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

Stock Code: 489

1969 1993 2011 1980 2000

2019 Annual Report

* For identification purposes only

Contents

Corporate Profile and Summary of Business

I. CORPORATE INFORMATION

COMPANY NAME

Dongfeng Motor Group Company Limited

REGISTERED ADDRESS

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

II. STOCK PROFILE OF THE COMPANY

LISTING DATE

7 December 2005

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

00489

TOTAL ISSUED SHARE CAPITAL

RMB8,616,120,000

III. OTHER RELATED INFORMATION

COMPANY WEBSITE

www.dfmg.com.cn

JOINT COMPANY SECRETARIES

Lu Feng
Yuen Wing Yan, Winnie (FCIS, FCS (PE))

HONG KONG H SHARE REGISTRAR

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

IV. SUMMARY OF BUSINESS

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

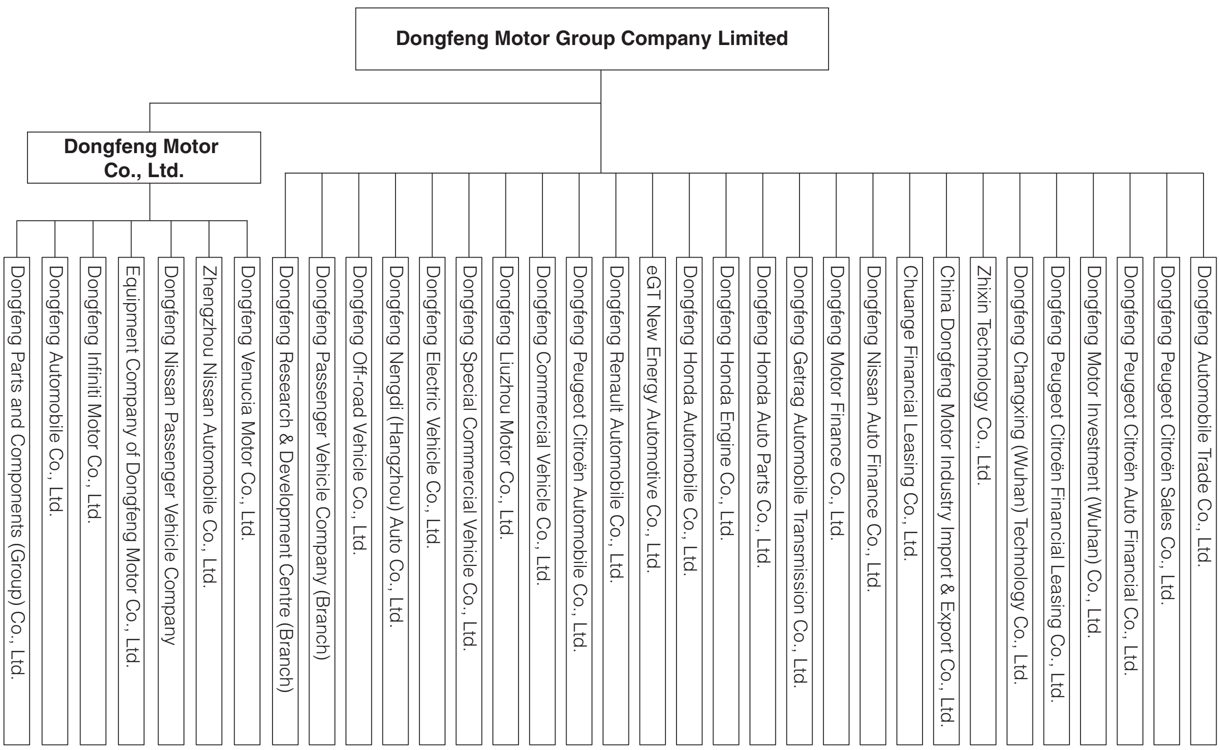
As at 31 December 2019, the Company had 26 subsidiaries, jointly-controlled entities and other companies in which the Company has direct equity interests, comprising Dongfeng Motor Group. Dongfeng Motor Group is primarily engaged in the manufacture and sale of commercial vehicles, passenger vehicles and auto engines and parts, equipment manufacturing business, finance businesses as well as other automotive related businesses.

As at the end of 2019, the commercial vehicle business of the Dongfeng Motor Group was mainly operated by Dongfeng Commercial Vehicle Co., Ltd. (a joint venture between the Company and Volvo Cars), Dongfeng Motor Co., Ltd. (a joint venture between the Company and Nissan Motor Co., Ltd. (through Nissan (China) Investment Co., Ltd.)), Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Special Commercial Vehicle Co., Ltd. (東風特種商用車有限公司).

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

In recent years, Dongfeng Motor Group has strengthened its new energy vehicle business, which is principally operated by Dongfeng Motor Co., Ltd., Dongfeng Special Commercial Vehicle Co., Ltd. (東風特種商用車有限公司), Dongfeng Passenger Vehicle Company and Dongfeng Electric Vehicle Co., Ltd.. eGT New Energy Automotive Co., Ltd. (易捷特新能源汽車有限公司) will also be actively engaged in new energy vehicle business.

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



Chairman's Statement

Dear Shareholders,

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

In 2019, under the complex situation of obvious rise in internal and external risk challenges, China's economic operation was generally stable, with steady improvement in development quality and obvious effect of economic transformation and upgrade, and the GDP recorded a year-on-year increase of 6.1%. After the first negative growth in the PRC automobile market in 28 years from 2018, the automobile market in the PRC experienced another significant decline in 2019, weaker than expected at the beginning of the year. In 2019, the production and sales volumes of vehicles in the PRC automobile industry amounted to approximately 25,721,000 units and 25,769,000 units, respectively, representing a year-on-year decrease of 7.5% and 8.2%. Among which the production and sales volumes of passenger vehicles were approximately 21,360,000 units and 21,444,000 units, respectively, representing a year-on-year decrease of 9.2% and 9.6%. The production and sales volumes of commercial vehicles were approximately 4,360,000 units and 4,324,000 units respectively, representing a year-on-year increase of 1.9% and a year-on-year decrease of 1.1%. The development of the automobile industry throughout the year showed the following characteristics:

I. The performance of the automobile market throughout the year was weaker than that was generally expected at the beginning of the year, and the decline in production and sales volumes throughout the year was larger than that in 2018.

II. The performance of the passenger and commercial vehicles sectors varied. The performance of commercial vehicles market was obviously better than that of the automobile industry.

III. The market structure of passenger vehicles was sharply divided, and the number of self-owned brands declined significantly. Japanese and German vehicles delivered well performance, with market share increasing by 2.5 percentage points and 2.8 percentage points respectively, while American, French and Korean vehicles delivered poor performance, with market share decreasing by 1.6 percentage points, 0.7 percentage point and 0.3 percentage point, respectively. Self-owned brands withstood the highest pressure, with market share down 2.9 percentage points.

IV. The commercial vehicle market fluctuates significantly due to policy changes, and the performance of the heavy, medium and light truck market varied.

V. Affected by the reduction of subsidies, the new energy vehicle market experienced negative growth for the first time in recent years showing a trend of high before and low after throughout the year.

VI. The competition in the automotive industry was intensified, and the concentration of industry was further improved. The market share of the top ten enterprises in sales volume reached 91.2%, representing a year-on-year increase of 1.3 percentage points. Certain automobile enterprises experienced difficulties in operation with the possibility of being weeded out.

In 2019, the total sales of Dongfeng Motor Group for the year were approximately 2,932,000 vehicles, representing a decrease of approximately 3.9% as compared with the corresponding period of last year. The sales revenue of the Group was approximately RMB101,087 million, representing a decrease of approximately 3.3% as compared with the corresponding period of last year. Based on the proportionate consolidation method, the sales revenue of the Group for the whole year amounted to approximately RMB254,041 million, representing an increase of approximately 0.7% as compared with the corresponding period of last year. Among which, the sales revenue of passenger vehicles amounted to approximately RMB167,967 million, representing a decrease of approximately 4.5% as compared with the corresponding period of last year; the sales revenue of commercial vehicles amounted to approximately RMB80,433 million, representing an increase of approximately 10.2% as compared with the corresponding period of last year. In 2019, profit attributable to shareholders was approximately RMB12,858 million, representing a decrease of approximately 0.9% as compared with the corresponding period of last year.

The operation characteristics of Dongfeng Motor Group in 2019 are as follows:

I. The sales volume outperformed that of the market, and the operation maintained high quality. The sales volume of vehicles throughout the year were approximately 2,932,000 units, representing a year-on-year decrease of 3.9%, which was 4.3 percentage points higher than the growth rate of the automobile industry, accounting for approximately 11.4% in the market, representing an increase of 0.5 percentage point as compared with the corresponding period of last year. During the Reporting Period, the Company continued to adhere to the high-quality development strategy, continued to strengthen its inventory management, achieved "profitable sales volume and profit with cash flow" as a whole, and maintained stability of the profit and profit margin.

