11,800
Interest in joint ventures (50%)	**24,874**	24,530	**3,050**	4,052	**6,461**	5,900
Goodwill	**–**	–	**277**	277	**–**	–
Carrying amount of investments in material joint ventures	**24,874**	24,530	**3,327**	4,329	**6,461**	5,900

20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Reconciliation of financial information (Continued)

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

	2020 RMB million	2019 RMB million
Share of joint ventures' results		
Profit after tax	679	250
Other comprehensive income	6	–
Total comprehensive income	685	250
Aggregate carrying amount of the Group's investments in the joint ventures	4,934	5,668

21. INVESTMENTS IN ASSOCIATES

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

	31 December	
	2020 RMB million	2019 RMB million (Restated) *(Note 4)*
Associates, at carrying value	28,774	24,824

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the principal associates as at 31 December 2020 were as follows:

Name	Place of establishment and business	Percentage of ownership interest attributable to the Group	Principal activities
Dongfeng Nissan Auto Finance Co., Ltd. #	PRC	49.50	Provision of finance services
Wuhan Lear-DFM Auto Electric Co. Ltd. #	PRC	25.00	Manufacture and sale of automotive parts and components
PSA Peugeot Citroën Group ("PSA")	France	11.24	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 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 and has the right to participate in finance and operation decisions, although the percentage of holding shares of the Group to PSA is below 20%.

In February 2019, the Group acquired 14% equity of Dongfeng Nissan Auto Finance Co., Ltd. from Dongfeng Motor Co., Ltd. with the transfer price of RMB924 million and 0.5% equity of Dongfeng Nissan Auto Finance Co., Ltd. from Nissan (China) Investment Co., Ltd., with the transfer price of RMB34 million. After the transaction, the Group holds 49.5% of the equity of Dongfeng Nissan Motor Finance Co., Ltd..

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2020 RMB million	2019 RMB million
Associates-Share of profits	2,960	3,913

The movements in investments in associates are as follows:

	2020 RMB million	2019 RMB million (Restated)
1 January	24,824	17,684
Increase in investment	864	5,522
Share of profits	2,960	3,913
Other comprehensive income	(516)	55
Other changes in equity	163	(101)
Dividend received	(31)	(706)
Amounts reclassified to Assets held for sale (Note 4, 31)	–	(1,503)
Translation reserve	510	(40)
31 December	28,774	24,824

22. OTHER NON-CURRENT ASSETS

		31 December	
		2020	2019
	Note	RMB million	RMB million
Loans and receivables from financing services	26(a)	35,960	32,272
Mandatory reserve deposits with the People's Bank of China (the "PBOC")	(a)	4,471	3,732
Non-pledged time deposits with original maturity of one year or more		30	–
Others		834	466
		41,295	36,470

(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.

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

	31 December	
	2020	2019
	RMB million	RMB million
Associates	489	988

23. INVENTORIES

	31 December	
	2020	2019
	RMB million	RMB million
Raw materials	2,311	1,730
Work in progress	814	1,587
Finished goods – at cost	9,399	8,874
	12,524	12,191

24. TRADE RECEIVABLES

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

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

	31 December	
	2020	2019
	RMB million	*RMB million*
Within three months	**5,859**	6,910
More than three months but within one year	**1,961**	2,204
More than one year	**2,168**	1,576
	9,988	10,690

Fair values of trade receivables

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

Impairment and risk exposure

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an increase of the loss allowance for trade receivables, and a further increase in the allowance by RMB222 million in the current periods. Note 43(c) provides for details about the calculation of the allowance.

24. TRADE RECEIVABLES (CONTINUED)

Impairment and risk exposure (Continued)

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

	31 December	
	2020	2019
	RMB million	*RMB million*
DMC, its subsidiaries, associates and joint ventures	**133**	155
Non-controlling shareholders of a subsidiary and their subsidiaries	**143**	218
Associates	**96**	11
	372	384

25. BILLS RECEIVABLE

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

	31 December	
	2020	2019
	RMB million	*RMB million*
Within one year	**1,427**	1,439

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

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		31 December	
		2020	2019
	Note	***RMB million***	*RMB million*
Prepayments		**1,305**	1,705
Deposits and other receivables		**2,661**	4,711
Loans and receivables from financing services	(a)	**58,270**	45,134
		62,236	51,550

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

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Impairment and risk exposure (Continued)

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

		31 December	
		2020	2019
	Notes	***RMB million***	*RMB million*
Gross loans and receivables from financing services		**96,743**	80,110
Less: impairment allowances		**(2,118)**	(1,669)
		94,625	78,441
Less: current portion		**58,270**	45,134
Non-current portion	22, 27	**36,355**	33,307

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

	31 December	
	2020	2019
	RMB million	*RMB million*
DMC, its subsidiaries, associates and joint ventures	**277**	436
Non-controlling shareholders of a subsidiary and their subsidiaries	**15**	4
Associates	**3**	4
	295	444

