東風汽車集團股份有限公司

DONGFENG MOTOR GROUP COMPANY LIMITED*

Stock Code: 489

2019 INTERIM REPORT

* For identification purposes only

Contents

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the interim report of the Group for 2019 for your review.

In the first half of 2019, China's economy maintained a stable development with moderate improvement in overall, and recorded a year-on-year increase of 6.3% in GDP. The automobile market was in a severe situation. The sales volume of vehicles recorded a year-on-year decrease, and fierce differentiation in the automobile market was seen. In the first half of 2019, the production and sales volume of China's automobile industry amounted to approximately 12,132,200 units and 12,322,900 units, representing a year-on-year decrease of 13.7% and 12.4% respectively, decreased by approximately 17.9 percentage points and 18.0 percentage points as compared with the year-on-year cumulative growth rate of 4.2% and 5.6% of the production and sales volume of the corresponding period of last year. Among which, the production and sales volume of passenger vehicles amounted to 9,977,900 units and 10,126,500 units, representing a year-on-year decrease of 15.8% and 14.0% respectively, decreased by 19.0 percentage points and 18.6 percentage points as compared with the year-on-year cumulative growth rate of 3.2% and 4.6% of the production and sales volume of the corresponding period of last year. The production and sales of commercial vehicles amounted to 2,154,400 units and 2,196,400 units, representing a year-on-year decrease of 2.3% and 4.1% respectively, decreased by 11.7 percentage points and 14.7 percentage points as compared with the year-on-year cumulative growth rate of 9.4% and 10.6% of the production and sales volume of the corresponding period of last year. The characteristics of the development of automobile industry were presented as follows:

1. An overall significant decline in the automobile market was recorded in the first half of the year, showing that the market performance was weaker than the general expectation at the beginning of the year.

2. The market structure of passenger vehicles was fiercely differentiated. The Japanese and German vehicles achieved outstanding performance, with the increase in the market shares of 3.7 percentage points and 2.2 percentage points, respectively, while sluggish performance of American and French vehicles were seen, with the decrease in the market shares of 1.1 percentage points and 1.0 percentage point, respectively. The pressure borne by self-owned brands was intensified, with a decrease in the market share of 3.9 percentage points.

3. Impacted by governing the "understated loading for lower toll fee", the growth of sales in the commercial vehicles market changed from positive to negative, but the structure of commercial vehicles remained stable in general. Certain segmented market, such as tractors in heavy trucks recorded obvious increase, while the market structure of light trucks continued to optimize.

4. New energy vehicles maintained rapid growth that the decline of fuel consumption of traditional vehicles enterprises was slower than expected, and some of the enterprises' CAFC and NEV points encountered relatively high pressure.

5. The automobile industry continued to strengthen opening up and cooperation, while the political environment was strict and tightened, resulting in acceleration of transformation and upgrade in the industry.

6. With the increase in pressure of automobile industry, elimination contests were intensified, leading to suspension of production and bankruptcy.

In the first half of 2019, the total sales volume of vehicles of Dongfeng Motor Group were approximately 1,374,400 units, representing a decrease of approximately 9.0% as compared with the corresponding period of last year. The sales revenue of the Group was approximately RMB48,447 million, representing a decrease of 16.4% as compared with the corresponding period of last year. Based on the proportionate consolidation method, the sales revenue of the Group for the first half of the year amounted to approximately RMB118,227 million, representing a decrease of 7.8% as compared with the corresponding period of last year. Among which, the sales revenue of passenger vehicles amounted to approximately RMB77,422 million, representing a decrease of 12.4% as compared with the corresponding period of last year; the sales revenue of commercial vehicles amounted to approximately RMB38,428 million, representing an increase of 2.4% as compared with the corresponding period of last year. In the first half of 2019, the profit attributable to equity holders of the parent was approximately RMB8,499 million, representing an increase of 5.3% as compared with the corresponding period of last year.

The operation of Dongfeng Motor Group had the following characteristics of operation in the first half of 2019:

1. The total sales volume outperformed the market, maintaining a stable position. In the first half of the year, the sales volume of vehicles were approximately 1,374,400 units, representing a year-on-year decrease of 9.0%, which was 3.4 percentage points lower than the descending rate of the automobile industry. The market share was approximately 11.2%, representing an increase of 0.5 percentage point as compared with the corresponding period of last year.

2. The passenger vehicles outperformed the market as a whole, and the performance of joint venture brands was better than the self-owned brands. In the first half of the year, the sales volume of passenger vehicles were 1,134,000 units, representing a year-on-year decrease of 11.3%, which was 2.7 percentage points lower than the descending rate of the passenger vehicle industry. Among which, the passenger vehicles of joint venture brands, in general, obviously outperformed the industry, while the passenger vehicles of self-owned brands underperformed the market arising from the increasing pressure of the business.

3. The sales of commercial vehicles achieved a positive increase against the market trend as compared with the corresponding period of last year. In the first half of the year, the sales of commercial vehicles were approximately 240,500 units, representing a year-on-year increase of 3.9%, which was 8.0 percentage points higher than the industry. Among which, the sales volume of medium trucks and heavy trucks were 137,000 units, representing a year-on-year decrease of 0.8%, which was 5.0 percentage points lower than the decreasing rate of the market; and the sales volume of light trucks were 92,500, representing a year-on-year increase of approximately 14.5%, which was 16.2 percentage points higher than the industry.

4. Adhering to maintain high quality development theme and consolidating the operation foundation. In the first half of the year, the Company strengthened the vehicle storage management, and reduced the use of "two funds". The net profit margin of the Company maintained stable at 17.5% despite the significant decline in the development encountered by the Company in the automobile industry.

5. Seizing the trend of "Five Transformation" in automobile industry and accelerating the pace of transformation. The Company insisted on the innovation-driven concept, and promoted in-depth "green energy" and "intelligence" strategies. The level of "power battery, electric machinery and electric control system" products was improved and turned to scale development, while intelligent internet-connected products continued the development of repeated algorithms. The business layout of travel service accelerated, and the overall solutions of intelligent city commenced exploration.

Currently, China's economy faces complex internal and external environment, with an increasing downward pressure, and the automobile industry has entered the stage of "elimination competition". To deal with the new situation, Dongfeng Motor Group will focus on the following working areas during the second half of the year: 1. To focus on the major and core business, and continue the operating strategies of quality development; 2. To intensify the resource synergy, improve the efficiency of vehicle models, and strive to promote the business development of self-owned brand; 3. To perform unified plans and deployment at the Group's level to promote the development of digital operating structure and the construction of internet-connected automobile platform; 4. To accelerate the control of the core resources of the "power battery, electric machinery and electric control system", create new business models, and operate in compliance with the regulations to improve the healthy development of new energy automobile business; 5. To continue promoting the reform, and optimizing the corporate governance structure to establish a first-class mechanism.

In the future, since the automobile industry will come across a more complicated development environment, Dongfeng Motor Group will carry on the operating strategy of quality development, accelerate innovation-driven development, transformation and upgrading, and strive to pay shareholders back with better performance.

Zhu Yanfeng
Chairman

Wuhan, the PRC
29 August 2019

Corporate Information

REGISTERED NAME	Dongfeng Motor Group Company Limited
REGISTERED ADDRESS	Special No. 1 Dongfeng Road Wuhan Economic and Technology Development Zone Wuhan, Hubei 430056, PRC
PRINCIPAL PLACE OF BUSINESS IN THE PRC	Special No. 1 Dongfeng Road Wuhan Economic and Technology Development Zone Wuhan, Hubei 430056, PRC
PRINCIPAL PLACE OF BUSINESS IN HONG KONG	Level 54, Hopewell Centre, 183 Queen's Road East Hong Kong
COMPANY WEBSITE	www.dfmg.com.cn
COMPANY SECRETARIES	Lu Feng Lo Yee Har Susan *(FCS, FCIS)*
AUDITORS	PricewaterhouseCoopers
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
PLACE OF LISTING	The Stock Exchange of Hong Kong Limited
STOCK CODE	00489

I. BUSINESS OVERVIEW

(I) Major Businesses

Dongfeng Motor Group is principally engaged in the businesses of research and development, manufacturing and sales of commercial vehicles, passenger vehicles, engines and other auto parts, automobile equipment manufacturing, import and export of automobile products, logistics services, financing services, insurance agency and used car trading. The principal products include commercial vehicles (heavy trucks, medium trucks, light trucks, mini trucks and buses, special purpose vehicles, semi-trailers as well as auto engines and auto parts related to commercial vehicles) and passenger vehicles (basic passenger vehicles, MPV, SUV and auto engines and auto parts related to passenger vehicles).

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

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

In recent years, Dongfeng Motor Group has accelerated the development of its new-energy vehicle business, which is principally operated by Dongfeng Motor Co., Ltd., Dongfeng Special Commercial Vehicle Co., Ltd., Dongfeng Passenger Vehicle Company, Dongfeng Electric Vehicle Co., Ltd., eGT New Energy Automotive Co., Ltd. and Dongfeng Changxing (Wuhan) Technology Co., Ltd..