II. Both passenger and commercial vehicles markets outperformed the market, and the performance of the commercial vehicles market was especially outstanding. The sales volume of passenger vehicles throughout the year were 2,463,600 units, representing a year-on-year decrease of 5.7%, which was 3.9 percentage points higher than that of the passenger vehicle industry. The sales volume of commercial vehicles throughout the year were 468,300 units, representing a year-on-year increase of 6.3%, which was 7.4 percentage points higher than that of the commercial vehicle industry.

III. The performance of the passenger vehicles of joint venture outperformed the market, and the sales volume of self-owned brands stabilized and rebounded. Among the operating units of the passenger vehicles of joint venture brand, Dongfeng Nissan and Dongfeng Honda outperformed the trend and increased against the trend. Dongfeng Peugeot Citroën Automobile implemented the "RMB" plan to promote the entire value chain of the Company back to a healthy development track. Within the operating units of self-owned brands, Sales volume of passenger vehicles of Dongfeng has outperformed the industry since May. The growth rate of the sales volumes of passenger vehicles of Dongfeng Venucia and Dongfeng Liuzhou Motor outpaced the industry performance.

IV. The market share of commercial vehicles was balanced, and the objective of reshaping the leading edge of commercial vehicles was steadily advanced. The sales volume of medium and heavy trucks throughout the year was 261,000 units, representing a year-on-year increase of 5.7%, outperforming the market by 6.6 percentage points. The sales volume of light trucks was 176,200 units, representing a year-on-year increase of 9.2%, outperforming the industry by 9.8 percentage points. The objective of reshaping the leading edge of commercial vehicles based on the full value chain was steadily advanced.

V. We accelerated the construction of the core competence of the "Five Megatrends", promoting the conversion of new and old momentum. We continued to enhance the industrialization, engineering capabilities and standards of new energy vehicles, developed intelligent connectivity automobile and service businesses, and actively sought for innovative development and long-term development.

The outbreak of novel coronavirus disease in the PRC began in 2020. As a result of the rapid development of novel coronavirus disease, the PRC government has adopted stringent controlling measures to influence short-term economic activities. China's automobile enterprises, especially those located in Hubei province where the epidemic broke out, failed to resume work in a timely manner. Dongfeng Motor Group, as an enterprise headquartered in Hubei province, has been greatly affected in terms of the operation of several production units. With the epidemic being well controlled in China, the Company, on the premise of prevention and control of the epidemic, is promoting full resumption of work and production of enterprises in low-risk regions, orderly resumption of work and production in medium-risk regions, and continuous focus on prevention and control of the epidemic in high-risk regions, and explores ideas, and actively prepares for work and production, so as to promptly recover losses after the end of the epidemic and achieve the operation objectives throughout the year formulated at the beginning of the year.

"No matter how long the winter is, the spring will arrive". We believe that the short-term disturbance caused by the novel coronavirus disease will not alter the development trend of the automobile industry in the PRC. Dongfeng Motor Group has also recognized that the automobile industry will encounter a complex development environment in the future. The constant changes in the policies of automobile industry, acceleration of integration of innovation ecology, continuous intensification of corporate competitiveness and ever-changing customers' demand will bring new challenges to the development of the Company. Dongfeng Motor Group will continue to adhere to the established high quality development strategies, and strive to achieve long-term healthy development of the Company.

Zhu Yanfeng
Chairman

30 March 2020

BUSINESS OVERVIEW

I. Business Operations during the Year under Review

1. *Sales volume and market share for whole vehicles of Dongfeng Motor Group in 2019*

For the year ended 31 December 2019, the sales volume for whole vehicles of Dongfeng Motor Group were 2,931,953 units. According to the statistics published by China Association of Automobile Manufacturers, Dongfeng Motor Group had a market share of approximately 11.4% in terms of total sales volume of commercial and passenger vehicles made by domestic manufacturers in 2019. The following table sets out the market shares in terms of sales volume of commercial vehicles and passenger vehicles of Dongfeng Motor Group in 2019:

	Sales Volume	**Market share in terms of sales volume**
	(Units)	*(%)*[1]
Commercial Vehicles	**468,333**	**10.8**
Trucks	437,299	11.4
Buses	31,034	6.5
Passenger Vehicles	**2,463,620**	**11.5**
Basic passenger cars	1,263,979	11.3
MPV	117,657	8.5
SUV	1,081,984	11.6
Total	**2,931,953**	**11.4**

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

2. *Market ranking of Dongfeng Motor Group's major segments in domestic market in 2019*

	No. of units sold by Dongfeng Motor Group *(units)*	Ranking in Domestic market[2]
Heavy truck	240,618	2
Medium truck	20,478	3
Light truck	176,203	4
Basic passenger car	1,263,979	3
MPV	117,657	2
SUV	1,081,984	2

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

3. *Sales revenue of Dongfeng Motor Group in 2019*

The sales revenue of the Group for the year ended 31 December 2019:

Business	**Sales revenue** *(RMB millions)*	**Contribution to the Group's sales revenue** *(%)*
Passenger vehicles	26,738	26.4
Commercial vehicles	68,893	68.2
Financing service	5,387	5.3
Corporate and others	565	0.6
Elimination	(496)	(0.5)
Total	101,087	100.0

4. *Sales and service networks*

Dongfeng Motor Group has always placed importance on the interest of customers and keeps improving its products and services for speedy, efficient, accurate and quality service support for distributors and customers. With the motor industry entering into the era of stock competition, certain business units of the Company have shown varying levels of unreasonable network layout and weak marketing and service capabilities in 2019. In order to adapt to the new development trend and raise marketing competitiveness, Dongfeng Motor Group will continue to optimise the marketing system, innovate the marketing mechanism, optimize the market network and continuously improve the sales and service capacity of the marketing network.

As at the end of 2019, the sales and after-sales services of motor vehicles of Dongfeng Motor Group were mainly provided through 14 sales and service networks in China. Each of these 14 sales and service networks provided sales and after-sales services of vehicles of a particular whole vehicle manufacturing unit and was independently managed by the relevant whole vehicle manufacturing units, which were not connected with any other members of Dongfeng Motor Group.

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

	Brand names	**No. of sales outlets**	**No. of after-sales service outlets**	**No. of provinces covered**
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	Dongfeng (high-end light truck, light truck, mini truck, pickup)	541	1,151	31
Dongfeng Liuzhou Motor Co., Ltd.	Chenglong (heavy and medium truck)	323	789	31
Dongfeng Commercial Vehicle Co., Ltd.	Dongfeng (heavy and medium truck)	293	836	31
Dongfeng Special Commercial Vehicle Co., Ltd.	Dongfeng	115	767	31
Zhengzhou Nissan Motor Co., Ltd.	Dongfeng	208	403	31

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

	Brand names	No. of sales outlets	No. of after-sales service outlets	No. of provinces covered
Dongfeng Peugeot Citroën Automobile Co., Ltd.	Dongfeng Citroën	256	428	31
Dongfeng Peugeot Citroën Automobile Co., Ltd.	Dongfeng Peugeot	268	441	30
Dongfeng Motor Co., Ltd. (Dongfeng Nissan Passenger Vehicle Sales Co., Ltd.)	Dongfeng Nissan	823	823	31
Dongfeng Infiniti Motor Co., Ltd.	Dongfeng Infiniti	118	118	29
Dongfeng Motor Co., Ltd. (Dongfeng Venucia Automobile Sales Co., Ltd.)	Venucia	263	219	31
Dongfeng Liuzhou Motor Co., Ltd.	Dongfeng Future	372	455	31
Dongfeng Honda Automobile Co., Ltd.	Dongfeng Honda	647	674	31
Dongfeng Renault Automobile Co., Ltd.	Dongfeng Renault	131	146	28
Dongfeng Passenger Vehicle Company	Dongfeng Fengshen	240	244	31

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

As at 31 December 2019, the total whole vehicle production capacity of Dongfeng Motor Group was approximately 3,394,000 units. The total production capacity of engines was approximately 3,789,000 units, among which the production capacity of commercial vehicles and commercial vehicle engines was approximately 579,000 units and 354,000 units respectively; the production capacity of passenger vehicles and passenger vehicle engines were approximately 2,815,000 units and approximately 3,435,000 units respectively.

The following table shows the production capacity distribution of vehicles and engines of Dongfeng Motor Group as at 31 December 2019.

