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DONGFENG MOTOR GROUP COMPANY LIMITED*

東風汽車集團股份有限公司

*(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 489)*

2021 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of Dongfeng Motor Group Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group” or the “Dongfeng Motor Group”) for the year ended 31 December 2021 together with the comparative figures in 2020.

In this announcement, unless otherwise specified, all references to business, including manufacture, research and development, outputs and sales volume, market share, investment, sales network, employee, motivation, social responsibility, corporate governance include all relating to the Dongfeng Motor Group, subsidiaries, joint ventures and associates (including subsidiaries, joint ventures and associates of the Company in which the members of the Group have direct or indirect equity interests).

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Year ended 31 December	
		2021 RMB million	2020 RMB million (Restated) (Note 3)
Revenue	4	113,008	108,441
Cost of sales		(98,818)	(92,629)
Gross profit		14,190	15,812
Other income	5	5,024	4,801
Selling and distribution expenses		(5,741)	(5,043)
Administrative expenses		(5,198)	(4,594)
Net impairment losses on financial assets	8	(1,900)	(1,362)
Other expenses		(6,954)	(8,676)
Finance expenses	7	(265)	(1,206)
Share of profits and losses of:			
Joint ventures		11,800	9,495
Associates		1,804	2,960
PROFIT BEFORE INCOME TAX	6	12,760	12,187
Income tax expense	9	(1,385)	(1,620)
PROFIT FOR THE YEAR		11,375	10,567
Profit attributable to:			
Equity holders of the Company		11,387	10,758
Non-controlling interests		(12)	(191)
		11,375	10,567
Earnings per share attributable to ordinary equity holders of the Company:	11		
Basic for the year (RMB)		132.16 cents	124.86 cents
Diluted for the year (RMB)		132.16 cents	124.86 cents

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

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

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

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

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	31 December	
		2021	2020
		RMB million	RMB million (Restated) (Note 3)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital		8,616	8,616
Reserves		23,823	20,430
Retained profits		114,903	106,857
		<u>147,342</u>	<u>135,903</u>
Non-controlling interests		4,722	5,334
TOTAL EQUITY		<u>152,064</u>	<u>141,237</u>
Non-current liabilities			
Interest-bearing borrowings		16,652	22,373
Lease liabilities		2,179	2,152
Other long term liabilities		2,879	3,166
Government grants		2,496	2,309
Deferred income tax liabilities		2,882	2,692
Provisions		1,025	805
Total non-current liabilities		<u>28,113</u>	<u>33,497</u>
Current liabilities			
Trade payables	13	19,327	21,126
Lease liabilities		298	163
Bills payable		28,941	36,986
Other payables and accruals		17,631	17,223
Contract liabilities		5,628	4,159
Due to joint ventures		36,797	21,973
Interest-bearing borrowings		28,137	38,384
Income tax payable		1,545	1,320
Provisions		1,286	1,241
Total current liabilities		<u>139,590</u>	<u>142,575</u>
TOTAL LIABILITIES		<u>167,703</u>	<u>176,072</u>
TOTAL EQUITY AND LIABILITIES		<u>319,767</u>	<u>317,309</u>

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

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

*These reserve accounts comprise the consolidated reserves of RMB 23,823 million (2020: RMB 20,430 million) in the consolidated statement of financial position.

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

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

*These reserve accounts comprise the consolidated reserves of RMB 20,430 million (2019: RMB 18,473 million) in the consolidated statement of financial position.

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.

Basis of consolidation

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

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

2.1 Basis of preparation (Continued)

Basis of consolidation (Continued)

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

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

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

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

2.2 Change in accounting policies and disclosures

(i) New and amended standards adopted by the Group

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

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

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

2.2 Change in accounting policies and disclosures (Continued)**(ii) New standards and interpretations not yet adopted**

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

3. Business combination under common control

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

4. 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 2021, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021

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

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

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021

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

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020

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

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

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020

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

MOTOR GROUP COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2021

5. OTHER INCOME

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

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

- (a) On May 2020, the Group acquired 50% shares of Dongfeng Renault Automotive Co., Ltd. ("DRAC") held by Renault Co., Ltd.. After the acquisition, the percentage of holding shares to DRAC was 100%. During June to December 2020, DRAC obtained the debt forgiveness through negotiation with the creditors and recognised gain on restruction of RMB 1,520 million.