The financing service business of Dongfeng Motor Group is currently operated by the following companies: Dongfeng Motor Finance Co., Ltd. (a wholly-owned subsidiary of the Company), Dongfeng Nissan Auto Finance Co., Ltd. (an associate company between the Company, Nissan Motor Co., Ltd. and Nissan (China) Investment Co., Ltd.), Dongfeng Peugeot Citroën Auto Finance Co., Ltd. (a joint venture between the Company, Peugeot Citroën Netherlands Finance Co., Ltd. and Dongfeng Peugeot Citroën Automobile Co., Ltd.), Chuang'ge Financial Leasing Co., Ltd. (a wholly-owned subsidiary of the Company) and Dongfeng Peugeot Citroën Financial Leasing Co., Ltd. (a joint venture between the Company, Dongfeng Peugeot Citroën Automobile Co., Ltd. and Peugeot Citroën Netherlands Finance Co., Ltd.).

(II) Principal Business Operations during the First Half of 2019

As at 30 June 2019, the production and sales volume for vehicles of Dongfeng Motor Group were approximately 1,369,000 units and 1,374,400 units respectively. According to the statistics published by the China Association of Automobile Manufacturers, Dongfeng Motor Group had a market share of approximately 11.2% in terms of sales volume of commercial and passenger vehicles made by domestic manufacturers in the first half of 2019. The following table sets out the production and sales volumes of commercial and passenger vehicles of Dongfeng Motor Group as well as their respective market shares in terms of sales volume in the first half of 2019:

	Production Volume *(Unit)*	**Sales Volume** *(Unit)*	**Market Share** *(%)*[1]
Commercial Vehicles	233,484	240,461	10.9
Trucks	222,612	229,492	11.6
Buses	10,872	10,969	5.2
Passenger Vehicles	1,135,556	1,133,979	11.2
Basic passenger cars	590,519	568,952	11.5
MPVs	56,810	62,741	9.4
SUVs	488,227	502,286	11.7
Total	1,369,040	1,374,440	11.2

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

Revenue of the Group for the six months ended 30 June 2019:

Business	**Sales Revenue** *(RMB million)*	**Contribution to the Group's Sales Revenue** *(%)*
Passenger vehicles	13,563	28.0
Commercial vehicles	32,364	66.8
Financing service	2,484	5.1
Corporate and others	139	0.3
Elimination	(103)	(0.2)
Total	48,447	100.0

(III) Principal Business Achievements during the First Half of 2019

1. Tamping solid foundations for operation while adhering to the high-quality development. The sales volume of Dongfeng Motor Group for the first half of the year was approximately 1,374,400 units, representing a decrease of approximately 9.0% year on year, and achieved sales revenue of RMB48,447 million and profit attributable to equity holders of the Company of RMB8,499 million, representing a decrease of approximately 16.4% and an increase of approximately 5.3% respectively. Despite of dramatic decline in the automobile market and increasing risks and challenges, Dongfeng Motor Group outperformed the industry as a whole in terms of the sales volume, beating the market.

2. Held a leading position in the commercial vehicle industry in terms of sales volume. In the first half of 2019, the sales volume of commercial vehicles reached approximately 240,500 units, representing an increase of 3.9% year on year. The overall structure remained stable, and the segment underwent significant growth, in particular heavy trucks.

3. The Group's new energy vehicles business grown at a high speed continuously, Dongfeng Passenger Vehicle and Dongfeng Nissan attained a notable performance.

4. The goals of financing service and trade & logistics sectors were achieved well. Good growth was attained in the financing service sector. Dongfeng Motor Finance Co., Ltd. and Chuang'ge Financial Leasing Co., Ltd. realized their goals of revenues and profits, with a year-on-year increase. The goals of revenue set for the trade & logistics sector were realized.

(IV) Business Outlook

As a result of many unfavorable factors such as the trade war initiated by the United States against China, consumption in the Chinese auto market became sluggish in the first half of 2019. The overall consumption was low, while the decrease in the sales in the industry being reduced in June. In the second half of 2019, China will still face many risks and challenges in its economic development. The downward pressure on the domestic economy will still be great. It is expected that the automobile market will show a negative growth rate of approximately 5% throughout the year. New energy vehicles are expected to see an upward trend, but due to decrease in subsidies and related uncertainties, the annual sales volume of new energy vehicles in China is expected to be approximately 1,500,000 units.

In the 5–10 years to come, Dongfeng Motor Group will make greater efforts to realize high-quality development, and will focus more on the quality development, earnings and construction of core capabilities. The Group will implement the principles of innovative development and concentrated development into the new planning scheme. The Company will take the construction of domestic excellent enterprise and even become a world-class automotive enterprise as its development goal, adhere to the enterprise orientation of "providing users with all-round high-quality automotive products and services" and actively promote the orderly development of various missions. Its main development goals of the Company are as follows:

(1) To forerun the industry in terms of operation quality and continue to improve and consolidate the operating profit margin;

(2) To strive to expand the market share of automobile, and expand the operation scale based on high-quality development;

(3) To hold the leading position of the self-owned brand in the industry by 2023;

(4) To become a leader in the industry's new business with becoming first tier in the industry in terms of sales volume of new-energy vehicle by 2023;

(5) To continuously promote our brand popularity and elevate the international influence of Dongfeng brand to strive to become a global mainstream car brand.

II. CORPORATE GOVERNANCE

1. Overview of Corporate Governance

The Company has been in compliance with the relevant requirements provided by the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Corporate Governance Code of the Stock Exchange of Hong Kong. The Company supervises and regulates its daily operation in strict compliance with the Articles of Association of Dongfeng Motor Group Company Limited and various governing systems of the Company, and regularly reviews the operation and management of the Company. In addition, the Company recognises the importance of transparency in governance and accountability to the shareholders of the Company, and commits to continuously enhancing the standard and effectiveness of corporate governance to ensure that the Company is developing properly on the right path, and the interests of shareholders in the Company will continue to grow and be well protected.

2. Corporate Governance Code

For the six months ended 30 June 2019, the Company fully complied with the code provisions as set out in the Corporate Governance Code of Appendix 14 to the Listing Rules except for Code Provision A.4.2.

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

3. Securities Transaction of the Directors

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

4. Independent Non-executive Directors

The Board of Directors of the Company consists of six Directors, including four Independent Non-executive Directors. Mr. Zhang Xiaotie, an Independent Non-executive Director, has the qualification and experience of accounting and financial management. The composition of the Board of Directors of the Company is in compliance with the requirement of the Listing Rule 3.10(1) that "every board of directors of a listed issuer must include at least three independent non-executive directors", the Listing Rule 3.10A that "an issuer must appoint independent non-executive directors representing at least one-third of the board" and the Listing Rule 3.10(2) that "at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise".

5. Board Meeting

Three board meetings were held by the Company in the first half of 2019 and the major matters covered were as follows:

- To consider and approve the financial budget for 2019 of the Company;
- To consider and approve the annual cap for bank credit for 2019 of the Company;
- To consider and approve the interim business plan for 2018 of the Company;
- To consider and approve the annual investment plan for 2019 of the Company;
- To consider and approve the plan for transfer of equity interests in Dongfeng South Financial Leasing and Wuhan Dongfeng Insurance Brokerage Company;
- To consider and approve the resignation of relevant senior management;
- To consider and approve investment in China Railway Special Cargo Services;
- To consider and approve the 2018 annual report;
- To consider and approve the annual cap for bond financing for 2019 of the Company;
- To consider and approve the issuance and allotment of shares;

- To consider and confirm the independence of Independent Non-executive Directors;
- To consider and approve the remuneration packages of Directors and Supervisors for 2019;
- To consider and approve the engagement of DMC to implement employee training services;
- To consider and approve the formulation of Board Diversity Policy;
- To consider and approve the formulation of Director Nomination Policy;
- To consider and approve the formulation of Dividend Policy;
- To consider and approve the amendments to Rules of Procedures of the Board of Directors;
- To consider and approve the amendments to Rules of Procedures of the Nomination Committee;
- To consider and approve the amendments to Rules of Procedures of the Audit and Risk Management Committee;
- To consider and approve the convening of 2018 annual general meeting of the Company;
- To consider and approve the Company's 2018 Environmental, Social and Governance report;
- To consider and approve the plan for capital increase in Dongfeng South Financial Leasing Company.

Meetings of Board of Directors allows effective discussion and prompt and prudent decision. For the six months ended 30 June 2019, the attendance of directors at meetings of Board of Directors is as follows:

Members	**No. of Attendance/ No. of the Meetings**	**Attendance rate**
Executive Directors		
Zhu Yanfeng	3/3	100%
Li Shaozhu	2/3	66.7%
Independent Non-executive Directors		
Ma Zhigeng	3/3	100%
Zhang Xiaotie	3/3	100%
Cao Xinghe	0/3	0%
Chen Yunfei	3/3	100%

The management of the Company is responsible for providing the Board with relevant data and information necessary for the consideration of various resolutions and arranging officers to report on the progress of various tasks, especially updates on major projects of the Company, at the Board meetings.