(1) Production capacity of commercial vehicles

(1.1) Whole vehicle

Company	**Production capacity** *(0'000 units)*
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	26
Dongfeng Commercial Vehicle Co., Ltd.	18
Dongfeng Liuzhou Motor Co., Ltd.	6
Dongfeng Special Commercial Vehicle Co., Ltd.	7

(1.2) Engines

Company	**Production capacity** *(0'000 units)*
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	29.4
Dongfeng Commercial Vehicle Co., Ltd.	6

(2) Production capacity of passenger vehicles

(2.1) Whole vehicle

Company	**Production capacity** *(0'000 units)*
Dongfeng Motor Co., Ltd.	125.5
Dongfeng Liuzhou Motor Co., Ltd.	33
Dongfeng Peugeot Citroën Automobile Co., Ltd.	39
Dongfeng Honda Automobile Co., Ltd.	61
Dongfeng Passenger Vehicle Company	12
Dongfeng Renault Automobile Co., Ltd.	11

(2.2) Engines

Company	Production capacity *(0'000 units)*
Dongfeng Motor Co., Ltd.	140
Dongfeng Peugeot Citroën Automobile Co., Ltd	52
Dongfeng Honda Automobile Co., Ltd.	60
Dongfeng Passenger Vehicle Company	20
Dongfeng Honda Engines Co., Ltd.	54
Dongfeng Renault Automobile Co., Ltd.	10
Dongfeng Liuzhou Motor Co., Ltd.	7.5

Dongfeng Motor Group will expand its production capacity with reasonable utility to meet the demand of its products gradually based on automobile market forecast and its business plan. By the end of 2020, it is expected that the production capacity of whole vehicles will be 3,670,000 units.

6. Capital expenditure

In 2019, Dongfeng Motor Group adhered to the principle of prudent investment, steadily progress towards transformations and upgrading. Total investment in fixed assets during the year amounted to approximately RMB15,578 million (including all members of Dongfeng Motor Group), resulting in steady progress in the following aspects of investment project development:

(1) Make reasonable arrangements for investment in new products, increase the investment in new models and adapt to the diversified market demand. Make reasonable arrangements for the introduction of new products and new models of vehicles in accordance with the requirements of the relevant regulations and policies of the PRC and the market demand, as well as the various brand merchandise plans, launch products that adapt to the market in a timely manner, enhance market competitiveness and meet market demands.

(2) Reasonably control investment in production capacity to prevent risks of overcapacity. In accordance with the needs of strategic development and arrangements of commodity plans, the construction of a new production capacity project is strictly restricted. As for continued capacity projects, on the basis of the commodity plans to achieve the production and sales targets, the Group grasped the pace of production and construction capacity and minimized the risk of overcapacity. Meanwhile, with the help of a rolling budget preparation plan, the Group further refined its plan of production capacity, and optimized the production capacity layout to address the imbalance in the utilization of production capacity of each enterprise within the Group. Actively research the various measures for the promotion of the plans for utilizing the Group's internal and external synergies for the production capacity, such as promoting the technological transformation of Dongfeng Plant's production capacity in Changzhou.

(3) Increase investment in new undertakings, accelerate the transformation and upgrading and the comprehensive competitiveness of the Group. Strengthening the investment to improve the core competitiveness and sustainability of Dongfeng Motor Group, further increase the continuous investment in new business areas and gradually transform development momentum. Including: special investment in new energy commodities and investment in core resources of the "power batteries, electric engines and electronic control systems" (三電) and, for example, development of the New Energy No.2 Park. In addition, the commencement of strategic project research and investment in terms of intelligent connectivity and service businesses.

In the next two years, Dongfeng Motor Group will, according to its business plans, continue to improve its innovation and new energy capability, explore the service of vehicle travel and horizontal business, to introduce new models and new products rationally, to upgrade intelligent manufacturing technology, to further optimise its investment structure and to promote the transformation and upgrading of the enterprise. The investment of Dongfeng Motor Group is expected to be approximately RMB16,172 million and RMB20,857 million (including all members of Dongfeng Motor Group) for each of 2020 and 2021.

II. Business Outlook

In recent years, the automobile market is undergoing profound changes, and it is expected that the automobile market in the PRC will continue to experience negative growth in 2020. At the beginning of the year, the Company evaluated a decrease of 1.8% this year for the automobile market of the PRC. With the impact of the epidemic, the initial judgment is now lowered by approximately 10.0%, among which passenger vehicle business will decrease by approximately 10% and commercial vehicle business will remain stable with last year. In the next five years, the automobile market will continue to maintain a slight growth trend, with the market generally expected to grow by 1.2%, of which market of passenger vehicles will increase by 1.6% and that of the commercial vehicles will decrease by 1%.

According to the judgement of motor market development trend and new pattern of motor industry in the future, Dongfeng Motor Group will accelerate the development of excellent Dongfeng. The Company will strive for achieving the leading position in the operating quality, self-owned brand business and new business, and ensure that employees can enjoy priority with a better life in a new era. In order to implement the strategy, the Company will deepen the strategic research and market bench-marking, together with the actual "14th Five-Year Plan" and rolling updates on the interim business plan to maintain steady and healthy development in the fierce market competition. The Company will maintain its strategy with its focus of business and development on the following four aspects in the future:

First, continue to build core capabilities to promote breakthrough development in self-owned business. Create new leading advantages for commercial vehicles, strive to promote autonomous passenger vehicles, consolidate and upgrade the first brand of military vehicles, and promote the transformation and upgrading of spare parts business.

Second, accelerating the development of the layout for new energy business, including the development of new energy vehicles and vehicles with intelligent connectivity, development of industry chain and model innovation, and further improving the integration and innovation of "Five Megatrends" and possessing core technology.

Third, promoting healthy and sustainable development of joint venture and improving the level of joint venture cooperation. Consolidate and improve the favourable development trend of Dongfeng Nissan and Dongfeng Honda, and focus on the difficulties in the development of Dongfeng Peugeot Citroën and Dongfeng Renault.

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

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

III. SIGNIFICANT EVENTS

Results and dividends

The Group's results for the year ended 31 December 2019 and the financial position of the Company and the Group as at that date are set out in the audited financial statements on pages 93 to 219 in this annual report.

The Board of Directors recommends the dividend distribution of RMB0.25 per share in respect of 2019 results, subject to consideration and approval at the annual general meeting to be held on 19 June 2020.

Material legal proceedings

For the year ended 31 December 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 Dongfeng Motor Group was aware.

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

In 2019, the Company's JCEs, in total, declared and distributed aggregate dividends of approximately RMB13,280 million to the Company. Although the exact amounts of dividend distributions are not set each year, pursuant to each of the joint venture agreements, distributions are required to be paid out of the profit made by the relevant JCEs (after payments of income tax) in accordance with the relevant PRC law as determined at the meetings of the Board of Directors of each JCE as being appropriate dividend distributions on the circumstances of each JCE. When determining dividend distributions, the Board of Directors of each JCE will offset losses of previous years and deduct from the profit made by the relevant JCE the portion of profit to be allocated for applicable legal reserves as required under the PRC laws and regulations and company reserve (including but not limited to amounts allocated to cover the relevant JCE's working capital or to increase capital or expand production), employee bonus and welfare and company development. Pursuant to each of the joint venture agreements, distributions of profit will be made in proportion to the capital contributions paid by the relevant joint venture party and the Company respectively in accordance with the PRC laws.

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

Financial summary

A summary of the Group's operating results, for the last five years ended 31 December 2019 and the assets and the liabilities of are set out on pages 220 to 221 in this annual report.

Bank loans and other borrowings

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

Interest capitalized

Details of the interest capitalised of the Company and Group for the year ended 31 December 2019 are set out in note 7 to the audited financial statements.

Property, plant and equipment

Changes in property, plant and equipment of the Group for the year ended 31 December 2019 are set out in note 14 to the audited financial statements.

Designated deposits and overdue term deposits

As at 31 December 2019, the Group had no designated deposits and overdue term deposits in any financial or other authorities.

Reserves

Details of movements in reserves of the Company and the Group for the year ended 31 December 2019 are set out in note 44 to the audited financial statements and the consolidated statement of changes in equity on pages 98 to 99 respectively. Pursuant to Article 155 of the Articles of Association of the Company, if there are material discrepancies between the financial statements prepared in accordance with the accounting standards and regulations in the PRC and the financial statements prepared in accordance with International Financial Reporting Standards or the accounting standards in other place(s) where the Company is listed, the after-tax profit to be allocated for the relevant accounting period shall be the lower of the after-tax profits in these financial statements. The Board of Directors recommends allocation of 10% of total profit to the statutory surplus reserve and no allocation to the discretionary surplus reserve under the laws and the Articles of Association, subject to consideration and approval at the annual general meeting to be held on 19 June 2020.

Donations

The Group has made total donations of approximately RMB3 million for the year ended 31 December 2019

Major customers and suppliers

During the year ended 31 December 2019, the revenue attributable to the five largest customers accounted for no more than 30% of the Group's revenue for the year.

During the year ended 31 December 2019, the purchases (other than those of a capital nature) from the five largest suppliers accounted for no more than 30% of the Group's total purchases for the year.

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

As at 31 December 2019, details of the subsidiaries and JCEs as well as other companies in which the Company has direct equity interests are set out in notes 18, 19, 20 and 27 to the audited financial statements for the year respectively.