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

27. BALANCES WITH JOINT VENTURES

	Notes	31 December 2020 RMB million	31 December 2019 RMB million
Due from joint ventures			
Interest-bearing loans to joint ventures		**893**	2,557
Dividends receivable from joint ventures		**5,590**	7,649
Loans and receivables from financing services	26(a)	**395**	1,035
Trade receivables	43(c)	**494**	517
Others	(a)	**1,542**	1,719
		8,914	13,477
Less: Current portion		**(8,519)**	(12,442)
Non-current portion		**395**	1,035
Due to joint ventures			
Cash deposits in DFF	(b)	**14,229**	10,801
Others	(a)	**7,744**	9,169
		21,973	19,970
Less: Current portion		**(21,973)**	(19,970)
Non-current portion		**–**	–

Notes:

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

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

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December	
	2020	2019
	RMB million	*RMB million*
Non-current:		
Unlisted equity investments at fair value through other comprehensive income	**206**	205
Current:		
Unlisted debt instruments at fair value through other comprehensive income	**18,169**	12,121

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

	31 December	
	2020	2019
	RMB million	*RMB million*
Cash and bank balances	**45,272**	24,958
Time deposits	**5,831**	5,127
	51,103	30,085
Less: Pledged bank balances and time deposits for securing general banking facilities	**(3,463)**	(3,317)
Cash and in bank as stated in the consolidated statement of financial position	**47,640**	26,768
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(1,263)**	(635)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**46,377**	26,133

29. CASH AND CASH IN BANK AND PLEDGED BANK BALANCES AND TIME DEPOSITS (CONTINUED)

Time deposits included RMB10 million (2019: RMB0 million) placed by the Company in an associate which is involved in the provision of financing services.

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

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December	
	2020	2019
	RMB million	*RMB million*
Current		
Structural deposits	**6,785**	5,836
Unlisted equity securities	**1,332**	1,136
	8,117	6,972

31. ASSETS HELD FOR SALE

	31 December	
	2020	2019
	RMB million	*RMB million*
		(Restated)
		(Note 4)
Listed equity securities (Note 21)	**–**	1,503

32. SHARE CAPITAL

	31 December	
	2020	2019
	RMB million	*RMB million*
Registered, issued and fully paid:		
– 5,760,388,000 (2019: 5,760,388,000) Domestic Shares of RMB1.00 each	**5,760**	5,760
– 2,855,732,000 (2019: 2,855,732,000) H shares of RMB1.00 each	**2,856**	2,856
	8,616	8,616

33. INTEREST-BEARING BORROWINGS

	31 December 2020			31 December 2019		
	Effective interest rate (%)	Maturity	RMB million	Effective interest rate (%)	Maturity	RMB million
Current						
Bank loans – secured	6MEURIBOR +1.3	2021	80	4.35	2020	160
Bank loans – unsecured	1.25-4.35	2021	13,385	2.00-5.22, 6MEURIBOR +1.3	2020	4,894
Guaranteed notes	1.15-1.606	2021	4,009	–	–	–
Unsecured notes	3.96-5.49	2021	2,300	–	–	–
Other loans – unsecured	1.75-2.25	2021	18,502	1.75-2.25	2020	14,205
			38,276			19,259
Non-Current						
Bank loans – secured	6MEURIBOR +1.3	2022	2,006	6MEURIBOR +1.3	2022	2,032
Bank loans – unsecured	2.48-4.75	2022	3,743	3.35-4.75	2022	1,998
Guaranteed notes	1.15-1.606	2023	802	1.15-1.606	2021-2023	4,682
Asset-Backed Security	2.05-4.00	2022-2023	5,122	2.90-4.00	2021-2022	5,211
Unsecured notes	3.05-4.21	2022-2023	10,700	3.58-5.49	2021-2023	10,000
			22,373			23,923
			60,649			43,182

Other loans mainly represented cash deposits placed by DMC, its subsidiaries, associates and joint ventures amounting to RMB6,917 million (2019: RMB6,107 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.

33. INTEREST-BEARING BORROWINGS (CONTINUED)

The Asset-Backed Security(ABS) with fixed interest rates were public issued in amount of RMB1,710 million on 14 January 2020, The ABS is divided into tranche A1, tranche A2. Tranche A, B bear interest from 16 January 2020 at the rate of 2.91%, 3.05%. Interest on the securites is payable monthly on 26th. The Company has already repaid RMB1,164 million by the end of 31 December 2020.

The Asset-Backed Security(ABS) with fixed interest rates were public issued in amount of RMB4,430 million on 20 May 2020, The ABS is divided into tranch A1, tranch A2. Tranch A, B bear interest from 22 May 2020 at the rate of 2.05%, 2.55%. Interest on the securites is payable monthly on 26th. The Company has already repaid RMB510 million by the end of 31 December 2020.