6. Committees under the Board

1) Audit and Risk Management Committee

The Company has established the Audit and Risk Management Committee in accordance with Rules 3.21 and 3.22 of the Listing Rules. The Audit and Risk Management Committee is mainly responsible for reviewing and monitoring the financial reporting process of the Company, evaluating and determining the nature and level of risks encountered by the Company, reviewing the financial supervision, risk management and internal control system of the Company, and making suggestions and advices to the Board. The Audit and Risk Management Committee is composed of three members, all of whom are Independent Non-executive Directors of the Company. The chairman of the Audit and Risk Management Committee is Mr. Zhang Xiaotie, an Independent Non-executive Director who has possessed the professional qualification as required under Rule 3.10(2) of the Listing Rules. The other two members are Mr. Chen Yunfei and Mr. Ma Zhigeng, the Independent Non-executive Directors.

The Audit and Risk Management Committee has reviewed the unaudited financial report of the Group for the six months ended 30 June 2019.

2) Remuneration Committee

The Company has established the Remuneration Committee in accordance with Rules 3.25 and 3.26 of the Listing Rules. The Remuneration Committee is mainly responsible for formulating the remuneration proposals of directors, supervisors and senior management and medium and long term incentive schemes and submitting the same to the Board for approval. The committee is composed of three members with a majority of Independent Non-executive Directors. The chairman of the committee is Mr. Ma Zhigeng, an Independent Non-executive Director, and the other two members are Mr. Cao Xinghe, an Independent Non-executive Director, and Mr. Li Shaozhu, an Executive Director.

3) Nomination Committee

The Company has established the Nomination Committee in accordance with Rules A.5.1 to A.5.4 of Corporate Governance Code. The Nomination Committee is mainly responsible for nominating candidates of Directors, studying and reviewing the criteria and procedures for the nomination and selection of Director candidates, and making recommendations. The committee is composed of three members, a majority of whom are Independent Non-executive Directors. Mr. Zhu Yanfeng, the chairman of the Company, is the chairman of the Nomination Committee. The other two members of the committee are Mr. Ma Zhigeng and Mr. Zhang Xiaotie, both of whom are Independent Non-executive Directors of the Company.

7. Internal Control

In the first half of 2019, the Board has fully evaluated the effectiveness of the internal control system of the Company through the Audit and Risk Management Committee and the audit department of the Company with focuses on the control environment, risk assessment, control activity, information and communication as well as supervision. According to the evaluation on the internal control system, the Board believes that, during the first half of the year, the Company had a complete and fully effective internal control system covering various aspects including corporate governance, operation, investment, finance, administration and human resources.

The Board also believes that the internal control system aims to manage potential risks instead of eliminating risks. Therefore, the internal control system of the Company provides reasonable protection, rather than absolute guarantee, for the Company to realize its operation goals.

III. MAJOR MATTERS

Interim Results and Dividends

The results for the six months ended 30 June 2019 of the Group and the financial position of the Group as at that date are set out in the unaudited interim condensed consolidated financial statements on page 28 to 34 of this interim report.

The Board of Directors declared an interim dividend of RMB0.10 per share (2018: RMB0.10 per share) to the shareholders whose names appear on the register of members of the Company on Friday, 20 September 2019. The interim dividend will be distributed on Thursday, 31 October 2019.

Major Acquisitions and Disposals of Subsidiaries, Joint Ventures and Associates

On 2 November 2018, Dongfeng Motor Group entered into the Equity Transfer Agreements of Dongfeng Nissan Auto Finance Co., Ltd. with Dongfeng Motor Co., Ltd. and Nissan (China) Investment Co., Ltd. respectively. Pursuant to the Equity Transfer Agreements, Dongfeng Motor Group agreed to acquire 14.0% of Dongfeng Nissan Auto Finance Co., Ltd.'s equity interest from Dongfeng Motor Co., Ltd., and 0.5% of Dongfeng Nissan Auto Finance Co., Ltd.'s equity interest from Nissan (China) Investment Co., Ltd.. Dongfeng Motor Group acquired a total of 14.5% equity interest of Dongfeng Nissan Auto Finance Co., Ltd.. The equity transaction was completed in February 2019.

Dongfeng Motor Group intended to capitalise on the rapid growth in the market of ride-hailing and mobility services and tapped into the mobility market. The Company entered into a joint venture partnership agreement to establish T3 travel service company. During the six months ended 30 June 2019, Dongfeng Motor Group entered into a partnership agreement with FAW Group Co., Ltd., Chongqing Chang'an Automobile Co., Ltd. and 10 other enterprises, established a limited partnership named Nanjing Lingxing Equity Investment Partnership (Limited Partnership). Dongfeng Motor Group subscribed approximately 16.39% equity interest of the limited partnership.

Material Legal Proceedings

For the six months ended 30 June 2019, 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 the Group was aware.

Share Capital

As at 30 June 2019, the total share capital of the Company was RMB8,616,120,000 divided into 8,616,120,000 ordinary shares of RMB1 each, of which 5,760,388,000 shares were Domestic Shares, representing approximately 66.86% of the total number of shares in issue, and 2,855,732,000 shares were H Shares, representing approximately 33.14% of the total number of shares in issue.

Interests of Substantial Shareholders

As at 30 June 2019, 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, the number of underlying shares and proportion, as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance are set out below:

The percentage is calculated based on the number of issued ordinary shares as at 30 June 2019.

Long Position, Short Position and Lending Pool

Name	Class of Shares	Number of shares held	Percentage in the class of issued share capital %	Percentage in the total share capital %
DONGFENG MOTOR CORPORATION	Domestic Shares	5,760,388,000 (L)	100	66.85
SCMB Overseas Limited	H Shares	242,282,000 (L)	8.48	2.81
Standard Chartered Asia Limited	H Shares	242,282,000 (L)	8.48	2.81
Standard Chartered Bank	H Shares	242,282,000 (L)	8.48	2.81
Standard Chartered Holding Limited	H Shares	242,282,000 (L)	8.48	2.81
Standard Chartered Holdings (International) B.V.	H Shares	242,282,000 (L)	8.48	2.81
Standard Chartered MB Holdings B.V.	H Shares	242,282,000 (L)	8.48	2.81
Standard Chartered Private Equity Limited	H Shares	242,282,000 (L)	8.48	2.81
Reynolds Margaret (Meg)	H Shares	230,595,000 (L)	8.07	2.68
Ward Bryan	H Shares	230,595,000 (L)	8.07	2.68
Westwood Global Investments, LLC	H Shares	230,595,000 (L)	8.07	2.68
Pandanus Associates Inc.	H Shares	228,854,000 (L)	8.01	2.66
Pandanus Partners L.P.	H Shares	228,854,000 (L)	8.01	2.66
FIL Limited	H Shares	228,854,000 (L)	8.01	2.66
Prudential plc	H Shares	198,822,000 (L)	6.96	2.31
BlackRock, Inc.	H Shares	180,547,619 (L)	6.32	2.10
		8,258,000 (S)	0.29	0.01
Invesco Asset Management Limited	H Shares	171,569,000 (L)	6.00	1.99
Citigroup Inc.	H Shares	168,924,306 (L)	5.91	1.96
		6,805,200 (S)	0.23	0.07
		153,127,601 (P)	5.36	1.77
JPMorgan Chase & Co.	H Shares	159,399,957 (L)	5.58	1.85
		21,355,160 (S)	0.75	0.25
		108,947,966 (P)	3.82	1.26
Edinburgh Partners Limited	H Shares	153,514,000 (L)	5.37	1.78

Notes:

L– Long Position

S– Short Position

P– Lending Pool

Directors' and Supervisors' Interests in the Share Capital of the Company

As at 30 June 2019, the interest and short positions of the Directors and Supervisors of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance are set out below:

Name	Class of shares	Number of shares held	Percentage in the class of issued share capital %	Percentage in the total share capital %
He Wei	H shares	100,000 (L)	0.00	0.00

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor its subsidiaries and joint ventures purchased, sold or redeemed any of the listed securities of the Company during the reporting period.

I. OPERATING ENVIRONMENT

In the first half of 2019, China's economy maintained a stable development with moderate improvement in overall, and recorded a year-on-year increase of 6.3% in GDP. Investment in real estate and infrastructure has steadily risen since the second half of 2018, which was favorable for the commercial vehicle market for the first half of 2019. The total retail sales of consumer goods rebounded significantly, with an increase of 9.8% in June compared with the corresponding period of last year, which was favorable for the passenger vehicle market.