Share capital

As at 31 December 2019, the aggregate share capital of the Company was RMB8,616,120,000, divided into 8,616,120,000 ordinary shares with a nominal value of RMB1 each, of which 5,760,388,000 were Domestic Shares representing approximately 66.86% of the aggregate number of shares in issue, and 2,855,732,000 were H Shares representing approximately 33.14% of the aggregate number of shares in issue. During the year ended 31 December 2019, there is no change in the aggregate share capital of the Company.

Pre-emptive rights

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

Purchase, sale or redemption of securities

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

Interests of substantial shareholders

As at 31 December 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 and the number of underlying shares, as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance are set out below:

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

Name	Class of Shares	Number of shares held	Percentage in the class of issued share capital	Percentage in the total share capital
			%	%
DONGFENG MOTOR CORPORATION	Domestic Shares	5,760,388,000(L)	100.00	66.86
SCMB Overseas Limited	H Shares	242,282,000(L)	8.48(L)	2.81
Standard Chartered Asia Limited	H Shares	242,282,000(L)	8.48(L)	2.81
Standard Chartered Bank	H Shares	242,282,000(L)	8.48(L)	2.81
Standard Chartered Holding Limited	H Shares	242,282,000(L)	8.48(L)	2.81
Standard Chartered Holdings (International) B.V.	H Shares	242,282,000(L)	8.48(L)	2.81
Standard Chartered MB Holdings B.V.	H Shares	242,282,000(L)	8.48(L)	2.81
Standard Chartered Private Equity Limited	H Shares	242,282,000(L)	8.48(L)	2.81
Edinburgh Partners Limited	H Shares	153,514,000(L)	5.38(L)	1.78
Reynolds Margaret (Meg)	H Shares	230,595,000(L)	8.07(L)	2.67
Ward Bryan	H Shares	230,595,000(L)	8.07(L)	2.67
Westwood Global Investments, LLC	H Shares	230,595,000(L)	8.07(L)	2.67
FIL Limited	H Shares	228,740,000(L)	8.01(L)	2.65
Pandanus Associates Inc.	H Shares	228,740,000(L)	8.01(L)	2.65
Pandanus Partners L.P.	H Shares	228,740,000(L)	8.01(L)	2.65
Brown Brothers Harriman & Co.	H Shares	228,671,995(L)	8.01(L)	2.65(L)
	H Shares	228,671,995(P)	8.01(P)	2.65(P)
Citigroup Inc.	H Shares	197,282,990(L)	6.90(L)	2.28(L)
	H Shares	662,050(S)	0.02(S)	0.00(S)
	H Shares	190,729,498(P)	6.67(P)	2.21(P)
Invesco Asset Management Limited	H Shares	188,528,867(L)	6.60(L)	2.18
FIDELITY FUNDS	H Shares	171,578,000(L)	6.01(L)	1.99
BlackRock, Inc.	H Shares	169,912,675(L)	5.95(L)	1.97(L)
	H Shares	7,328,000(S)	0.26(S)	0.08(S)
JPMorgan Chase & Co.	H Shares	145,491,066(L)	5.09(L)	1.68(L)
	H Shares	24,067,631(S)	0.84(S)	0.27(S)
	H Shares	90,594,925(P)	3.17(P)	1.05(P)

Directors, supervisors and senior management of the Company

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

Directors

Zhu Yanfeng	Executive Director and Chairman
Li Shaozhu	Executive Director and president
You Zheng	Executive Director and vice president
Cheng Daoran	Non-executive Director
Ma Zhigeng	Independent Non-executive Director
Zhang Xiaotie	Independent Non-executive Director
Cao Xinhe	Independent Non-executive Director (resigned on 29 November 2019)
Chen Yunfei	Independent Non-executive Director

Senior Management

Yang Qing	Vice President
An Tiecheng	Vice President (resigned on 1 December 2019)
Qiao Yang	Vice President
Lu Feng	Secretary to the Board of Directors and Joint Company Secretary

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

Supervisors

He Wei	Chairman of the Supervisory Committee (elected on 29 November 2019)
Wen Shuzhong	Chairman of the Supervisory Committee (resigned on 29 November 2019)
Zhao Jun	Independent Supervisor
Li Pingan	Employee Supervisor

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

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

As at 31 December 2019, the interests of directors, supervisors and chief executives of the Company in the equity or debt securities of the Company or the relevant associated corporation (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

Name	Position	Class of Shares	Nature of interest	Number of shares held	Percentage in the class of issued share capital	Percentage in the total share capital
					%	%
He Wei	Supervisor	H Shares	Beneficial interest	100,000 (L)	0.00	0.00
Li Ping'an	Employee Supervisor	H Shares	Beneficial interest	60,000 (L)	0.00	0.00

Confirmations of independence from independent non-executive directors

The Company has received the annual written confirmations of independence from all independent non-executive directors for 2019, namely Mr. Ma Zhigeng, Mr. Zhang Xiaotie, and Mr. Chen Yunfei. They are independent in the view of the Company.

Directors' and supervisors' service contracts

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

Directors' and supervisors' interests in contracts

Except for service contracts, none of the directors or supervisors of the Company has direct or indirect material interests in any important contract entered into by the Company or any of its subsidiaries and JCEs during the year ended 31 December 2019.

Remunerations of directors and supervisors

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

Five highest-paid individuals

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

Employees

As at 31 December 2019, Dongfeng Motor Group had a total of 136,549 full-time employees. The number of employees in various divisions and their percentage of the total number of employees are as follows:

Division	**No. of Employees** *(number)*	**Percentage of total** *(%)*
Manufacturing workers	89,314	65.41%
Engineering and technology	16,267	11.91%
Management	29,354	21.50%
Services	1,614	1.18%
Total	136,549	100%

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

Dongfeng Motor Group is devoted to providing various training to the employees. Training program usually includes training of leadership, professional technology management, manufacturing techniques and skills, research and development, overseas exchange program and other courses. Dongfeng Motor Group also encourages employees to participate in self-training program.

Retirement benefits

Details of the retirement benefits provided by the Group are set out in note 6 to the audited financial statements for the year.

Management contracts

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into with any person, firm or legal person during the year ended 31 December 2019.

Directors' and supervisors' interests in competing businesses

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

Compliance with non-competition agreement

The Company has received from Dongfeng Motor Corporation a written confirmation confirming that during the year ended 31 December 2019, it had complied with Non-competition Agreement signed with the Company.

Public float

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

V. CONNECTED TRANSACTIONS

For the year ended 31 December 2019, the continuing connected transactions between Dongfeng Motor Group and Dongfeng Motor Corporation and its associates (as defined under the Listing Rules) were as follows (together with the highest annual caps exempted subject to the Listing Rules):

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

1. Trademarks Licensing

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

2. *Social Insurance Funds*

For the year ended 31 December 2019, Dongfeng Motor Group made payments to the following funds or schemes through the accounts of Dongfeng Motor Corporation according to the applicable laws and regulations in the PRC: (1) basic pension fund; (2) supplementary pension fund; (3) medical insurance; (4) unemployment insurance; and (5) housing provident fund (collectively called “Social Insurance Funds”).

3. *Provision of Ancillary Services*

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

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Master Ancillary Services Agreements, Dongfeng Motor Corporation agreed to procure its subsidiaries to provide ancillary services, including electricity, water and steam, to Dongfeng Motor Group. Pursuant to the Master Ancillary Services Agreement, Dongfeng Motor Group agreed that it will give priority in using the ancillary services of Dongfeng Motor Corporation’s subsidiaries if the terms offered by them are no less favourable than the terms offered by an independent third party. Moreover, Dongfeng Motor Corporation’s subsidiaries are entitled to provide ancillary services to third parties provided that this would not affect the provision of services pursuant to the Master Ancillary Services Agreement. If the ancillary services supplied by Dongfeng Motor Corporation’s subsidiaries cannot satisfy the needs of Dongfeng Motor Group in any respect, Dongfeng Motor Group is entitled to obtain such ancillary services from third parties. However, if Dongfeng Motor Group fails to obtain such ancillary services from third parties, Dongfeng Motor Corporation shall procure its subsidiaries not to terminate the provision of such ancillary services under such circumstances
Term:	Three years from 1 January 2017 to 31 December 2019 (both days inclusive)
Pricing:	The above ancillary services shall be provided at (i) the government-prescribed prices approved by the state or local government; (ii) where there is no government-prescribed price but where there is a government-guidance price, the government-guidance prices; and (iii) where there is neither a government prescribed price nor a government-guidance price, the market prices

Annual cap of water supply for the year ended 31 December 2019:	RMB100 million
Annual cap of steam supply for the year ended 31 December 2019:	RMB300 million
Annual cap of electricity supply for the year ended 31 December 2019:	RMB1,400 million
Annual actual consideration of water supply for the year ended 31 December 2019:	RMB0 million
Annual actual consideration of steam supply for the year ended 31 December 2019:	RMB0 million
Annual actual consideration of electricity supply for the year ended 31 December 2019:	RMB0 million