The Asset-Backed Security(ABS) with fixed interest rates were public issued in amount of RMB1,845 million on 16 January 2019, The ABS is divided into tranch A, tranch B. Tranch A, B bear interest from 18 January 2019 at the rate of 3.37%, 3.69%. Interest on the securites is payable monthly on 26th. The Company has already repaid RMB1,845 million by the end of 31 December 2020.

The Asset-Backed Security(ABS) with fixed interest rates were public issued in amount of RMB2,726 million on 17 July 2019, The ABS is divided into tranch A1, tranch A2 and tranch B. Tranch A1, A2, B bear interest from 19 July 2019 at the rate of 3.03%, 3.19% and 4%. Interest on the securites is payable monthly on 26th. The company has already repaid RMB2,416 million by the end of 31 December 2020.

The Asset-Backed Security(ABS) with fixed interest rates were public issued in amount of RMB4,350 million on 21 October 2019, The ABS is divided into tranch A1 and tranch A2. Tranch A1, A2 bear interest from 23 October 2019 at the rate of 2.9% and 3.12%. Interest on the securites is payable monthly on 26th. The company has already repaid RMB4,175 million by the end of 31 December 2020.

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.

33. INTEREST-BEARING BORROWINGS (CONTINUED)

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

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

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

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

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

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

33. INTEREST-BEARING BORROWINGS (CONTINUED)

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

	31 December	
	2020	2019
	RMB million	*RMB million*
Bank loans repayable:		
Within one year or on demand	**13,465**	5,054
One year to two years	**2,468**	1,708
Two years to three years	**3,281**	2,322
	19,214	9,084
Notes repayable and ABS:		
Within one year or on demand	**6,309**	–
One year to two years	**7,842**	9,272
Two years to three years	**8,782**	8,840
Three years to five years	**–**	1,781
	22,933	19,893
Other loans repayable:		
Within one year or on demand	**18,502**	14,205
	60,649	43,182

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

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

	31 December	
	2020	2019
	RMB million	*RMB million*
RMB	**53,752**	36,468
EUR	**6,897**	6,714
	60,649	43,182

34. PROVISIONS

	31 December	
	2020	2019
	RMB million	*RMB million*
Non-current	**805**	750
Current	**1,241**	1,004
	2,046	1,754

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 2019	46	1,740	1,786
Provisions during the year	4	603	607
Utilized	(24)	(615)	(639)
At 31 December 2019	26	1,728	1,754
Provisions during the year	**10**	**960**	**970**
Utilized	**–**	**(678)**	**(678)**
At 31 December 2020	**36**	**2,010**	**2,046**

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.

35. GOVERNMENT GRANTS

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

	RMB million
At 1 January 2019	1,767
Received during the year	832
Recognised as other income during the year	(505)
At 31 December 2019 and 1 January 2020	2,094
Received during the year	**405**
Recognised as other income during the year	**(133)**
Acquisition of subsidiary during the year	**(57)**
At 31 December 2020	**2,309**

36. TRADE PAYABLES

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

	31 December	
	2020	2019
	RMB million	*RMB million*
Within three months	**18,714**	17,536
More than three months but within one year	**1,654**	1,094
More than one year	**647**	590
	21,015	19,220

36. TRADE PAYABLES (CONTINUED)

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

	31 December	
	2020	2019
	RMB million	*RMB million*
DMC, its subsidiaries, associates and joint ventures	**447**	321
Non-controlling shareholders of a subsidiary and their subsidiaries	**–**	4
Associates	**39**	69
	486	394

37. BILLS PAYABLE

The maturity profile of the bills payable is as follows:

	31 December	
	2020	2019
	RMB million	*RMB million*
Within one year	**36,882**	27,369

38. OTHER PAYABLES AND ACCRUALS

	31 December	
	2020	2019
	RMB million	*RMB million*
Advances from customers	**335**	419
Accrued salaries, wages and benefits	**3,087**	2,684
Other payables	**13,699**	9,693
	17,121	12,796

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

	31 December	
	2020	2019
	RMB million	*RMB million*
DMC, its subsidiaries, associates and joint ventures	**529**	344
Non-controlling shareholders of a subsidiary and their subsidiaries	**57**	89
Joint ventures	**–**	1
	586	434

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

Non-controlling shareholders of a subsidiary and their subsidiaries included payable related to acquisition of intangible assets amounting to RMB36 million, which is expected to be settled within one year since the balance sheet date. The payable amounting to RMB179 million expected to be settled over one year since the balance sheet date are classified as other long term liabilities.