In the first half of 2019, China's automobile market continued its downward trend which has been on since the third and the fourth quarter of last year, with the total sales volume of 12,322,900 units vehicles, representing a year-on-year decrease of approximately 12.4%. The sales volume of passenger vehicles remained low. The growth rate of cumulative sales volume of commercial vehicles changed from positive to negative. New energy vehicles grew rapidly. The competition in the automobile industry is becoming more and more fierce, with the decrease of import tariffs and the liberalization of foreign automobile enterprises' shares, there are more uncertainties in the development of the automotive industry.

The passenger vehicles market was running at a low level with divergence in the market structure. The cumulative sales volume of passenger vehicles for the first half of 2019 registered 10,126,500 units, representing a decrease of 14.0% on a year-on-year basis. Amid the continued negative growth, and in the context of the trend in the second half of last year, the downward trend in the first half of this year has not deteriorated, especially the descending rate has narrowed since the second quarter. In terms of vehicle brands by country, the Japanese brands attained the best performance, with a cumulative sales volume of 2,175,000 units, an increase of 4.0% on a year-on-year basis, and with a market share of 21.5%, an increase of 3.7 percentage points on a year-on-year basis. The market share of German brands continued to expand, with an increase of 2.2 percentage points in the market share on a year-on-year basis, in despite of cumulative sales volume of 2,347,000 units, representing a decrease of 5.1% on a year-on-year basis. The market shares of American brands and French brands declined by 1.1 percentage points and 1.0 percentage point respectively. Self-owned brands faced greater pressure, with a cumulative sales volume of 4,001,000 units, representing a decrease of 21.7% on a year-on-year basis, and the market shares decreased by 3.9 percentage points.

The cumulative growth rate of commercial vehicles changed from positive to negative, but the overall structure remained stable, with significant growth in some market segments. For the first half of 2019, the sales volume of commercial vehicles was 2,196,400 units, decreased by 4.1% on a year-on-year basis. In the heavy truck market, tractors grew significantly in the first half of 2019, with a year-on-year increase of 17.2%. There will be more structural opportunities with the increasing optimization of the light truck market. Among which, the growth of small trucks, light dump trucks and light special truck exceeded 20%. With the increasing specialization of commercial vehicle market, structural opportunities will become the main feature of future market competition.

II. OPERATION ANALYSIS

In the first half of 2019, under the severe market situation, the Company maintained its focus on goals and achieved high-quality development.

The sales volume beat the market comprehensively and the market position remained stable. The Company sold 1,374,400 units of vehicles in the first half of 2019, representing a decrease of approximately 9.0% on a year-on-year basis. Although the year-on-year growth declined, the descending rate was approximately 3.4 percentage points lower than that of the industry market (the overall descending rate of the industry was about 12.4%). Against the background of negative growth in the automobile market and a large volume base, it has fully demonstrated the strength of steady growth and the ability of innovation and development of the Company. The Company has made steady progress in its economic operation, and its main operating performance indicators have steadily improved.

The sales performance of passenger vehicles of the Company outperformed the market as a whole. In the first half of 2019, the sales volume of the passenger vehicle of the Company was approximately 1,134,000 units, representing a year-on-year decrease of approximately 11.3%, which was approximately 2.7 percentage points lower than the descending rate of the industry (the overall descending rate of the passenger vehicles industry was about 14.0%). Sales volume of joint-venture passenger vehicles was 979,000 units, decreased by approximately 7.9% on a year-on-year basis.

The sales performance of commercial vehicles achieved a year-on-year increase against the industry trend. In the first half of 2019, the sales volume of commercial vehicles of the Company was 240,500 units, increased by approximately 3.9% on a year-on-year basis, which was approximately 8.0 percentage points higher than the industry (the overall descending rate of the commercial vehicles industry was about 4.1%). Among which, the sales volume of medium and heavy trucks was 137,000 units, representing a year-on-year decrease of approximately 0.8%; and the sales volume of light trucks was 92,500 units, representing a year-on-year increase of approximately 14.5%.

Inventory of vehicles has decreased significantly compared with the beginning of the year. As at the end of June, the total inventory was 405,800 units, which was less than the opening balance of the year by 22,300 units, representing a year-on-year decline of approximately 5.2%.

III. FINANCIAL ANALYSIS

1. Revenue

The interim revenue of the Group for 2019 was approximately RMB48,447 million, representing a decrease of approximately RMB9,475 million or 16.4% compared with RMB57,922 million for the corresponding period of last year. The decline in revenue was mainly caused by the decrease in sales revenue of Dongfeng Peugeot Citroën Automobile Sales Co., Ltd..

	The first half of 2019 Sales Revenue *RMB million*	The first half of 2018 Sales Revenue *RMB million*
Passenger vehicles	**13,563**	24,474
Commercial vehicles	**32,364**	31,483
Financing service	**2,484**	1,866
Corporate and others	**139**	147
Elimination	**(103)**	(48)
Total	**48,447**	57,922

1.1 Passenger Vehicle Business

Dongfeng Nissan, Dongfeng Honda and Dongfeng Infiniti beat the market in the passenger vehicle business. Dongfeng Honda and Dongfeng Infiniti grew against the sluggish market. All the leaders and employees of Dongfeng Peugeot Citroën Co., Ltd. and Dongfeng Renault Co., Ltd. overcame difficulties to push forward the reform and business adjustment.

The interim sales revenue of passenger vehicles of the Group for 2019 decreased by approximately RMB10,911 million, or 44.6%, to approximately RMB13,563 million from approximately RMB24,474 million for the interim period of 2018. The decrease in revenue was mainly from the passenger vehicle business of Dongfeng Peugeot Citroën Automobile Sales Co., Ltd. and Dongfeng Liuzhou Motor Co., Ltd..

1.2 Commercial Vehicle Business

The sales volume of Dongfeng Commercial Vehicle Co., Ltd. for the interim period of 2019 increased by 1.7% year on year, outperforming the industry. The sales volume of Dongfeng Automobile Co., Ltd. for the interim period of 2019 increased by 14.6% compared to the corresponding period of last year, beating the market by a big margin. Dongfeng Liuzhou Motor Co., Ltd.'s commercial vehicles' sales volume outperformed the market. The sales volume of Zhengzhou Nissan's commercial vehicles for the interim period of 2019 increased by 19.7% on a year-on-year basis, with market share increment ranking first in pickup truck industry in the first half of the year.

The interim sales revenue of commercial vehicles of the Group for 2019 increased by approximately RMB881 million, or 2.8%, to approximately RMB32,364 million from approximately RMB31,483 million for the interim period of 2018. The increase in revenue was mainly due to the sales growth of Dongfeng Commercial Vehicles Co., Ltd..

1.3 Auto Financing Service Business

Notable growth was achieved in the financing service sector, with 33.1% revenue increase on a year-on-year basis. The revenue and profit before income tax of Dongfeng Motor Finance Co., Ltd., Chuang'ge Financial Leasing Co., Ltd. and Dongfeng Nissan Auto Finance Co., Ltd. for the first half of 2019 realized a year-on-year increase. The profit before income tax of Dongfeng Peugeot Citroën Auto Finance Co., Ltd. for the first half of 2019 also increased compare to the corresponding period of last year.

The interim revenue of financing service of the Group for 2019 increased by approximately RMB618 million, or 33.1%, to approximately RMB2,484 million from approximately RMB1,866 million for the interim period of 2018. 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 the interim period of 2019 was approximately RMB40,653 million, representing a decrease of approximately RMB9,219 million, or 18.5%, as compared with approximately RMB49,872 million in the corresponding period of last year. The total gross profit was approximately RMB7,794 million, representing a decrease of approximately RMB256 million, or 3.2%, as compared with approximately RMB8,050 million in the corresponding period of last year. The comprehensive gross profit margin was approximately 16.1%, increased by 2.2 percentage points as compared with the corresponding period of last year.

3. Other Income

The total other income of the Group for the interim period of 2019 amounted to approximately RMB872 million, representing a decrease of approximately RMB382 million compared with approximately RMB1,254 million in the corresponding period of last year.

The decrease in other income was mainly due to the decrease in purchases of wealth management products and the decrease in deposits in external banks, resulting in a decrease in interest income.

4. Selling and Distribution Expenses

The selling and distribution expenses of the Group for the interim period of 2019 decreased by approximately RMB324 million to approximately RMB2,515 million from approximately RMB2,839 million in the corresponding period of last year.

The decrease in sales and distribution expense was mainly due to the reduction of Dongfeng Peugeot Citroën Automobile Sales Co., Ltd.'s advertising fees.

5. Administrative Expenses

The administrative expense of the Group for the interim period of 2019 increased by approximately RMB121 million to approximately RMB2,104 million from approximately RMB1,983 million in the corresponding period of last year.

6. Impairment Losses on Financial Assets

The impairment losses on financial assets of the Group for the interim period of 2019 increased by approximately RMB339 million to approximately RMB536 million from approximately RMB197 million in the corresponding period of last year.