4. Commodity vehicles Master Sales Agreement

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

Date: 28 December 2016

Parties:
(1) Dongfeng Motor Group
(2) Dongfeng Motor Corporation

Objective: Pursuant to the Master Auto Parts Sales Agreement, Dongfeng Motor Group agreed to sell and procure its subsidiaries to sell auto parts and other products (including, amongst others, fuel tank, exhaust pipes, mounting and other auto parts of commercial vehicles) to Dongfeng Motor Corporation and its subsidiaries. During the term of the Master Auto Parts Sales Agreement, Dongfeng Motor Group may from time to time enter into definitive written agreement(s) with Dongfeng Motor Corporation and/or its subsidiaries in relation to sales of auto parts and other products (including, amongst others, fuel tank, exhaust pipes, mounting and other auto parts of commercial vehicles) to Dongfeng Motor Corporation and/or its subsidiaries, based on both parties' production plan and actual needs

Term: Three years from 1 January 2017 to 31 December 2019 (both days inclusive)

Pricing: The transactions under the Master Auto Parts Sales Agreement will be conducted in the ordinary and usual course of business and on normal commercial terms and such terms and conditions will be negotiated on an arm's length basis and will be no less favourable than those available from independent third parties of the Company

The proposed annual caps for sales of auto parts to Dongfeng Motor Corporation and its subsidiaries for the year 2019 was approximately RMB500 million. For the year ended 31 December 2019, the annual actual amount for Dongfeng Motor Corporation and its subsidiaries' purchase of auto parts was approximately RMB11 million.

5. *Master Auto Parts Procurement Agreement*

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

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Master Auto Parts Procurement Agreement, Dongfeng Motor Corporation agreed to provide and procure its subsidiaries to provide auto parts and other products (including, amongst others, event data recorders, electronic products and other customised auto parts) to the Group based on the production plan and actual needs of the Group. During the term of the Master Auto Parts Procurement Agreement, the Group may from time to time enter into definitive agreement(s) with Dongfeng Motor Corporation and/or its subsidiaries in relation to procurement of auto parts and other products (including, amongst others, event data recorders, electronic products and other customised auto parts) for the Group
Term:	Three years from 1 January 2017 to 31 December 2019 (both days inclusive)
Pricing:	The purchase prices to be payable by Dongfeng Motor Group under the Master Auto Parts Procurement Agreement are determined with reference to the market price of comparable products which are available on an arm's length basis and on terms no less favourable than those provided by at least two independent suppliers for comparable products

The proposed annual caps for procurement of auto parts from Dongfeng Motor Corporation and its subsidiaries for the year 2019 was approximately RMB900 million. For the year ended 31 December 2019, the annual actual amount of procurement of auto parts from Dongfeng Motor Corporation and its subsidiaries was approximately RMB257 million.

6. *Master Logistics Services Agreement*

On 28 December 2016, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a master agreement in relation to provision of logistics services (the "Master Logistics Services Agreement"), the principal terms of which are set out below.

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Master Logistics Services Agreement, Dongfeng Motor Corporation agreed to provide and procure its subsidiaries to provide logistics services to the Group. During the term of the Master Logistics Services Agreement, Dongfeng Motor Group may from time to time enter into individual agreement(s) or sales orders with Dongfeng Motor Corporation and its subsidiaries in relation to provision of logistics services to the Group
Term:	Three years from 1 January 2017 to 31 December 2019 (both days inclusive)
Pricing:	The price under the Master Logistics Services Agreement will be agreed within the range of the government-guided price (if any) prescribed or approved by state or local price control department and where there is no government-guided price, at market price

The proposed annual caps for the logistics services provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group for the year 2019 is approximately RMB2,500 million. For the year ended 31 December 2019, the annual actual amount for Logistics Service provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group was approximately RMB1,963 million.

7. *Master Automobile Inspection Services Agreement*

On 28 December 2016, Dongfeng Motor Group and Dongfeng Motor Corporation entered into the master technology consultancy and automobile inspection services agreement (the "Master Automobile Inspection Services Agreement"), the principal terms of which are set out below.

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Master Automobile Inspection Services Agreement, Dongfeng Motor Group agrees to engage Dongfeng Motor Corporation and its subsidiaries for provision of technology consultancy and vehicle inspection services. During the term of the Master Automobile Inspection Services Agreement, Dongfeng Motor Group may from time to time enter into definitive written agreement(s) with Dongfeng Motor Corporation and its subsidiaries in relation to the provision of technology consultancy and vehicle inspection services to the Group, subject to the terms and conditions of and in compliance with the Master Automobile Inspection Services Agreement
Term:	Three years from 1 January 2017 to 31 December 2019 (both days inclusive)
Pricing:	The price will be determined with reference to the market prices for comparable services which are available on an arm's length basis and on terms no less favourable than those provided by at least two independent service providers for services of the same type and comparable quality

The annual caps of payment by Dongfeng Motor Group to Dongfeng Motor Corporation and its subsidiaries for the provision of vehicle inspection services by Dongfeng Motor Corporation and its subsidiaries are approximately RMB900 million for the year 2019. For the year ended 31 December 2019, the annual actual amount for vehicle inspection services provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group was approximately RMB394 million.

8. *Financial Services Master Agreement*

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

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Financial Services Master Agreement, Dongfeng Motor Group agreed to provide and procure its subsidiaries to provide financial services to Dongfeng Motor Corporation and its subsidiaries. The parties may from time to time enter into individual financial services agreement in compliance with the principles set out in the Financial Services Master Agreement. Services to be provided by Dongfeng Motor Group to Dongfeng Motor Corporation and its subsidiaries include (i) treasury services, including budget management, settlement, fund allocation and depository; (ii) financing services, including lending, discount, acceptance and factoring; and (iii) financial services in relation to the automobile products of Dongfeng Motor Corporation, including consumer facilities, buyer facilities and leasing
Term:	Three years from 1 January 2017 to 31 December 2019 (both days inclusive)
Pricing:	Financial services to be provided under the Financial Services Master Agreement will be charged at (i) the government-prescribed prices approved by the state or local government; (ii) where there is no government prescribed price but where there is a government guidance price, the government-guidance prices; and (iii) where there is neither a government prescribed price nor a government-guidance price, the market prices; and/or (iv) at rates determined on an arm's length and reasonable basis and comply with the applicable policies and requirements stipulated by the relevant financial regulatory authorities from time to time and other applicable laws, rules and regulations of the PRC

The proposed annual cap for the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Corporation and its subsidiaries to the Company of the year 2019 was RMB3,000 million. As at 31 December 2019, the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group was approximately RMB29 million.

9. *Deposit Agreement*

On 28 December 2016, Dongfeng Motor Group has entered into the deposit agreement (the "Deposit Agreement") with Dongfeng Nissan Auto Finance Co., Ltd. regarding the procurement of financial services from Dongfeng Nissan Auto Finance, the principal terms of which are set out below.

Date:	28 December 2016
Parties：	(1) Dongfeng Motor Group (2) Dongfeng Nissan Auto Finance Co., Ltd.
Subject matter:	Pursuant to the Deposit Agreement, Dongfeng Motor Group agreed to purchase and Dongfeng Nissan Auto Finance agreed to provide financial services to the Company and its subsidiaries. The parties may from time to time enter into individual financial services agreement in compliance with the principles set out in the Financial Services Master Agreement. Services to be provided by Dongfeng Motor Group to Dongfeng Nissan Auto Finance and its subsidiaries include (i) placing deposit; (ii) treasury services, including budget management, settlement, fund allocation and depository; (iii) financing services, including lending, discount, acceptance and factoring; and financial services in relation to the automobile products of Dongfeng Nissan Auto Finance Co., Ltd., including consumer facilities, buyer facilities and leasing
Term:	Three years from 1 January 2017 to 31 December 2019 (both days inclusive)
Pricing:	Financial services to be provided under the Deposit Agreement will be charged at (i) the government prescribed prices approved by the state or local government; (ii) where there is no government-prescribed price but where there is a government guidance price, the government-guidance prices; and (iii) where there is neither a government prescribed price nor a government guidance price, the market prices; and/or (iv) at rates determined on an arm's length and reasonable basis and comply with the applicable policies and requirements stipulated by the relevant financial regulatory authorities from time to time and other applicable laws, rules and regulations of the PRC.

The maximum balance of Deposits maintained by Dongfeng Motor Group with Dongfeng Nissan Auto Finance Co., Ltd. shall not exceed RMB5,000 million on any given day for the year 2019. As at 31 December 2019, the outstanding amount of the deposits placed by Dongfeng Motor Group with Dongfeng Nissan Auto Finance Co., Ltd. was approximately RMB1,800 million.