39. 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 2020 RMB million	31 December 2019 RMB million
Cash and cash in bank	**47,640**	26,768
Borrowings – repayable within one year (including overdraft)	**(38,276)**	(19,259)
Borrowings – repayable after one year	**(22,373)**	(23,923)
Lease liability	**(2,122)**	(2,229)
Net debt	**(15,131)**	(18,643)

	Cash RMB million	Borrowings – repayable within one year RMB million	Borrowings – repayable after one year RMB million	Lease liability RMB million	Total RMB million
Net debt as at 1 January 2019	27,251	(15,424)	(10,729)	(2,606)	(1,508)
Cash flows	(483)	(3,206)	(13,893)	240	(17,342)
Foreign exchange adjustments	–	–	16	–	16
Other non-cash movements	–	(629)	683	137	191
Net debt as at 1 January 2020	**26,768**	**(19,259)**	**(23,923)**	**(2,229)**	**(18,643)**
Cash flows	**20,872**	**(11,523)**	**(5,057)**	**193**	**4,485**
Foreign exchange adjustments	**–**	**–**	**(180)**	**–**	**(180)**
Other non-cash movements	**–**	**(7,494)**	**6,787**	**(86)**	**(793)**
Net debt as at 31 December 2020	**47,640**	**(38,276)**	**(22,373)**	**(2,122)**	**(15,131)**

39. NET DEBT RECONCILIATION (CONTINUED)

Liquid investments comprise current investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss.

Cash flows from borrowings of DFF is classified as cash flows from operating activities in statement of cash flow.

40. COMMITMENTS

Capital commitments

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

	31 December	
	2020	2019
	RMB million	*RMB million*
Contracted, but not provided for:		
– Property, plant and equipment	**1,405**	1,426

41. 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	2020 RMB million	2019 RMB million
Purchases of automotive parts/raw materials from：	(i)		
– DMC, its subsidiaries, associates and joint ventures		**1,203**	947
– Joint ventures		**15,049**	14,530
– Associates		**113**	103
– Subsidiaries' joint ventures		**5,049**	4,412
– Non-controlling shareholders of a subsidiary and their subsidiaries		**23**	18
		21,437	20,010
Purchases of automotive from：	(i)		
– DMC, its subsidiaries, associates and joint ventures		**3**	11
– Joint ventures		**4,860**	10,566
– Subsidiaries' joint ventures		**2**	5
		4,865	10,582
Purchases of items of property, plant and equipment and intangible assets from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**87**	24
– Joint ventures		**358**	209
		445	233

41. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2020 RMB million	2019 RMB million
Purchases of services from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		777	750
– Joint ventures		490	790
– Subsidiaries' joint ventures		50	–
– Non-controlling shareholders of a subsidiary and their subsidiaries		62	92
		1,379	1,632
Sales of automotive parts/raw materials to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		193	272
– Joint ventures		3,975	3,473
– Associates		80	1
– Subsidiaries' joint ventures		36	18
		4,284	3,764
Sales of automobiles to: :	(i)		
– DMC, its subsidiaries, associates and joint ventures		1,115	2,096
– Joint ventures		179	377
– Subsidiaries' joint ventures		82	–
– Non-controlling shareholders of a subsidiary and their subsidiaries		810	1,486
		2,186	3,959

41. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2020 RMB million	2019 RMB million
Provisions of services to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**9**	8
– Joint ventures		**264**	63
– Associates		**6**	1
– Subsidiaries' joint ventures		**2**	4
– Non-controlling shareholders of a subsidiary and their subsidiaries		**–**	35
		281	111
Interest expenses for financing services paid to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**190**	121
– Joint ventures		**83**	77
– Associates		**1**	–
– Subsidiaries' joint ventures		**1**	14
– Non-controlling shareholders of a subsidiary and their subsidiaries		**6**	10
		281	222
Interest expenses of lease liabilities paid to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**88**	101

41. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2020 *RMB million*	2019 *RMB million*
Interest incomes from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		20	32
– Joint ventures		45	85
– Subsidiaries' joint ventures		17	8
		82	125
Fee and commission incomes from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		1	–
– Joint ventures		8	9
		9	9
Dispatch Fee from joint ventures:	(i)	273	302
Dividend paid to:			
– Non-controlling shareholders of a subsidiaries and their subsidiaries		398	285

Note：

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

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

(i) Details of the Group's balances with its related parties as at the end of the reporting period are disclosed in notes 16, 24, 26, 29, 33, 36 and 38 to the financial statements.

(ii) Details of the Group's balances with joint ventures as at the end of the reporting period are disclosed in note 27 to the financial statements.

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

	2020	2019
	RMB '000	RMB '000
Short term employee benefits	7,513	4,874
Post-employment benefits	329	323
Total compensation paid to key management personnel	7,842	5,197

Further details of the directors' emoluments are included in note 9 to the financial statements.