The increase in impairment losses on financial assets was mainly due to the increase in loss allowance of Dongfeng Motor Finance Co., Ltd..

7. Other Expenses

The total other expenses of the Group for the interim period of 2019 amounted to approximately RMB2,035 million, representing a decrease of approximately RMB872 million as compared with approximately RMB2,907 million in the corresponding period of last year.

The decrease in other expenses was mainly due to the provision for expenses of supply of water, electricity and heating as well as property management in 2018, there was no such expenditure occurred in the current period, and the decrease in technology royalty from Dongfeng Peugeot Citroën Automobile Sales Co., Ltd..

8. Finance Expenses

The finance expenses of the Group for the interim period of 2019 amounted to approximately RMB166 million, representing an increase of approximately RMB165 million as compared with approximately RMB1 million in the corresponding period of last year.

The increase in the finance expenses was mainly due to an increase in interest expenses and a decrease in exchange gains.

9. Share of Profits and Losses of Joint Ventures

Share of profits and losses of joint ventures of the Group for the interim period of 2019 increased by approximately RMB697 million to approximately RMB6,785 million from approximately RMB6,088 million in the corresponding period of last year. This was mainly due to the following facts: 1. the investment income from Dongfeng Motor Co., Ltd. decreased by approximately RMB43 million year on year due to the 1.7% decrease in its sales volume, the profit attributable to equity holders of Dongfeng Motor Co., Ltd. decreased by RMB86 million compare to the corresponding period of last year; 2. the investment income of the Group arising from Dongfeng Peugeot Citroën Automobile Co., Ltd. decreased by approximately RMB663 million year on year, mainly due to the decrease of sales volume by 60.1% as compared with the corresponding period of last year. Meanwhile, it accrued long-term assets impairment and reversed the deferred income tax asset; 3. the investment income of the Group arising from Dongfeng Honda Motor Co., Ltd. increased by RMB512 million, mainly due to the total sales volume of 364,100 units, or increase of 13.3% on the year on year basis. The net profit was lower in the corresponding period of last year mainly due to the recall issue; 4. the investment income from other joint ventures increased by approximately RMB891 million year on year, mainly because the impairment of assets related to new energy vehicle business has been recognized in the corresponding period of last year by Dongfeng Special Vehicle (Shiyan) Special Vehicle Co., Ltd..

10. Share of Profits and Losses of Associates

Share of profits and losses of associates of the Group for the interim period of 2019 amounted to approximately RMB1,932 million, representing an increase of approximately RMB183 million as compared with that of approximately RMB1,749 million of the corresponding period of last year, mainly due to the increase in investment income of RMB321 million for investing in PSA Group.

11. Income Tax

The income tax expense of the Group for the interim period of 2019 increased by approximately RMB241 million to approximately RMB1,174 million from approximately RMB933 million in the corresponding period of last year. The effective tax rate for the period was approximately 11.7%, representing an increase of approximately 1.6 percentage points as compared with approximately 10.1% in the corresponding period of last year.

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

The profit attributable to the equity holders of the Company for the interim period of 2019 was approximately RMB8,499 million, representing an increase of approximately RMB431 million, or 5.3% as compared with that of approximately RMB8,068 million for 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 17.5%, representing an increase of approximately 3.6 percentage points as compared with approximately 13.9% 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 14.0%, representing a decrease of approximately 0.5 percentage points as compared with approximately 14.5% of the corresponding period of last year.

13. Total Assets

Total assets of the Group as at 30 June 2019 amounted to approximately RMB239,689 million, representing an increase of approximately RMB13,172 million as compared with approximately RMB226,517 million as at the end of last year. The increase was mainly due to the increase in investments in joint ventures/associates, other non-current assets, trade receivables, and financial assets at fair value through profit or loss.

14. Total Liabilities

Total liabilities of the Group as at 30 June 2019 amounted to approximately RMB108,720 million, representing an increase of approximately RMB7,128 million as compared with approximately RMB101,592 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, among which, the balance of long-term and short-term interest-bearing borrowings increased by approximately RMB5,925 million.

15. Total Equity

Total equity of the Group as at 30 June 2019 amounted to approximately RMB130,969 million, representing an increase of approximately RMB6,044 million as compared with approximately RMB124,925 million as at the end of last year. Equity attributable to equity holders of the Company amounted to approximately RMB124,453 million, representing an increase of approximately RMB6,097 million as compared with approximately RMB118,356 million as at the end of last year.

16. Liquidity and Sources of Capital

	Six months ended 30 June 2019 *(RMB million)*	Six months ended 30 June 2018 *(RMB million)*
Net cash flows used in operating activities	**(11,953)**	(11,239)
Net cash flows generated from investment activities	**664**	1,179
Net cash flows generated from financing activities	**3,971**	1,228
Net decrease in cash and cash equivalents	**(7,318)**	(8,832)

The Group's net cash flows used in operating activities was approximately RMB11,953 million. The amount mainly consisted of: (1) profit before taxation amounted to approximately RMB3,094 million, net of depreciation, impairment and other non-cash items; (2) net cash outflow of approximately RMB11,593 million due to the increase of loans and receivables generated from financial business; (3) decrease of approximately RMB5,035 million due to the decline in the balance of due to joint ventures; (4) increase of approximately RMB1,600 million in the balance of trade payables, bills payable and other payables and accruals; (5) income tax payment of approximately RMB935 million.

The Group's net cash flows generated from investment activities was approximately RMB664 million. The amount mainly consisted of: (1) receipt of dividend from joint ventures and associates, representing cash inflow of approximately RMB8,559 million; (2) increase of associates investment, representing cash outflow of approximately RMB2,539 million. The increase of associates investment mainly consists of acquisition of 14.5% equity interest of Dongfeng Nissan Auto Finance Co., Ltd. and make further capital contribution to it, and investment in Nanjing Lingxing Equity Investment Partnership (Limited Partnership) in order to realizing T3 logistics strategic cooperation; (3) net increase of financial assets at fair value through profit or loss, representing cash outflow of approximately RMB2,613 million due to the purchase of equity interest of China Railway Special Cargo Services Co., Ltd., wealth management products, structural deposits and etc.; (4) expenditure approximately RMB2,641 million on purchase of property, plant and equipment and intangible assets to increase productivity and develop new products;

The Group's net cash flows generated from financing activities was approximately RMB3,971 million. This amount mainly reflected: (1) increase of bank borrowings and bond issuance resulting in a cash inflow of approximately RMB7,887 million; (2) repayment of bank borrowings and bonds resulting in a cash outflow of approximately RMB3,609 million; (3) approximately RMB286 million of dividends to shareholders.

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 RMB17,657 million as at 30 June 2019, representing a decrease of approximately RMB7,318 million as compared with approximately RMB24,975 million as at 31 December 2018. Cash and bank balances (including non-pledged time deposits with original maturity of three months or more when acquired) amounted to approximately RMB19,749 million, representing a decrease of approximately RMB7,502 million as compared with approximately RMB27,251 million as at 31 December 2018.

As at 30 June 2019, the Group's equity ratio (a percentage of total interest bearing borrowings to equity attributable to equity holders of the Company) was approximately 25.8%, representing an increase of approximately 3.7 percentage points as compared with approximately 22.1% as at 31 December 2018. The Group's liquidity ratio was approximately 1.31 times, representing a decrease of approximately 0.05 times from approximately 1.36 times as at 31 December 2018. The Group's quick ratio was approximately 1.19 times, representing a decrease of 0.05 times from approximately 1.24 times as at 31 December 2018.

The inventory turnover days of the Group as at 30 June 2019 increased by approximately 3 days to approximately 46 days from approximately 43 days as at 31 December 2018. The Group's turnover days of receivables (including bills receivable) increased by approximately 1 day to approximately 87 days as at 30 June 2019 from approximately 86 days as at 31 December 2018. Among them, the turnover days of receivables (excluding bills receivable) increased by approximately 13 days to approximately 40 days from approximately 27 days as at 31 December 2018. The turnover days of bills receivable decreased by approximately 12 days to approximately 48 days from approximately 60 days as at 31 December 2018. The Group adopts stringent policies for the management of bills receivable and only accepts applications by trustworthy banks and customers with financial strengths, while the credit risks related to bank promissory notes are assumed by the customers' banks.

17. Major Financial Figures Based on Proportionate Consolidation

Based on proportionate consolidation, the interim revenue of the Group for 2019 was approximately RMB118,227 million, representing a decrease of approximately RMB9,933 million, or approximately 7.8%, as compared with approximately RMB128,160 million of the corresponding period of last year. Profit before income tax was approximately RMB13,469 million, representing an increase of approximately RMB1,250 million, or approximately 10.2%, as compared with approximately RMB12,219 million of the corresponding period of last year. Total assets was approximately RMB315,995 million, representing an increase of approximately RMB11,400 million, or approximately 3.7%, as compared with approximately RMB304,595 million as at the end of last year.