6. PROFIT BEFORE INCOME TAX

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

	2021 RMB million	2020 RMB million (Restated)
Cost of inventories recognized as expense	91,883	86,360
Interest expense for financing services (included in cost of sales)	370	541
Provision against inventories	280	245
Depreciation of property, plant and equipment	2,450	2,084
Amortization of intangible assets	1,165	892
Depreciation of right-of-use assets	303	262
Depreciation of Investment properties	12	6
Auditors' remuneration	22	19
Net impairment losses on financial assets	1,900	1,362

MOTOR GROUP COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2021

7. FINANCE EXPENSES

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

8. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

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

MOTOR GROUP COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2021

9. INCOME TAX EXPENSE AND DEFERRED INCOME TAX

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

10. DIVIDEND

	2021	2020
	RMB	RMB
	million	million
Proposed final - RMB0.30 (2020: Nil) per ordinary share	2,585	-
	<hr/> <hr/>	<hr/> <hr/>

The total dividends paid in 2021 amounted to RMB 3,446 million, being RMB 0.40 per share (2020: RMB 3,016 million, being RMB 0.35 per share).

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

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

The calculation of basic earnings per share is based on:

	2021	2020
	RMB million	RMB million (Restated)
Earnings:		
Profit for the year attributable to ordinary equity holders of the Company	<u>11,387</u>	<u>10,758</u>
	<u>Number of shares</u>	
	million	million
Shares:		
Weighted average number of ordinary shares in issue during the year	<u>8,616</u>	<u>8,616</u>
Earnings per share	<u>132.16 cents</u>	<u>124.86 cents</u>

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.

12. TRADE RECEIVABLES

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

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

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

Fair values of trade receivables

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

Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an increase of the loss allowance for trade receivables, and a further increase in the allowance by RMB 480 million in the current periods.

13. TRADE PAYABLES

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

	31 December	
	2021	2020
	RMB million	RMB million (Restated)
Within three months	17,776	18,893
More than three months but within one year	1,067	1,584
More than one year	484	649
	19,327	21,126

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

Amid the complex and volatile external situation, the Dongfeng Motor Group has managed to maintain high quality business development throughout the year by a series of measures including seizing the market, tapping internal potential, reducing costs and increasing efficiency, and enhancing coordination. In 2021, approximately 2,775,100 vehicles were sold, representing a year-on-year decrease of 3.3%. Nevertheless, independent passenger vehicles business scored a fast growth, with the sales volume of approximately 377,000 units, representing a year-on-year increase of 47.1%, 40 percentage points higher than the industry growth. The Group has developed its core independent R&D capabilities in commercial vehicles, whose "Dragon Engine" power technology emerged as the leading position in the industry, marked by the largest market share of national VI products for medium and heavy trucks among the industry. Affected by the upgrading of national regulations and the decline in industry demand, the annual sales of commercial vehicles were approximately 523,000 units, representing a year-on-year decrease of 5.8% which is outperforming the industry decline and an increasing market share year-on-year. As for the new energy business, the Group achieved an explosive growth, with annual sales volume of approximately 161,000 units, up 2.6 times year-on-year, outperforming the industry decline and securing the fourth place in the industry. Specifically, VOYAH FREE, the high-end new energy model, has been successfully launched and its sales volume has been increasing month by month, while demand for Fengshen E70 exceeded supply in online car-hailing market, representing a year-on-year increase of 5 times. The Dongfeng Motor Group, in the face of the chip shortage in joint venture passenger vehicle, has taken proactive actions to adjust sale structure, collaborate and coordinate with upstream and downstream suppliers that ensured stable terminal sales throughout the year, with overall terminal retailing better than the industry decline. Dongfeng Peugeot Citroen Automobile Company Ltd., achieved a recovery in sales and doubled its sales volume for the year through measures such as "Yuan+ Plan, Five Heart Guardian Action".