42. 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	
	2020	2019
	RMB million	*RMB million*
Financial assets at amortised cost		
Other non-current assets	**40,461**	36,004
Trade receivables	**9,988**	10,690
Bills receivable	**1,427**	1,439
Financial assets included in prepayments, deposits and other receivables	**59,254**	48,935
Due from joint ventures	**8,646**	13,275
Pledged bank balances and time deposits	**3,463**	3,317
Cash and cash in bank	**47,640**	26,768
Financial assets at fair value through other comprehensive income		
Unlisted equity securities included in financial assets at fair value through other comprehensive income	**206**	205
Bills receivable included in financial assets at fair value through other comprehensive income	**18,169**	12,121
Financial assets at fair value through profit or loss	**8,117**	6,972
	197,371	159,726

42. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

	31 December	
	2020	2019
	RMB million	*RMB million*
Liabilities at amortised cost		
Trade payables	**21,015**	19,220
Bills payable	**36,882**	27,369
Financial liabilities included in other payables and accruals	**11,781**	9,217
Due to joint ventures	**21,765**	19,644
Interest-bearing borrowings	**60,649**	43,182
Other long term liabilities	**3,166**	1,886
Lease liabilities	**2,122**	2,229
	157,380	122,747

43. 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:

43. 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 2020, all the Group's long-term interest-bearing borrowings is mainly euro-denominated floating rate contract, the amount is RMB22,514 million (as at 31 December 2019：euro-denominated floating rate contract, the amount is RMB24,684 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 euro dollars (EUR).

As at 31 December 2020 and 31 December 2019, the carrying amounts in RMB equivalent of the Group's financial assets and financial liabilities denominated in foreign currencies are summarised below:

	31 December	
	2020	2019
	RMB million	*RMB million*
Cash and cash in bank	**146**	44
Trade receivables	**–**	2
Trade payables	**(2)**	(3)
Other payables and accruals	**–**	(47)
Interest-bearing borrowings	**(6,897)**	(6,714)
	(6,753)	(6,718)

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

43. 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 euro dollars (EUR), exchange rates, with all other variables held constant, of the Group's post tax profit (due to changes in the fair values of monetary assets and liabilities).

	Increase/(decrease) in post tax profit	
	2020	2019
	RMB million	*RMB million*
If RMB strengthens against EUR by 5%	**253**	252
If RMB weakens against EUR by 5%	**(253)**	(252)

(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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

The carrying amount of each financial asset included in these financial statements represents the maximum exposure of the Group to credit risk in relation to its financial assets. In addition, the guarantees given by the Group to banks in favour of banking facilities granted to the Group's joint ventures represent the Group's other exposure to credit risk. The Group has no other financial assets carrying significant exposure to credit risk and has no significant concentration of credit risk.

Trade receivables

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. If there is objective evidence of impairment exists individually for financial assets that are individually significant, impairment loss is recognized in the consolidated income statement. The carrying amount of trade receivables individually measured is RMB3,300 million (2019: RMB2,423 million) and the loss allowance for these trade receivables is RMB650 million(2019: RMB553 million).

The loss allowance as at 31 December 2020 was determined as follows for trade receivables:

	Less than 1 year *RMB million*	1-2 years *RMB million*	2-3 years *RMB million*	More than 3 years *RMB million*	Total *RMB million*
31 December 2020					
Expected loss rate	0.30%	7.40%	75.15%	100.00%	6.73%
Gross carrying amount – trade receivables	6,279	1,079	334	211	7,903
Gross carrying amount – trade receivables in due from joint ventures	488	2	4	–	494
Loss allowance – trade receivables	20	80	254	211	565

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Trade receivables (continued)

The loss allowance as at 31 December 2019 was determined as follows for trade receivables:

	Less than 1 year *RMB million*	1-2 years *RMB million*	2-3 years *RMB million*	More than 3 years *RMB million*	Total *RMB million*
31 December 2019					
Expected loss rate	0.28%	7.37%	75.00%	100.00%	5.03%
Gross carrying amount – trade receivables	8,003	824	335	153	9,315
Gross carrying amount – trade receivables in due from joint ventures	495	17	1	4	517
Loss allowance – trade receivables	24	62	252	157	495

The closing loss allowances for trade receivables as at 31 December 2020 reconcile to the opening loss allowances as follows:

	Trade receivables	
	2020	2019
	RMB million	*RMB million*
At 1 January	**1,048**	956
Increase in loss allowance recognized in profit or loss during the year	**222**	153
Receivables written off during the year as uncollectible	**(55)**	(61)
At 31 December	**1,215**	1,048

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables included in prepayments, deposits and other receivables, mandatory reserve deposits with the PBOC, fixed term deposits included in other non-current assets, pledged bank balances and time deposits, cash and cash in bank, bills receivable and other receivables included in due from joint ventures.