During the reporting period, the directors, supervisors and senior management of the Company include:

DIRECTORS

Zhu Yanfeng (竺延風)	Executive Director and Chairman of the Board of Directors
Li Shaozhu (李紹燭)	Executive Director
Ma Zhigeng (馬之庚)	Independent Non-executive Director
Zhang Xiaotie (張曉鐵)	Independent Non-executive Director
Cao Xinghe (曹興和)	Independent Non-executive Director
Chen Yunfei (陳雲飛)	Independent Non-executive Director

SENIOR MANAGEMENT

Yang Qing (楊青)	Vice President
An Tiecheng (安鐵成)	Vice President
Qiao Yang (喬陽)	Vice President
Lu Feng (盧鋒)	The Secretary of the Board of Directors and Joint Company Secretary
Lo Yee Har Susan (盧綺霞)	Joint Company Secretary

SUPERVISORS

Wen Shuzhong (温樹忠)	Chairman of the Supervisory Committee *(Resignation tendered on 29 August 2019, such resignation subject to the approval at next shareholders' meeting)*
Zhao Jun (趙軍)	Independent Supervisor
He Wei (何偉)	Staff Supervisor

HEADS OF DEPARTMENTS

The head 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. You Zheng

The head of the Operation Management Department of the Company is Mr. Gao Guolin (appointed on 23 June 2019)

The head of the Personnel Department of the Company is Mr. Wen Liang

The head of the Financial Accounting Department of the Company is Mr. Gao Guolin (resigned on 23 June 2019)

The head of the Organization and Information Department of the Company is Mr. Yu Jun

The head 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 Investor and Relationship Department of the Company is Mr. Lu Feng

The head of the Corporate Culture Department of the Company is Mr. Li Ping'an

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 head of the Comprehensively Deepening Reform Office of the Company is Ms. Tan Wei

The representative at Beijing Office of the Company is Mr. Qin Jie

The Secretary for the Communist Youth League of the Company is Mr. Shi Jianxing

Report on Review of Interim Financial Information

To the Board of Directors of Dongfeng Motor Group Company Limited
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 28 to 59, which comprises the interim condensed consolidated statement of financial position of Dongfeng Motor Group Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410. "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2019

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB million (Unaudited)	2018 RMB million (Unaudited)
Revenue	2	**48,447**	57,922
Cost of sales		**(40,653)**	(49,872)
Gross profit		**7,794**	8,050
Other income	3	**872**	1,254
Selling and distribution expenses		**(2,515)**	(2,839)
Administrative expenses		**(2,104)**	(1,983)
Impairment losses on financial assets	6	**(536)**	(197)
Other expenses		**(2,035)**	(2,907)
Finance expenses	5	**(166)**	(1)
Share of profits and losses of:			
Joint ventures		**6,785**	6,088
Associates		**1,932**	1,749
PROFIT BEFORE INCOME TAX	4	**10,027**	9,214
Income tax expense	7	**(1,174)**	(933)
PROFIT FOR THE PERIOD		**8,853**	8,281
Profit attributable to:			
Equity holders of the Company		**8,499**	8,068
Non-controlling interests		**354**	213
		8,853	8,281
Earnings per share attributable to ordinary equity holders of the Company:	9		
Basic and diluted for the period		**98.64 cents**	93.64 cents

The notes on pages 35 to 59 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	8,853	8,281
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	47	134
Others	(13)	(20)
	34	114
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(35)	(235)
Share of other comprehensive expense of investments accounted for using the equity method	(74)	(96)
	(109)	(331)
Income tax effect		
Item that will not be reclassified subsequently to profit or loss	3	5
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(72)	(212)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,781	8,069
Total comprehensive income attributable to:		
Equity holders of the Company	8,427	7,868
Non-controlling interests	354	201
	8,781	8,069

The notes on pages 35 to 59 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 *RMB million* (Unaudited)	31 December 2018 *RMB million*
ASSETS			
Non-current assets			
Property, plant and equipment	10	16,390	15,835
Right-of-use assets		3,444	–
Investment properties		196	170
Lease prepayments		–	1,476
Intangible assets		4,790	4,809
Goodwill		1,816	1,816
Investments in joint ventures		47,707	44,647
Investments in associates		23,484	17,682
Financial assets at fair value through other comprehensive income		206	219
Other non-current assets		28,794	21,726
Deferred income tax assets		2,148	2,376
Due from joint ventures		685	538
Total non-current assets		129,660	111,294
Current assets			
Inventories		10,283	10,710
Trade receivables	11	10,534	7,582
Bills receivable		2,434	14,940
Prepayments, deposits and other receivables		52,162	39,602
Due from joint ventures		7,132	9,586
Pledged bank balances and time deposits	12	3,231	3,653
Financial assets at fair value through profit or loss		4,504	1,899
Cash and bank balances	12	19,749	27,251
Total current assets		110,029	115,223
TOTAL ASSETS		239,689	226,517

The notes on pages 35 to 59 form an integral part of this interim consolidated financial information.

	Notes	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital		8,616	8,616
Reserves		17,486	16,412
Retained profits		98,351	93,328
Non-controlling interests		6,516	6,569
TOTAL EQUITY		130,969	124,925
Non-current liabilities			
Interest-bearing borrowings	14	15,267	10,729
Lease liabilities		2,211	–
Other long term liabilities		2,383	1,894
Government grants		1,817	1,767
Deferred income tax liabilities		2,338	2,086
Provisions		705	659
Total non-current liabilities		24,721	17,135
Current liabilities			
Trade payables	13	18,961	17,222
Bills payable		21,702	19,918
Lease liabilities		125	–
Other payables and accruals		13,036	13,312
Contract liabilities		2,596	2,439
Due to joint ventures		9,263	14,385
Interest-bearing borrowings	14	16,811	15,424
Income tax payables		358	630
Provisions		1,147	1,127
Total current liabilities		83,999	84,457
TOTAL LIABILITIES		108,720	101,592
TOTAL EQUITY AND LIABILITIES		239,689	226,517

The notes on pages 35 to 59 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company						
	Issued capital *RMB million* (Unaudited)	Capital reserves *RMB million* (Unaudited)	Statutory reserves *RMB million* (Unaudited)	Retained profits *RMB million* (Unaudited)	Total *RMB million* (Unaudited)	Non-controlling interests *RMB million* (Unaudited)	Total equity *RMB million* (Unaudited)
For the six months ended 30 June 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
2018 final dividend	–	–	–	(2,154)	(2,154)	–	(2,154)
Total comprehensive income for the period	–	(72)	–	8,499	8,427	354	8,781
Transfer to reserves	–	–	1,135	(1,135)	–	–	–
Share of associates' other equity changes	–	33	–	–	33	–	33
Dividends declared to non-controlling shareholders	–	–	–	–	–	(344)	(344)
Changes in ownership interests in subsidiaries without change of control	–	(22)	–	–	(22)	22	–
As at 30 June 2019	8,616	2,878	14,608	98,351	124,453	6,516	130,969

The notes on pages 35 to 59 form an integral part of this interim consolidated financial information.

	Attributable to owners of the Company						
	Issued capital *RMB million* (Unaudited)	Capital reserves *RMB million* (Unaudited)	Statutory reserves *RMB million* (Unaudited)	Retained profits *RMB million* (Unaudited)	Total *RMB million* (Unaudited)	Non-controlling interests *RMB million* (Unaudited)	Total equity *RMB million* (Unaudited)
For the six months ended 30 June 2018							
As at 31 December 2017							
As previously reported	8,616	3,062	11,503	85,020	108,201	6,795	114,996
Restatement for business combination under common control	–	20	20	274	314	14	328
As restated	8,616	3,082	11,523	85,294	108,515	6,809	115,324
Change in accounting policy – IFRS 9	–	(47)	–	(18)	(65)	(6)	(71)
As at 1 January 2018	8,616	3,035	11,523	85,276	108,450	6,803	115,253
2017 final dividend	–	–	–	(2,154)	(2,154)	–	(2,154)
Total comprehensive income for the period	–	(200)	–	8,068	7,868	201	8,069
Transfer to reserves	–	–	1,229	(1,229)	–	–	–
Share of associates' other equity changes	–	(14)	–	–	(14)	–	(14)
Dividends paid to non-controlling shareholders	–	–	–	–	–	(258)	(258)
Consideration for business combination under common control	–	(375)	–	–	(375)	–	(375)
Changes in ownership interests in subsidiaries without change of control	–	–	–	(17)	(17)	25	8
As at 30 June 2018	8,616	2,446	12,752	89,944	113,758	6,771	120,529

The notes on pages 35 to 59 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 RMB million (Unaudited)	2018 RMB million (Unaudited)
Cash flows from operating activities			
Cash flows used in operating activities		**(11,018)**	(10,291)
Income tax paid		**(935)**	(948)
Cash flows used in operating activities – net		**(11,953)**	(11,239)
Cash flows from investing activities			
Acquisition of subsidiaries, joint ventures and associates		**(2,539)**	(460)
Dividends from joint ventures and associates		**8,559**	7,520
Other investing cash flows – net		**(5,356)**	(5,881)
Cash flows generated from investing activities – net		**664**	1,179
Cash flows from financing activities			
Proceeds from borrowings and bonds		**7,887**	4,189
Repayments of borrowings and bonds		**(3,609)**	(2,703)
Dividends paid to minority shareholders		**(286)**	(258)
Other finance cash flows – net		**(21)**	–
Cash flows generated from financing activities – net		**3,971**	1,228
Net decrease in cash and cash equivalents		**(7,318)**	(8,832)
Cash and cash equivalents at beginning of the period		**24,975**	31,641
Cash and cash equivalents at end of the period	12	**17,657**	22,809

The notes on pages 35 to 59 form an integral part of this interim consolidated financial information.