10. Master Land Lease

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

Date:	28 December 2016
Parties:	(1) Dongfeng Motor Group (excluding Dongfeng Motor Co., Ltd.) (2) Dongfeng Motor Corporation
Subject matter:	Pursuant to the Master Land Lease, Dongfeng Motor Corporation agreed to lease and procure its subsidiaries to lease the land located in Hubei Province (the "Land") to Dongfeng Motor Group and Dongfeng Motor Group agreed to lease the Land from Dongfeng Motor Corporation and its subsidiaries to meet its production and operational needs. The parties will enter into individual land lease for each leased Land pursuant to the terms and conditions of the Master Land Lease. The transactions contemplated under the Master Land Lease and the individual land leases will at all times be conducted subject to and in accordance with the Listing Rules and the applicable guidelines, rules and regulations of the Stock Exchange
Lease term:	Three years from 1 January 2017 to 31 December 2019; and three months before the lease term expires, the parties may negotiate to extend or renew the Master Land Lease
Rental:	The annual rental amount paid by Dongfeng Motor Group will not exceed the Proposed Cap. The rental amounts for the Master Land Lease were determined by the parties to the individual land lease on arm's length basis. During the term of the Master Land Lease (as extended or renewed thereafter), the rental amount may be adjusted every three years since the relevant dates of the individual land lease subject to negotiation and agreement between the parties, which will be no more than the fair market value of the leased land as determined by an independent valuer jointly engaged by both parties. During the term of the Master Land Lease, rental payments shall be made semi-annually and within 10 days after half of or the whole calendar year (i.e. 30 June or 31 December). If Dongfeng Motor Group fails to meet their payment obligations under the Master Land Lease, it will pay to Dongfeng Motor Corporation or its subsidiaries a fine on a daily basis at the rate of 5% until the outstanding payment has been made

Sublet:	Without written consent from Dongfeng Motor Corporation or its subsidiaries, Dongfeng Motor Group shall not sublet the land or assign any rights or obligations under the Master Land Lease. And the land shall be used according to the purpose as set out in the Master Land Lease

The annual cap of Dongfeng Motor Group's leasehold payments to Dongfeng Motor Corporation was approximately RMB260 million in 2019. For the year ended 31 December 2019, the leasehold payment payable by Dongfeng Motor Group to Dongfeng Motor Corporation was approximately RMB137 million and the actual leasehold payment made by the Group to Dongfeng Motor Corporation was approximately RMB137 million. The outstanding amount for the year amounted to RMB0 and the total outstanding amount was RMB0 million.

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

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

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

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

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

For the year ended 31 December 2019, the total leasehold payment payable by Dongfeng Motor Co., Ltd. to Dongfeng Motor Corporation was approximately RMB45 million and the actual leasehold payment made by Dongfeng Motor Co., Ltd. to Dongfeng Motor Corporation was approximately RMB45 million. The outstanding amount for the year amounted to approximately RMB0 million and the total outstanding amount was approximately RMB0 million.

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

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

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

For the year ended 31 December 2019, the total consideration paid by Dongfeng Motor Group to Dongfeng Hongtai for purchases of vehicle and auto parts from Dongfeng Hongtai was RMB3,305 million and the total amount paid by Dongfeng Hongtai to Dongfeng Motor Group for purchases of vehicle and auto parts from Dongfeng Motor Group was RMB2,183 million.

12. *Manufacturing Framework Agreement for Battery Electric Vehicles*

On 29 August 2019, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a manufacturing framework agreement for Battery Electric Vehicles (the “Manufacturing Agreement”) regarding the manufacturing of battery electric vehicles for the Group, the principal terms of which are set out below.

Date:	29 August 2019
Parties:	Dongfeng Motor Group Dongfeng Motor Corporation
Objective:	Pursuant to the Manufacturing Agreement, Dongfeng Motor Group may from time to time seek quotation from the DFM and deliver to the DFM a production order for the manufacture. The DFM shall indicate to Dongfeng Motor Group in writing whether it accepts such order. Once accepted, DFM shall manufacture and supply Battery Electric Vehicles to Dongfeng Motor Group according to its requirements as specified in the production order and separate implementation agreement.
Term:	Three years from 1 September 2019 to 30 August 2022
Pricing:	The parties shall confirm the specific purchase price prior to the respective production orders are placed. The price for the Battery Electric Vehicles shall be determined with reference to the costs of parts and components and processing fee. The costs of parts and components are determined by the amount of parts and components used and the unit price which is negotiated from time to time among Dongfeng Motor Group, independent third party suppliers with reference to the market price. The processing fee consists of subassembly fee, warehouse and logistic fee, quality inspection fee and other reasonable fee.

The proposed annual caps for procurement of battery electric vehicles from Dongfeng Motor Corporation and its subsidiaries for the year 2019 was approximately RMB800 million. For the year ended 31 December 2019, the annual actual amount of procurement of battery electric vehicles from Dongfeng Motor Corporation and its subsidiaries was approximately RMB391 million.

13. *For the year ended 31 December 2019, the continuing connected transactions relating to the joint ventures include:*

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

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

During the year ended 31 December 2019, each of Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroën Automobile Co., Ltd., Dongfeng Honda Automobile Co., Ltd, Dongfeng Honda Engine Co., Ltd., Dongfeng Honda Auto Parts Co., Ltd., and Dongfeng Renault Automobile Co., Ltd. (including each of these companies' subsidiaries, joint ventures and associates) regularly purchased auto parts or production facilities from the joint venture partners of the Company in the manner described below and such purchases will continue for the duration of the joint venture term.

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

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

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

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

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

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

For the year ended 31 December 2019, the total consideration paid by the joint ventures (including their subsidiaries, joint ventures and associates) in respect of purchases of auto parts and production facilities from the joint venture partners (including their subsidiaries and associates) was RMB63,330 million.

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

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

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

Dongfeng Honda Auto Parts Co., Ltd. continued to sell auto parts to Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd. as at 31 December 2019.

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

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

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

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

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

As at 31 December 2019, GAC Honda Automobile Co., Ltd. continued to purchase from Dongfeng Honda Engine Co., Ltd. engines and auto parts needed by it.

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

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

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

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

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

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

For the year ended 31 December 2019, the total consideration paid by the joint ventures in respect of purchases of technology license and technical assistance stated above was RMB5,758 million.

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

Management Discussion and Analysis

I. OPERATING ENVIRONMENT

In 2019, China's economy has shifted from a high-speed growth stage to a high-quality development stage, with economy maintained a stable development with moderate improvement in overall, and recorded a year-on-year increase of 6.1% in GDP. Affected by policy factors and macroeconomics, 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 China automobile market has ended its momentum of continuous growth, with cumulative sales of 25.769 million units for the year, representing a year-on-year decrease of 8.2%.

The passenger vehicles market was running at a low level with a sale volume of 21.444 million units, representing a year-on-year decrease of 9.6%. Among which, sale volume of SUV decreased by 6.3% year-on-year; MPV recorded a significant decrease of 20.2% year-on-year; basic car decreased by 10.7% year-on-year. From the aspect of market structure, the structure is severely diverged, and the sale volume of self-owned brands have fallen sharply. Japanese brands and German brands attained the best performance, increasing their market share by 2.5 percentage points and 2.8 percentage points, respectively; the American brands, French brands, and Korean brands showed a subpar performance, with their market shares falling by 1.6 percentage points, 0.7 percentage point, and 0.3 percentage point, respectively; self-owned brands suffered the most pressure, with its market share falling by 2.9 percentage points.

In 2019, the commercial vehicles market was subject to large fluctuations in policy changes. The performance of the heavy, medium and light truck markets was different. The overall development of the commercial vehicles industry in China was generally stable. Compared with the continued downturn in the passenger car market over the same period, sales performance of commercial vehicles was also better than passenger vehicles, but with the impact of the "understated loading for lower toll fee "incident of light trucks on 21 May and the implementation of special governance work, there has been a greater impact on the sales of light trucks. The cumulative sales of commercial vehicles in 2019 were 4.324 million units, representing a year-on-year decrease of 1.1%.

Affected by the impact of subsidies, the new energy market experienced negative growth for the first time in recent years.

II. OPERATION ANALYSIS

In 2019, under the severe 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 2.932 million units of vehicles throughout the year, representing a decrease of approximately 3.9% on a year-on-year basis. Although the year-on-year decline, the market performance was better than the industry market by 4.3 percentage points (industry -8.2%). 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 2019, the sales volume of the passenger vehicle of the Company was approximately 2.4636 million units, representing a year-on-year decrease of 5.7%, which was better than the industry by 3.9 percentage points (industry -9.6%). Among which, the sales volume of joint-venture passenger vehicles were 2.1406 million units, representing a year-on-year decrease of 4.0%. The sales volume of self-owned passenger vehicles were 323,000 units, representing a year-on-year decrease of 15.2%.