The loss allowance for other receivables as at 31 December 2019 reconciles to the opening loss allowance on 1 January 2020 and to the closing loss allowance as at 31 December 2020 as follows:

	Other receivables included in prepayments, deposits and other receivables and other receivables included in due from joint ventures *RMB million*
Closing loss allowance as at 31 December 2019	124
Amounts restated through opening retained earnings	–
Opening loss allowance as at 1 January 2020	124
Increase in the allowance recognised in profit or loss during the period	52
Receivables written off during the year as uncollectible	(17)
Closing loss allowance as at 31 December 2020	159

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

(ii) Impairment on bills receivable is measured as 12-month expected credit losses. The bills receivable are bank acceptance notes for which the repayments are guaranteed by large banks, and the expected credit losses is immaterial.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services

The Group applies ECL model for impairment assessment. No significant credit risk is conscious for the reporting period. For loans and receivables from financing service, the Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive information, especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic
- conditions that are expected to cause a significant change to the counter party's ability to meet its obligations
- actual or expected significant changes in the operating results of the counter party
- significant increases in credit risk on other financial instruments of the same counter party
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behavior of the counter party, including changes in the payment status of borrower in the group and changes in the operating results of the counter party

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (continued)

To manage risk arising from loans and receivables from financing service, standardised credit management procedures are performed. For pre-approval investigation, the Group optimises the review process by using big data technology through its platform and system, including credit analysis, assessment of collectability of borrowers, monitoring the cash flow status, possibility of misconduct and fraudulent activities. In terms of credit examining management, specific policies and procedures are established to assess loans offering. For subsequent monitoring, the Group monitors the cash flow and operation status of each borrower. Once the loan was issued, all borrowers would be assessed by fraud examination model to prevent fraudulent behaviors. In post-loan supervision, the Group establishes risk monitoring alert system through periodical monitoring. The estimation of credit exposure for risk management purposes is complex and requires use of models as the exposure varies with changes in markets conditions, expected cash flows and passage of time.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). This is consistent with the general approach used for the purposes of measuring ECL under IFRS 9.

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

- The loans and receivables from financing service that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.

- The Group measures the loss allowance for the loans and receivables from financing service at an amount equal to the lifetime ECL if the credit risk of that financial instrument has increased significantly since initial recognition, but is not yet deemed to be credit-impaired.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (continued)

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

- If the financial instrument is credit-impaired (as defined below), it is then moved to "Stage 3". The expected credit loss is measured on lifetime basis.

- In Stages 1 and 2, interest income is calculated on the gross carrying amount(without deducting the loss allowance) and the effective interest rate. If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount and the effective interest rate.

The impairment of loans and receivables from financing service was provided based on the "three-stages" model by referring to the changes in credit quality since initial recognition.

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

(1) Significant increase in credit risk (SICR)

The Group considers loans and receivables from financing service to have experienced a significant increase in credit risk when backstop criteria have been met. A backstop criteria is applied and the loans and receivables from financing service have experienced a significant increase in credit risk if the borrower's contractual payments are past due 30 days.

(2) Definition of default and credit-impaired assets

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (continued)

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

(3) Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

(4) Forward-looking information incorporated in the ECL models

The calculation of ECL incorporate forward-looking information. The Group has performed historical analysis and identified the retail index of social consumer goods as the key economic variables impacting credit risk and the expected credit losses.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (continued)

(ii) Provision for impairment

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

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

The following tables explain the changes in the provision for impairment of loan receivables between the beginning and the end of the year:

	Stage 1 12-month ECL *RMB million*	Stage 2 Lifetime ECL *RMB million*	Stage 3 Lifetime ECL *RMB million*	TOTAL *RMB million*
Carrying amount of loans and receivables from financing service of 31 December 2020	95,629	431	683	96,743
Provision for impairment of loans and receivables from financing service of 1 January 2020	1,364	51	254	1,669
Increases	103	139	715	957
Write-offs	–	–	(508)	(508)
Provision for impairment of loans and receivables from financing service of 31 December 2020	1,467	190	461	2,118
Net value of loans and receivables from financing service of 31 December 2020	94,162	241	222	94,625

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (continued)

(ii) Provision for impairment

	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 2019	79,642	108	360	80,110
Provision for impairment of loans and receivables from financing service of 1 January 2019	790	29	121	940
Increases	574	22	311	907
Write-offs	–	–	(178)	(178)
Provision for impairment of loans and receivables from financing service of 31 December 2019	1,364	51	254	1,669
Net value of loans and receivables from financing service of 31 December 2019	78,278	57	106	78,441

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (continued)

(iii) Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

The Group may write-off financial assets that are still subject to enforcement activity.

(iv) Modification

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. The Group considers the impact from such modification is not significant.