Acting in line with overall objectives of the "14th Five-Year Plan" and the "One Main Body with Two Wings" business layout, the Dongfeng Motor Group announced its "East Wind Rising" plan in 2021, which aims to build a "Dongfeng of Quality, Smart and Harmony" to make the brand of Dongfeng the backbone of national brands, and make the Group a leading enterprise that enables the innovative development of the automobile industry, and become a partner in creating value for customers, society and employees. The Dongfeng Motor Group remained on track to carve a path toward green and low-carbon technology with high quality development. Under the goal of combining peak carbon, carbon neutrality and the parallel development of pure electric + hybrid + hydrogen power lines, the Dongfeng Motor Group has developed drive motors on its own for total mass production applications, and achieved mass production application with a mix of

C15TDR+HD120, which made it possible for Dongfeng Hydrogen Boat, China's first mass-produced full-power fuel-cell passenger car to be put into demonstration operation. The Group also put key core technologies in place like 800V high-voltage platform, wireless charging and solid-state batteries.

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

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

During the year, the Dongfeng Motor Group continued to optimize its administration system and maintain a high-quality operation, reaching good results in key financial indicators. Revenue increased by 4.2% year-on-year. Profit before income tax for the year was RMB12,760 million, representing a year-on-year increase of 4.7%, with a profit margin of 11.3%. Profit attributable to the parent reached RMB11,390 million, representing a year-on-year increase of 5.8%. Interest-bearing borrowings liabilities decreased by RMB15,970 million from the end of the previous year and the gearing ratio was about 3 percentage points lower than at the end of the previous year. With a sustained improvement in operation efficiency, the turnover days for the receivables (inclusive bills receivables) decreased significantly by 36 days year-on-year and turnover days for inventory decreased by 8 days year-on-year. The Dongfeng Motor Group focused on the areas of new energy, autonomous driving, electrical and electronic architecture and software, automotive styling and design, and continued to increase its investment in R&D, representing a year-on-year increase of 8.4%.

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

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

The Dongfeng Motor Group will lay the groundwork for the enhancement of profitability and marketability, promising that the annual production and sales targets to be met and the quality of

its operations to be maintained. The Group will forge ahead with the action plan for management improvement against world-class enterprises and the three-year action plan for reform of State-owned Enterprises, as well as refine the corporate governance, strengthen incentive mechanism and reinvigorate the enterprise itself.

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

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

Zhu Yanfeng
Wuhan, the PRC
29 March 2022

BUSINESS OVERVIEW

I. Business Operations during the Year under Review

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

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

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

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

2. Sales revenue of Dongfeng Motor Group in 2021

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

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

3. Sales and service networks

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

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

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

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

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

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

As at 31 December 2021, the total whole vehicle production capacity of Dongfeng Motor Group was approximately 3,510,000 units, among which the production capacity of commercial vehicles and passenger vehicles was approximately 670,000 units and 2,840,000 units, respectively.

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

(1). Production capacity of the whole commercial vehicles

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

(2). Production capacity of the whole passenger vehicles

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

Due to the construction and commissioning of the Yunfeng Plant and the capacity upgrade of eGT New Energy Automotive Co., Ltd., Dongfeng Motor Group will expand its production capacity to meet the demand of its products gradually. By the end of 2022, it is expected that the production capacity of whole vehicles will be 3,840,000 units.

5. Capital expenditure

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

- I. 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, new energy complete vehicle and three power core components testing system and hydrogen cell testing and inspection system in combination with the technological plans of the Group.
- II. 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.
- III. 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 2022, the Group has started to pool its advantageous resources to carry out the electric transition and intelligent and green transformation of the Group's existing production capacity on an ongoing basis, promoting management improvement and manufacturing technology upgrade.
- IV. 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 production line for automotive grading IGBT modules, as

well as the trial-production and production line of three power core components. The Group also conducted strategic research and investment in intelligent networking and travel services.

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

Business Outlook

In 2022, the Group's sales volume targets an increase of 25% year-on-year, among which the sales volume of commercial vehicles targets an increase of 10% and that of passenger vehicles targets an increase of 28%. In respect of commercial vehicles, the Group will launch four new products to fully implement the upward of brand, while vigorously promoting the sales of new vehicles, powertrain, as well as post-market transformation and collaborative efforts to further enhance the competitiveness of commercial vehicles of Dongfeng. At the same time, the Group will accelerate the enhancement of marketing capabilities throughout the process and cycle, continue to maintain the position of the Group's commercial vehicles in the field of China VI vehicles, embody the brand advantage of "Longqing" powertrain, and realise the demonstration operation of GX high-end heavy trucks exported to the European market. In respect of passenger vehicles, more than 13 new products will be launched in 2022, of which 5 will be launched with self-owned brands, including key models such as VOYAH Dreamer and Fengshen Haoji; 8 joint venture brands, including blockbuster vehicle models such as Dongfeng Nissan ARIYA, Dongfeng Honda e·NS1, new-generation CRV and D78 of Dongfeng Peugeot Citroën. At the same time as the launch of new products, we will continue to enhance the brand popularity and price premium, as well as strengthen digital marketing, which will bring strong momentum to sales.