The total sales volume of commercial vehicles outperformed the market. The sales volume of commercial vehicles of the Company totaled 468,300 units, representing a year-on-year increase of 6.3%, which was better than the industry by 7.4 percentage points (industry -1.1%). Among which, the sales volume of medium and heavy trucks were 261,000 units, representing a year-on-year increase of 5.7%, which was 6.6 percentage points better than the market. The sales of light trucks were 176,200 units, representing a year-on-year increase of 9.2%, leading the industry by 9.8%. The goal of reshaping the leading edge of commercial vehicles based on the full value chain is steadily advancing.

III. FINANCIAL ANALYSIS

1. Revenue

The revenue of the Group for 2019 was approximately RMB101,087 million, representing a decrease of approximately RMB3,456 million or 3.3% compared with RMB104,543 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..

Business	**2019 Sales Revenue *RMB million***	2018 Sales Revenue *RMB million*
Passenger vehicles	**26,738**	40,239
Commercial vehicles	**68,893**	60,136
Financing service	**5,387**	3,876
Corporate and others	**565**	508
Elimination	**(496)**	(216)
Total	**101,087**	104,543

1.1 Passenger Vehicle Business

The sales revenue of passenger vehicles of the Group for 2019 decreased by approximately RMB13,501 million, or 33.6%, to approximately RMB26,738 million from approximately RMB40,239 million for the corresponding 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. increased by 9.3% year on year, outperforming the industry. Dongfeng Liuzhou Motor CV outperformed the market;

The sales revenue of commercial vehicles of the Group for 2019 increased by approximately RMB8,757 million, or 14.6%, to approximately RMB68,893 million from approximately RMB60,136 million for the corresponding 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

As the layout of financial business of Dongfeng Motor has been basically completed, the extent to which financial support by Dongfeng Motor to the vehicle sector has gradually strengthened, and the proportion of financial business profits to the Group's profits has gradually increased, notable growth was achieved in the financing service sector, with 39.0% revenue increase on a year-on-year basis. Dongfeng Motor Finance Co., Ltd., Chuang'ge Financial Leasing Co., Ltd. and Dongfeng Nissan Auto Finance Co., Ltd. achieved their goals of revenue and profit before income tax for 2019 and realized a year-on-year increase.

The revenue of financing service of the Group for 2019 increased by approximately RMB1,511 million, or 39.0%, to approximately RMB5,387 million from approximately RMB3,876 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 2019 was approximately RMB87,596 million, representing a decrease of approximately RMB3,532 million, or 3.9%, as compared with approximately RMB91,128 million in the corresponding period of last year. The total gross profit was approximately RMB13,491 million, representing an increase of approximately RMB76 million, or 0.6%, as compared with approximately RMB13,415 million in the corresponding period of last year. The comprehensive gross profit margin was approximately 13.3%, increased by 0.5% as compared with the corresponding period of last year. The increase in gross profit margin was mainly due to the impact of cost reduction and changes in sales structure.

3. Other Income

The total other income of the Group for 2019 amounted to approximately RMB2,231 million, representing a decrease of approximately RMB933 million compared with approximately RMB3,164 million in the corresponding period of last year.

The decrease in other income was mainly due to the decrease in government subsidies 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 2019 decreased by approximately RMB1,993 million to approximately RMB4,349 million from approximately RMB6,342 million in the corresponding period of last year.

The decrease in sales and distribution expenses was mainly due to the decrease in sales volume of Dongfeng Peugeot Citroën Automobile Sales Co., Ltd., which resulted in a decrease in transportation expenses. At the same time, in order to improve the performance of Dongfeng Peugeot Citroën Automobile Sales Co., Ltd., the company reduced its advertising fees.

5. Administrative Expenses

The administrative expenses of the Group for 2019 increased by approximately RMB570 million to approximately RMB5,076 million from approximately RMB4,506 million in the corresponding period of last year.

The increase in administrative expenses was mainly due to the increase in incentive salary and optimized performance compensation of the executives and increase in fixed asset depreciation.

6. Impairment Losses on Financial Assets

The impairment losses on financial assets of the Group for 2019 increased by approximately RMB157 million to approximately RMB1,163 million from approximately RMB1,006 million in the corresponding period of last year.

The increase in impairment losses on financial assets was mainly due to the increase in the scale of loans of Dongfeng Motor Finance Co., Ltd. in the current period.

7. Other Net Expenses

The other net expenses of the Group for 2019 amounted to approximately RMB5,500 million, representing a decrease of approximately RMB183 million as compared with approximately RMB5,683 million in the corresponding period of last year.

8. Finance Expenses–Net

The net finance expenses of the Group for 2019 amounted to approximately RMB575 million, representing an increase of approximately RMB310 million as compared with approximately RMB265 million in the corresponding period of last year.

The increase in net financial expenses was mainly due to the increase in interest expenses on borrowings from headquarters and the notes issued.

9. Share of Profits and Losses of Joint Ventures

Share of profits and losses of joint ventures of the Group for 2019 decreased by approximately RMB647 million to approximately RMB11,633 million from approximately RMB12,280 million in the corresponding period of last year. The main changes are as follows: 1. the profit decreased by RMB493 million year-on-year as a result of Dongfeng Motor Co., Ltd.; 2. the profit increased by RMB379 million year-on-year as a result of the increase in sales volume of Dongfeng Honda Automobile Co., Ltd.; 3. with the decline in sales volume of Dongfeng Peugeot Citroën Automobile, the profit decreased by RMB429 million over the same period.

10. Share of Profits and Losses of Associates

Share of profits and losses of associates of the Group for 2019 amounted to approximately RMB3,913 million, representing an increase of approximately RMB731 million as compared with that of approximately RMB3,182 million of the corresponding period of last year, mainly due to: 1. the increase in investment income of RMB326 million for investing in PSA Group; 2. the financial investment income of Dongfeng Honda increased by RMB325 million; 3. the investment income from T3 funds increased by RMB72 million.

11. Income Tax

The income tax expense of the Group for 2019 increased by approximately RMB98 million to approximately RMB1,759 million from approximately RMB1,661 million in the corresponding period of last year. The effective tax rate for the period was approximately 12.0%, representing an increase of approximately 0.3% as compared with approximately 11.7% in the corresponding period of last year.

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

The profit attributable to the equity holders of the Company for 2019 was approximately RMB12,858 million, representing a decrease of approximately RMB121 million, or 0.9% as compared with that of approximately RMB12,979 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 12.7%, representing an increase of approximately 0.3 percentage points as compared with approximately 12.4% 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 10.4%, representing a decrease of approximately 1.0 percentage point as compared with approximately 11.4% of the corresponding period of last year.

13. Total Assets

Total assets of the Group as at the end of 2019 amounted to approximately RMB272,000 million, representing an increase of approximately RMB45,483 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, fixed assets, loans from financial business and trade receivables.

14. Total Liabilities

Total liabilities of the Group as at the end of 2019 amounted to approximately RMB138,032 million, representing an increase of approximately RMB36,440 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 RMB17,029 million, the balance of trade payables and bills payable increased by RMB9,449 million and the balance of due to joint ventures increased by RMB5,585 million.

15. Total Equity

Total equity of the Group as at the end of 2019 amounted to approximately RMB133,968 million, representing an increase of approximately RMB9,043 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 RMB127,781 million, representing an increase of approximately RMB9,425 million as compared with approximately RMB118,356 million as at the end of last year.

16. Liquidity and Sources of Capital

	Twelve months ended 31 December 2019 ***(RMB million)***	Twelve months ended 31 December 2018 *(RMB million)*
Net cash flows used in operating activities	**(11,555)**	(22,249)
Net cash flows generated from investment activities	**1,472**	12,680
Net cash flows generated from financing activities	**11,241**	2,903
Net Increase/(decrease) in cash and cash equivalents	**1,158**	(6,666)

The Group's net cash flows used in operating activities was approximately RMB11,555 million. The amount mainly consisted of: (1) profit before taxation amounted to approximately RMB2,690 million, net of depreciation, impairment and other non-cash items; (2) net cash inflow of approximately RMB10,643 million due to trade and bill payables, and other payables and accruals; (3) net cash outflow of approximately RMB28,585 million due to increase in loans from financial business;(4) income tax payment of approximately RMB1,221 million;(5) cash deposits received from financing services increased by approximately RMB2,346 million.

The Group's net cash flows generated from investment activities was approximately RMB1,472 million. The amount mainly consisted of: (1) receipt of dividend from joint ventures and associates, representing cash inflow of approximately RMB13,936 million; (2) receipt of government returns and expiry of restricted funds, wealth management products, representing cash inflow of approximately RMB2,473 million；(3) capital expenditures, purchase of special shares in China Railways, purchase of wealth management products, structured deposit expenditures, and entrusted loans, representing cash outflow of approximately RMB14,358 million.