43. 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 2020				
	Within one year or on demand *RMB million*	In the second year *RMB million*	In the third to fifth years *RMB million*	Beyond five years *RMB million*	Total *RMB million*
Interest-bearing borrowings	39,428	6,821	16,163	–	62,412
Trade payables	21,015	–	–	–	21,015
Bills payable	36,882	–	–	–	36,882
Other payables	12,410	2,159	127	143	14,839
Due to joint ventures	21,765	–	–	–	21,765
Lease liabilities	144	148	337	3,039	3,668
	131,644	9,128	16,627	3,182	160,581

	31 December 2019				
	Within one year or on demand *RMB million*	In the second year *RMB million*	In the third to fifth years *RMB million*	Beyond five years *RMB million*	Total *RMB million*
Interest-bearing borrowings	19,808	11,626	13,581	–	45,015
Trade payables	19,220	–	–	–	19,220
Bills payable	27,369	–	–	–	27,369
Other payables	9,114	1,813	109	27	11,063
Due to joint ventures	19,644	–	–	–	19,644
Lease liabilities	154	146	560	4,285	5,145
	95,309	13,585	14,250	4,312	127,456

43. 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 2020 and 2019.

The Group monitors capital using an asset-liability ratio, which is total liabilities divided by total assets. The asset-liability ratio as at the end of the reporting period was as follows:

	31 December	
	2020	2019
	RMB million	*RMB million*
Total assets	**316,521**	272,000
Total liabilities	**175,395**	138,032
Asset-liability ratio	**55.41%**	50.75%

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

As at 31 December 2020		**Level 1**	**Level 2**	**Level 3**	**Total**
	Notes	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Financial assets					
Financial assets at FVPL					
Structural deposits	30	–	–	6,785	6,785
Unlisted equity securities	30	–	–	1,332	1,332
Financial assets at fair value through other comprehensive income (FVOCI)					
Bills receivable	28	–	–	18,169	18,169
Unlisted equity securities	28	–	–	206	206
Total financial assets		–	–	26,492	26,492

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value estimation (Continued)

As at 31 December 2019	*Notes*	Level 1 *RMB million*	Level 2 *RMB million*	Level 3 *RMB million*	Total *RMB million*
Financial assets					
Financial assets at FVPL					
Structural deposits	30	–	–	5,836	5,836
Unlisted equity securities	30	–	–	1,136	1,136
Financial assets at fair value through other comprehensive income (FVOCI)					
Bills receivable	28	–	–	12,121	12,121
Unlisted equity securities	28	–	–	205	205
Total financial assets		–	–	19,298	19,298

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Specific valuation techniques used to value financial instruments include discounted cash flow model and similar company model in the market. The inputs of the valuation techniques mainly include risk-free interest rate, benchmark interest rate, currency rate, liquidity premium, EBITDA factor and etc..

44. EVENTS AFTER THE REPORTING PERIOD

It was proposed at the board meeting held on 29 March 2021 and will be approved at the annual general meeting that no final dividend will be paid for the year ended December 31 2020.

45. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2020	2019
	RMB million	*RMB million*
ASSETS		
Non-current assets		
Property, plant and equipment	**7,232**	5,327
Right-of-use assets	**353**	365
Intangible assets	**1,091**	723
Investments in subsidiaries	**18,597**	18,268
Investments in joint ventures	**14,251**	15,595
Investments in associates	**6,312**	6,129
Financial assets at fair value through other comprehensive income	**53**	45
Total non-current assets	**47,889**	46,452
Current assets		
Inventories	**369**	662
Trade receivables	**2,322**	3,294
Bills receivable	**472**	279
Prepayments, deposits and other receivables	**4,580**	11,901
Due from joint ventures	**5,812**	140
Pledged bank balances	**1**	109
Financial assets at fair value through profit or loss	**1,332**	1,136
Cash and cash in bank	**58,686**	43,876
Total current assets	**73,574**	61,397
TOTAL ASSETS	**121,463**	107,849

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

Balance sheet of the Company (Continued)

	As at 31 December	
	2020	2019
	RMB million	*RMB million*
EQUITY AND LIABILITIES		
Equity		
Issued capital	**8,616**	8,616
Reserves	**13,755**	12,817
Retained profits	**63,187**	61,643
TOTAL EQUITY	**85,558**	83,076
Non-current liabilities		
Interest-bearing borrowings	**14,300**	11,699
Lease liabilities	**76**	73
Other non-current liabilities	**4**	57
Provisions	**256**	270
Government grants	**1,698**	1,370
Total non-current liabilities	**16,334**	13,469

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

Balance sheet of the Company (Continued)

	As at 31 December	
	2020	2019
	RMB million	*RMB million*
Current liabilities		
Trade payables	**3,462**	2,875
Lease liabilities	**7**	7
Bills payable	**869**	1,173
Other payables and accruals	**3,836**	4,050
Contract liabilities	**405**	1,096
Due to joint ventures	**330**	762
Interest-bearing borrowings	**10,300**	1,000
Income tax payable	**211**	211
Provisions	**151**	130
Total current liabilities	**19,571**	11,304
TOTAL LIABILITIES	**35,905**	24,773
TOTAL EQUITY AND LIABILITIES	**121,463**	107,849

The balance sheet of the Company was approved by the Board of Directors on 29 March 2021 and was signed on its behalf.