1.1 CORPORATE INFORMATION

Dongfeng Motor Group Company Limited (the "Company") 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 Province, the PRC.

During the period, the Company and its subsidiaries (collectively referred to as the "Group") were 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.

This interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the Board of Directors on 29 August 2019.

1.2 BASIS OF PRESENTATION

The unaudited interim condensed consolidated financial information has been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting issued by the International Accounting Standards Board ("IASB").

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial information, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

1.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial information of the Group for the year ended 31 December 2018 (referring to the annual financial statements in the relevant year), as described in those annual financial information except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to IFRSs effective for the financial year ended 31 December 2019.

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) New and amended standards adopted by the Group

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

		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
Amendments to IFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	Annual Improvements of IFRS 3, IFRS 11, IFRS 12 and IFRS 23	1 January 2019

The impact of the adoption of IFRS 16 Leases is disclosed in Note 1.4 below.

The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(ii) New and amended standards that might be relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted

		Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IFRS 3	Definition of a Business	1 January 2020
IFRS 17	Insurance contracts	1 January 2021

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

1.4 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

The Group has adopted IFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

(i) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

	2019
	RMB million
Operating lease commitments disclosed as at 31 December 2018	**5,084**
(Less) : short-term leases recognised on a straight-line basis as expense	**(8)**
	5,076
Discounted using the lessee's incremental borrowing rate of at the date of initial application:	
Lease liability recognised as at 1 January 2019	**2,606**
of which are:	
Current lease liabilities	**133**
Non-current lease liabilities	**2,473**
	2,606

1.4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Adjustments recognised on adoption of IFRS 16 (Continued)

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019	1 January 2019
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Leasehold land and land use rights	**3,299**	3,623
Buildings	**145**	216
Total right-of-use assets	**3,444**	3,839
Current lease liabilities	**125**	133
Non-current lease liabilities	**2,211**	2,473
Total lease liabilities	**2,336**	2,606

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

1.4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Adjustments recognised on adoption of IFRS 16 (Continued)

	31 December 2018 *RMB Million*	**Effect of adoption of IFRS 16** *RMB Million*	**1 January 2019** ***RMB Million***
ASSETS			
Non-current assets			
Right-of-use assets	–	3,839	**3,839**
Lease prepayments	1,476	(1,476)	**–**
Investments in joint ventures	44,647	(90)	**44,557**
Investments in associates	17,682	2	**17,684**
Deferred income tax assets	2,376	59	**2,435**
Total non-current assets	111,294	2,334	**113,628**
TOTAL ASSETS	226,517	2,334	**228,851**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Retained profits	93,328	(187)	**93,141**
Non-controlling interests	6,569	(85)	**6,484**
TOTAL EQUITY	124,925	(272)	**124,653**
Non-current liabilities			
Lease liabilities	–	2,473	**19,608**
Total non-current liabilities	17,135	2,473	**19,608**
Current liabilities			
Lease liabilities	–	133	**133**
Total current liabilities	84,457	133	**84,590**
TOTAL LIABILITIES	101,592	2,606	**104,198**
TOTAL EQUITY AND LIABILITIES	226,517	2,334	**228,851**

1.4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Adjustments recognised on adoption of IFRS 16 (Continued)

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 determining whether an arrangement contains a lease.

1.4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) The Group's leasing activities and how these are accounted for

The Group mainly leases land and buildings. Rental contracts are typically made for fixed periods, but may have extension options as describe below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, 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. 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

1.4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) The Group's leasing activities and how these are accounted for (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

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.

Extension options are included in a number of land and buildings leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor. None of the extension option was exercised in the six months ended 30 June 2019.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

1.5 ESTIMATES

The preparation of this interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018, except for the estimates and judgements applied under the adoption of IFRS 16 as described below.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Potential future cash outflows have been included in the lease liability because it is reasonably certain that the leases will be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

2. REVENUE AND SEGMENT INFORMATION

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

– The commercial vehicles segment mainly manufactures and sells commercial vehicles, and its related engines and other automotive parts;

– The passenger vehicles segment mainly manufactures and sells passenger vehicles, and its related engines and other automotive parts;

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

– The corporate and others segment mainly manufactures and sells other automobile related products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating segment profit or loss and is measured consistently with profit or loss in the consolidated financial information. 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 six months ended 30 June 2018 and 2019, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2019

	Commercial vehicles *RMB million* (Unaudited)	Passenger vehicles *RMB million* (Unaudited)	Financing service *RMB million* (Unaudited)	Corporate and others *RMB million* (Unaudited)	Elimination *RMB million* (Unaudited)	Total *RMB million* (Unaudited)
Segment revenue						
Sales to external customers	32,349	13,563	2,396	139	–	48,447
Sales to internal customers	15	–	88	–	(103)	–
	32,364	13,563	2,484	139	(103)	48,447
Results						
Segment results	1,329	(1,063)	1,174	(805)	392	1,027
Interest income	377	105	4	443	(480)	449
Finance expenses						(166)
Share of profits and losses of:						
Associates	–	1,720	194	18	–	1,932
Joint ventures	393	6,611	147	(366)	–	6,785
Profit before income tax						10,027
Income tax expense						(1,174)
Profit for the period						8,853

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

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2018

	Commercial vehicles *RMB million* (Unaudited)	Passenger vehicles *RMB million* (Unaudited)	Financing service *RMB million* (Unaudited)	Corporate and others *RMB million* (Unaudited)	Elimination *RMB million* (Unaudited)	Total *RMB million* (Unaudited)
Segment revenue						
Sales to external customers	31,480	24,469	1,826	147	–	57,922
Sales to internal customers	3	5	40	–	(48)	–
	31,483	24,474	1,866	147	(48)	57,922
Results						
Segment results	1,126	(682)	887	(884)	383	830
Interest income	358	143	1	459	(413)	548
Finance expenses						(1)
Share of profits and losses of:						
Associates	–	1,422	308	19	–	1,749
Joint ventures	(1,033)	7,346	146	(371)	–	6,088
Profit before income tax						9,214
Income tax expense						(933)
Profit for the period						8,281

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

3. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Interest income	**449**	548
Government grants and subsidies	**119**	115
Stationing fee received from the joint ventures	**130**	136
Others	**174**	455
	872	1,254

4. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Cost of inventories recognized as expense	**38,575**	47,483
Interest expense for financing services (included in cost of sales)	**149**	233
Provision against inventories	**12**	82
Depreciation	**965**	894
Amortisation of intangible assets	**342**	226
Impairment losses on financial assets	**536**	197

5. FINANCE EXPENSES

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	**75**	68
Interest on short term notes and discounted bills	**120**	44
Exchange net gain of financing activities	**(29)**	(111)
Finance expenses	**166**	1

6. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Impairment losses of trade receivables	**201**	92
Impairment losses of other receivables	**11**	3
Impairment losses of loans and receivables from financing services	**324**	102
	536	197

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Current income tax	**632**	746
Deferred income tax	**542**	187
Income tax expense for the period	**1,174**	933

Under the PRC Corporate Income Tax Law and the respective regulations, the corporate income tax for the Company, its subsidiaries and jointly-controlled entities is calculated at the rates ranging from 15% to 25%, on their estimated assessable profits for the existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2019 and 30 June 2018.

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

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

8. DIVIDEND

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Proposed interim dividend RMB0.10 (2018: RMB0.10) per ordinary share	**862**	862

On 29 August 2019, the Board of Directors has declared an interim dividend of RMB0.10 per share (2018: RMB0.10 per share), amounting to RMB862 million (2018: RMB862 million). The interim financial information does not reflect this liability.

A dividend of RMB2,154 million that was related to the period to 31 December 2018 will be distributed on or about Friday, 30 August 2019.