Management Discussion and Analysis

I. OPERATING ENVIRONMENT

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

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

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

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

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

II. OPERATION ANALYSIS

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

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

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

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

III. FINANCIAL ANALYSIS

1. Revenue

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

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

1.1 Passenger Vehicle Business

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

1.2 Commercial Vehicle Business

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

1.3 Auto Financing Service Business

Finance company 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, with the overall financial business maintaining a stable but upward trend.

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

2. Cost of Sales and Gross Profit

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

3. Other Income

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

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

4. Selling and Distribution Expenses

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

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

5. Administrative Expenses

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

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

6. Net Impairment Losses on Financial Assets

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

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

7. Other Expenses

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

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

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

8. Finance Expenses

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

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

9. Share of Profits and Losses of Joint Ventures

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

10. Share of Profits and Losses of Associates

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

11. Income Tax

The income tax expense of the Group for 2021 decreased by approximately RMB235 million to approximately RMB1,385 million from approximately RMB1,620 million in the corresponding period of last year. The effective tax rate for the period was approximately 10.85%.

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

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

13. Total Assets

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

14. Total Liabilities

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

15. Total Equity

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

16. Liquidity and Sources of Capital

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

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

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

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

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

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

17. Major Financial Figures Based on Proportionate Consolidation

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

PROPOSED FINAL DIVIDENDS

The Board proposed to distribute a final dividend of RMB0.30 per share based on the annual profit for 2021.

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

MATERIAL LEGAL PROCEEDINGS

As at 31 December 2021, Dongfeng Motor Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against Dongfeng Motor Group as far as Dongfeng Motor Group was aware.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021 .

CORPORATE GOVERNANCE

The Board believes that high standards of corporate governance brings long-term benefits in protecting shareholders' interests and increasing corporate value. Good corporate governance enables to enhance the confidence and recognition of our existing and future shareholders, investors, employees, and business partners. As such, The Board is committed to reaching the highest standards of corporate governance and has taken the principles and code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the Company's corporate governance practices.

During the year, the Company had been in compliance with all Code provisions of the Corporate Governance Code.

SECURITIES TRANSACTION OF THE DIRECTOR AND THE SUPERVISOR

The Company has adopted a code of conduct regarding the directors' and supervisors' securities transactions on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"). After specific enquiries of all directors by the Company, all directors and supervisors have confirmed that they have fully complied with the Model Code throughout the period.

ANNUAL GENERAL MEETING

The Annual General Meeting for the year 2021 of the Company will be held on Friday, 17 June 2022. In order to determine the name list of shareholders who are entitled to attend the annual general meeting, the register of members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022 (both days inclusive). Holders of H shares and domestic shares with their names listed on the register of shareholders on Friday, 17 June 2022 are entitled to attend the 2021 annual general meeting.

In order to be qualified to attend and vote at the annual general meeting, holders of H shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4: 30 p.m. on Monday, 13 June 2022 (Hong Kong time), being the last share registration date.

REVIEW OF THE ACCOUNTS

The audit and risk management committee has reviewed the audited financial reports for the year ended 31 December 2021 of the Company and the Group.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.dfm.com.cn).

The annual report of the Company for the year ended 31 December 2021 containing all the information required by the Listing Rules will be dispatched to the H Shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

BOARD OF DIRECTORS

As at the date of this announcement, Mr. Zhu Yanfeng, Mr. Yang Qing and Mr. You Zheng are the executive directors of the Company, Mr. Huang Wei is the non-executive director of the Company, and Mr. Leung Wai Lap, Mr. Zong Qingsheng and Mr. Hu Yiguang are the independent non-executive directors of the Company.

On behalf of the Board of Directors

Zhu Yanfeng
Chairman

Wuhan, the PRC, 29 March 2022

** For identification only*