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

45. 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 31 December 2018	4,809	6,976	54,763	66,548
Change in accounting policy-IFRS 16	–	–	(87)	(87)
As at 1 January 2019	4,809	6,976	54,676	66,461
Total comprehensive income for the year	–	–	11,039	11,039
Transfer to reserve	–	1,056	(1,056)	–
Share of capital reserve of investments accounted for using the equity method	(24)	–	–	(24)
Final 2018 and interim 2019 dividend declared and paid	–	–	(3,016)	(3,016)
As at 1 January 2020	**4,785**	**8,032**	**61,643**	**74,460**
Total comprehensive income for the year	**8**	**–**	**5,434**	**5,442**
Transfer to reserve	**–**	**874**	**(874)**	**–**
Share of capital reserve of investments accounted for using the equity method	**(1)**	**–**	**–**	**(1)**
Final 2019 and interim 2020 dividend declared and paid		**–**	**(3,016)**	**(3,016)**
other	**57**	**–**	**–**	**57**
As at 31 December 2020	**4,849**	**8,906**	**63,187**	**76,942**

45. 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 13, for dividend distribution purposes, the Company's distributable profit is based on the lower of the net profit after tax as determined under PRC GAAP and IFRSs following its restructuring into a joint stock limited liability company on 12 October 2004. The amounts that the Company's subsidiaries and joint ventures can legally distribute by way of dividend are determined by reference to their profits as reflected in their financial statements prepared in accordance with PRC GAAP. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

In accordance with the PRC Company Law, the net profits after transfers to the SSR can be distributed as dividends by the companies comprising the Group as set out above.

Under the relevant laws and regulatory requirements, the net profits of the Group's Sino-foreign joint ventures after transfers to the enterprise expansion fund and the reserve funds can be distributed as dividends by the Group's Sino-foreign joint ventures.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2021.

Five Year Financial Summary

For the year ended 31 December 2020

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				
	2020	2019	2018	2017	2016
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
RESULTS					
Revenue	**107,964**	101,087	104,543	125,980	122,535
Cost of sales	**(92,304)**	(87,596)	(91,128)	(109,716)	(105,020)
Gross profit	**15,660**	13,491	13,415	16,264	17,515
Other income	**4,765**	2,231	3,164	2,817	2,201
Selling and distribution expenses	**(4,940)**	(4,349)	(6,342)	(7,460)	(7,634)
Administrative expenses	**(4,513)**	(5,076)	(4,506)	(4,610)	(3,767)
Net impairment losses on financial assets	**(1,356)**	(1,163)	(1,006)	–	–
Other expenses	**(8,679)**	(5,500)	(5,683)	(6,425)	(5,701)
Finance costs	**(1,174)**	(575)	(265)	(592)	(445)
Share of profits and losses of:					
Joint ventures	**9,495**	11,633	12,280	13,574	11,665
Associates	**2,960**	3,913	3,182	2,207	1,897
PROFIT BEFORE TAX	**12,218**	14,605	14,239	15,775	15,731
Income tax expense	**(1,618)**	(1,759)	(1,661)	(1,148)	(1,276)
PROFIT FOR THE YEAR	**10,600**	12,846	12,578	14,627	14,455
Profit attributable to:					
Equity holders of the parent	**10,792**	12,858	12,979	14,061	13,345
Non-controlling interests	**(192)**	(12)	(401)	566	1,110
	10,600	12,846	12,578	14,627	14,455

Five Year Financial Summary (Continued)

For the year ended 31 December 2020

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
		(Restated)			
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**316,521**	272,000	226,517	213,908	185,079
Total liabilities	**(175,395)**	(138,032)	(101,592)	(98,584)	(81,441)
Non-controlling interests	**(5,318)**	(6,187)	(6,569)	(6,809)	(6,912)
	135,808	127,781	118,356	108,515	96,726

Definitions

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

"Company"	東風汽車集團股份有限公司 (Dongfeng Motor Group Company Limited), a joint stock limited company registered in the PRC on 12 October 2004 in accordance with the laws of the PRC or where the context refers to any time prior to the date of incorporation, those entities and businesses which were contributed to and conducted by the Company upon its establishment
"Dongfeng Joint Venture Companies"	Jointly-controlled Entities in which the Company, its subsidiaries or Jointly-controlled Entities (including their respective subsidiaries and Jointly-controlled Entities) have equity interests as at 31 December 2016.
"Dongfeng Motor Corporation" or "DMC"	originally named as 東風汽車公司 in Chinese (Dongfeng Motor Corporation), the controlling shareholder of the Company and a state-owned enterprise incorporated under the laws of the PRC and the parent of the Company
"Dongfeng Motor Group" or "Group"	the Company and its subsidiaries, the Dongfeng Joint Venture Companies and 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
"Parent Group"	Dongfeng Motor Corporation and its subsidiaries (excluding the Group)
"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