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

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the Company	**8,499**	8,068
	Number of shares	
	million	*million*
Shares:		
Weighted average number of ordinary shares in issue during the period	**8,616**	8,616
Earnings per share	**98.64 cents**	93.64 cents

Diluted earnings per share equals basic earnings per share as the Company has no dilutive potential ordinary shares for the six months ended 30 June 2019 and 30 June 2018.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment in an aggregate amount of approximately RMB1,897 million (2018: RMB1,214 million) and disposed of property, plant and equipment with an aggregate net book value of approximately RMB377 million (2018: RMB56 million), resulting in a net gain on disposal of approximately RMB16 million (2018: a net gain RMB1 million). Depreciation was approximately RMB965 million (2018: RMB894 million) and no impairment was accrued for the six months ended 30 June 2019 (2018: RMB9 million).

11. 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 their 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:

	30 June 2019	31 December 2018
	RMB million	*RMB million*
	(Unaudited)	
Within three months	**6,816**	3,544
More than three months but within one year	**2,629**	3,134
More than one year	**1,089**	904
	10,534	7,582

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

	Notes	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million
Cash and bank deposits		16,994	24,874
Time deposits	(a)	5,986	6,030
Fixed term deposits (within one year)	(b)	–	2,000
		22,980	32,904
Less: Pledged bank balances and time deposits for securing general banking facilities		(3,231)	(3,653)
Less: Fixed term deposits (within one year)	(b)	–	(2,000)
Cash and bank balances in the interim condensed consolidated statement of financial position		19,749	27,251
Less: Non-pledged time deposits with original maturity of three months or more when acquired		(2,092)	(2,276)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows		17,657	24,975

(a) As at 30 June 2019, time deposits included RMB1,200 million (31 December 2018: RMB1,900 million) placed by the Company in a joint venture which is involved in the provision of financing services and no (31 December 2018: RMB200 million) placed by the Company in an associate which is involved in the provision of financing services.

(b) As at 30 June 2019, no fixed term deposits (within one year) (31 December 2018: RMB2,000 million) placed by the Company in an associate which is involved in the provision of financing services.

13. TRADE PAYABLES

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

	30 June 2019 *RMB million* (Unaudited)	31 December 2018 *RMB million*
Within three months	16,772	15,880
More than three months but within one year	1,661	997
More than one year	528	345
	18,961	17,222

14. INTEREST-BEARING BORROWINGS

Interest expense on borrowings for the six months ended 30 June 2019 was RMB195 million (2018: RMB112 million).

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB1,845 million on 18 January 2019, the ABS is divided into tranche A, tranche B. Tranches A, B bear interest from 18 January 2019 at the rate of 3.37%, 3.69%, and expected to be expired on 26 July 2020 and 26 September 2020, respectively. Interest on the securities is payable monthly on 26th.The Group has already repaid RMB944 million by the end of 30 June 2019.

On 23 October 2018, the Group public issued the guaranteed notes (the “Notes”) in amount of EUR100 million due in 2023. The Notes were offered 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.

On 23 October 2018, the Group public issued the guaranteed notes (the “Notes”) in amount of EUR500 million due in 2021. The Notes were offered 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. The Notes have been listed on the Irish Stock Exchange.

14. INTEREST-BEARING BORROWINGS (CONTINUED)

On 30 January 2018, the Group public issued the unsecured notes (the "Notes") in amount of RMB300 million due on 31 January 2021. The Notes 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.

On 5 December 2018, the Group public issued the unsecured notes (the "Notes") in amount of RMB1,000 million due on 6 December 2023. The Notes 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.

On 5 December 2018, the Group public issued the unsecured notes (the "Notes") in amount of RMB2,000 million due on 6 December 2021. The Notes 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.

On 20 March 2019, the Group public issued the unsecured notes (the "Notes") in amount of RMB2,700 million due on 21 March 2022. The Notes 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.

15. COMMITMENTS

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

	30 June 2019 ***RMB million*** **(Unaudited)**	31 December 2018 *RMB million*
Contracted, but not provided for:		
Property, plant and equipment	**1,323**	1,771

16. RELATED PARTY TRANSACTIONS

(a) Transactions with DMC, its subsidiaries, associates and joint ventures, the Group's joint ventures and associates, non-controlling shareholders of a subsidiary and their subsidiaries and subsidiaries' joint ventures

Save as disclosed elsewhere in this interim condensed consolidated financial information, during the six months ended 30 June 2019, the Group had the following significant transactions with its related parties:

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Purchases of automotive parts/raw materials from and the payment of royalty fee to:		
– DMC, its subsidiaries, associates and joint ventures	**357**	314
– Joint ventures	**7,815**	8,521
– Associates	**31**	53
– Subsidiaries' joint ventures	**96**	42
	8,299	8,930
Purchases of automobiles from:		
– Joint ventures	**5,989**	13,636
– DMC, its subsidiaries, associates and joint ventures	**1**	–
	5,990	13,636
Purchases of water, steam and electricity from DMC	**358**	276
Purchases of items of property, plant and equipment and intangible assets from:		
– DMC, its subsidiaries, associates and joint ventures	**2**	25
– Joint ventures	**112**	55
– Non-controlling shareholders of a subsidiary and their subsidiaries	**–**	3
	114	83
Rental expenses to DMC	**69**	68

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with DMC, its subsidiaries, associates and joint ventures, the Group's joint ventures and associates, non-controlling shareholders of a subsidiary and their subsidiaries and subsidiaries' joint ventures (Continued)

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Purchases of services from:		
– DMC, its subsidiaries, associates and joint ventures	**309**	182
– Joint ventures	**78**	105
– Non-controlling shareholders of a subsidiary and their subsidiaries	**43**	86
	430	373
Sales of automotive parts/raw materials to:		
– DMC, its subsidiaries, associates and joint ventures	**55**	108
– Joint ventures	**1,920**	2,194
– Subsidiaries' joint ventures	**1**	2
	1,976	2,304
Sales of automobiles to:		
– DMC, its subsidiaries, associates and joint ventures	**828**	1,225
– Joint ventures	**268**	186
– Subsidiaries' joint ventures	**–**	2
– Non-controlling shareholder of a subsidiary and their subsidiaries	**765**	694
	1,861	2,107
Provision of services to:		
– DMC, its subsidiaries, associates and joint ventures	**2**	1
– Joint ventures	**27**	86
	29	87

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with DMC, its subsidiaries, associates and joint ventures, the Group's joint ventures and associates, non-controlling shareholders of a subsidiary and their subsidiaries and subsidiaries' joint ventures (Continued)

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Interest expense paid to:		
– DMC, its subsidiaries, associates and joint ventures	**5**	3
– Joint ventures	**45**	145
	50	148
Interest incomes from:		
– DMC, its subsidiaries, associates and joint ventures	**18**	14
– Joint ventures	**51**	5
– Associates	**3**	1
– Subsidiaries' joint ventures	**3**	–
	75	20
Fee and commission incomes from joint ventures	**4**	3
Stationing fee received from joint ventures	**132**	136

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

	30 June 2019 *RMB million* (Unaudited)	31 December 2018 *RMB million*
Receivables from related parties included in trade receivables:		
– DMC, its subsidiaries, associates and joint ventures	407	205
– Associates	7	14
– Non-controlling shareholders of a subsidiary and their subsidiaries	201	235
	615	454
Receivables from related parties included in prepayments, deposits and other receivables:		
– DMC, its subsidiaries, associates and joint ventures	320	384
– Associates	80	28
– Non-controlling shareholders of a subsidiary and their subsidiaries	4	2
	404	414
Payables to related parties included in trade payables:		
– DMC, its subsidiaries, associates and joint ventures	263	367
– Associates	92	4
– Non-controlling shareholders of a subsidiary and their subsidiaries	–	13
	355	384
Payables to related parties included in other payables and accruals:		
– DMC, its subsidiaries, associates and joint ventures	189	313
– Non-controlling shareholders of a subsidiary and their subsidiaries	249	305
	438	618

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2019	2018
	RMB thousand	*RMB thousand*
	(Unaudited)	(Unaudited)
Short-term employee benefits	**2,489**	2,571
Post-employment benefits	**159**	168
Total compensation to key management personnel	**2,648**	2,739

Definitions

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

"the Company"	東風汽車集團股份有限公司 (Dongfeng Motor Group Company Limited), a joint stock limited company registered in the PRC on 12 October 2004 in accordance with the laws of the PRC or where the context refers to any time prior to the date of incorporation, those entities and businesses which were contributed to and conducted by the Company upon its establishment;
"Dongfeng Joint Venture Companies"	Jointly-controlled Entities in which the Company, its subsidiaries or Jointly-controlled Entities (including their respective subsidiaries and Jointly-controlled Entities) have equity interests as at 30 June 2019;
" the Group" or "Dongfeng Motor Group"	the Company and its subsidiaries, Dongfeng joint venture companies and their respective subsidiaries and associates;
"Joint Venture"	A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control;
"Dongfeng Motor Corporation" or "DMC"	The controlling shareholder of the Company, a state-owned enterprise incorporated under the laws of the PRC;
"PRC" or "China"	the People's Republic of China. Except where the context requires, geographical references in this interim report to the PRC or China exclude Hong Kong, Macau or Taiwan;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time;
"Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time.