The Group's net cash flows generated from financing activities was approximately RMB11,241 million. This amount mainly reflected: (1) increase of bank borrowings resulting in a cash inflow of approximately RMB7,994 million; (2) issuance of bonds, resulting in a cash inflow of approximately RMB15,616 million; (3) repayment of bank borrowings and bonds and payment of dividends, resulting in a cash outflow of approximately RMB12,188 million. The increase in financing was mainly to supplement the rapidly growing funding needs of financial business.

As a result of the above, the Group's cash and cash equivalents (excluding non-pledged time deposits with original maturity of three months or more when acquired) amounted to approximately RMB26,133 million as at 31 December 2019, representing an increase of approximately RMB1,158 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 RMB26,768 million, representing a decrease of approximately RMB483 million as compared with approximately RMB27,251 million as at 31 December 2018.

As at 31 December 2019, the Group's equity ratio (a percentage of total borrowings to equity attributable to equity holders of the Company) was approximately 33.8%, representing an increase of approximately 11.7 percentage points as compared with approximately 22.1% as at 31 December 2018. The Group's liquidity ratio was approximately 1.36 times, which is flat compared to approximately 1.36 times as at 31 December 2018. The Group's quick ratio was approximately 1.25 times, representing an increase of 0.01 times from approximately 1.24 times as at 31 December 2018.

The inventory turnover days of the Group as at 31 December 2019 increased by approximately 8 days to approximately 51 days from approximately 43 days as at 31 December 2018. The Group's turnover days of receivables (including bills receivable) increased by approximately 2 days to approximately 88 days as at 31 December 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 39 days from approximately 26 days as at 31 December 2018. The turnover days of bills receivable decreased by approximately 11 days to approximately 49 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 revenue of the group for 2019 was approximately RMB254,040 million, representing an increase of approximately RMB1,878 million, or 0.7%, as compared with approximately RMB252,162 million of last year. Profit before income tax for 2019 was approximately RMB21,200 million, representing an increase of approximately RMB1,373 million or 6.9%, as compared with approximately RMB19,827 million of last year. Total assets for 2019 RMB350,129 million, representing an increase of approximately RMB45,534 million, or 14.9%, as compared with approximately RMB304,595 million of last year.

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

DIRECTORS

Zhu Yanfeng, executive director, Chairman and Secretary of the Party

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

Li Shaozhu, executive director and President

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

You Zheng, executive director and vice president

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

Cheng Daoran, non-executive director

Mr. Cheng Daoran, born in 1960, was elected as a non-executive director of the Company at the extraordinary general meeting held on 29 November 2019. Mr. Cheng graduated from the Department of thermophysical engineering, Zhejiang University in 1982 with a bachelor's degree in Internal Combustion Engine Power Engineering. Since 1982, He has worked in Liuzhou Automobile Factory. He has successively served as director of Development Department of Liuzhou Automobile Factory and assistant director of Dongfeng Liuzhou Automobile Factory. He acted as deputy general manager and general manager of Dongfeng Liuzhou Automobile Factory from December 1997 to August 2016, vice president of Dongfeng Motor Group Co., Ltd. from August 2016 to June 2017, deputy secretary of Party committee and deputy general manager of Dongfeng Motor Group Co., Ltd. from November 2016 to February 2019. Since February 2019, he has served as Director and Deputy Secretary of the Party committee of Dongfeng Motor Group Co., Ltd.

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

Ma Zhigeng, independent non-executive director

Mr. Ma Zhigeng, born in 1945, is an independent non-executive director of the Company. Mr. Ma graduated from Yangzhou Institute of Technology in 1968. In September 1968, he took part in the work and successively held the posts of deputy director of Sichuan Bureau of Ordnance, deputy director of Southwest Region Department of China North Industry Corporation, deputy director, chief economist, deputy general manager and Deputy Secretary of Party group of China Southwest Ordnance Industry Corporation. From June 1999 to June 2007, he served as general manager and Secretary of Party group of China Ordnance Industry Corporation. From June 2007 to October 2008, he served as the general manager of China Ordnance Industry Group, the external director of Shanghai Electric Appliance Group in June 2010, the external director of China Three Gorges Group in December 2010, and the external director of Dongfeng Motor from March 2011 to June 2014. From January 2013 to October 2013, he served as the independent non-executive director of the third board of directors of the Company. Since 10 October 2013, he has been a director of the Company's four board of directors.

Zhang Xiaotie, independent non-executive director

Mr. Zhang Xiaotie, born in 1952, is an independent non-executive director of the Company. Mr. Zhang graduated from the School of Economics and Management, Tsinghua University in 1989 with a master's degree in Engineering. In 1969, he started to work, successively served as the deputy director of the Finance Department of the Ministry of Posts and Telecommunications, the deputy director and director of the Economic Adjustment and Communication Clearing Department of the Ministry of Information Industry, the assistant president of China Netcom Group, the general manager, deputy general manager, Party members, the director and senior vice president of China Netcom (Group) Hong Kong Company, etc., and from May 2008 to June 2010, he served as deputy general manager and member of the Party of the China Mobile Communication. Since October 2013, he has been an independent non-executive director of the Company. Mr. Zhang is also an external director of Hong Kong China Travel Group.

Chen Yunfei, independent non-executive director

Mr. Chen Yunfei, born in 1971, is an independent non-executive director of the Company. Mr. Chen received his bachelor's degree in Law from Wuhan University in July 1992 and his JD degree from Southern Illinois University in December 1996. In early 1997, he began to work in Sullivan Cromwell, an American Law Firm headquartered in New York, mainly engaged in legal services in the capital market. Moved to Hong Kong in 1998 and continued to practice in Sullivan Cromwell's Hong Kong office. He left Sullivan Cromwell in July 2001 and joined Deutsche Bank's Asian investment banking division. Mr. Chen, as managing director of Deutsche Bank Asia Investment Bank, has been in charge of industry and mining industry in Asia, including automobile industry in different periods. In August 2007, Mr. Chen left Deutsche Bank to invest and consult as an independent investor. He once served as the Chairman of Asia Coal Industry Co., Ltd. listed in Hong Kong. Since October 2013, he has been an independent non-executive director of the Company. Mr. Chen is also an independent director of China Gold International Resources Co., Ltd. listed in Toronto and Hong Kong.

SUPERVISORS

He Wei, Chairman of the board of supervisors

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

Zhao Jun, independent supervisor

Mr. Zhao Jun, born in 1958, is currently an independent supervisor of the Company. Mr. Zhao graduated from the Department of Mathematics of Jilin University in 1982 and obtained his bachelor's degree. In 1987 and 1990, he received his master's degree and doctor's degree respectively from Beijing University of Technology. He was promoted to associate professor in 1991. From 1995 to 1998, he served as the director of the Academic Affairs Office of the former Beijing Business School (currently known as Beijing University of business and Technology). In 2001, he was promoted to professor. Currently, he is a professor of management and master's degree in the School of International Business of the University of Foreign Economic and Trade Graduate tutor. The research fields include econometric model, management decision analysis, statistical analysis and prediction. He has published more than 20 papers and works on professional discipline theory, theoretical application, teaching materials and methods, teaching management, etc. He has won the Second Prize of National Excellent Teaching Achievements and the First Prize of Beijing Excellent Teaching Achievements. Since October 2013, he has been an independent supervisor of the Company.

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

Li Ping'an, employee supervisor

Mr. Li Ping'an, born in 1963, graduated from the Philosophy Department of Renmin University of China with a master's degree in Dialectical Materialism and Historical Materialism in 1986. Mr. Li has been working in Wuhan University since 1986. He has successively served as a teacher of the School of Political Administration of Wuhan University, director of the Party Committee Working Department, director of the Public Relations, division of the Personnel Public Relations Department, director of the Public Relations, division of the General Manager's Office and director of the Public Relations, division of the Public Relations Administration Department. From 2007 to 2011, he served as the director of the Party and Mass Work Department of Dongfeng Passenger Vehicle Business Department, and from 2011 to 2014, served as the director of the Comprehensive Management Department, deputy secretary of the Discipline Inspection Committee and vice Chairman of the Labor Union of Dongfeng Passenger Vehicle Company. From 2014 to 2017, deputy director of Office of Dongfeng Motor Group Co., Ltd. Since 2017, he has been the general manager of Corporate Culture Department of the Company, and also the director of Party Committee Working Department of Dongfeng Motor Group Co., Ltd. Since October 2019, he has been the employee supervisor of the Company.

SENIOR MANAGEMENT

Qiao Yang, vice president

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

Yang Qing, vice president

Mr. Yang Qing, born in 1966, with a bachelor's degree, is currently vice president of the Company. Mr. Yang in 1988, has successively worked as deputy general manager of Dongfeng Motor Piston Bearing Co., Ltd., general manager of Dongfeng Motor Fastener Co., Ltd., general manager of Dongfeng Axles Co., Ltd., executive deputy general manager of Dongfeng Dana Vehicle Bridge Co., Ltd., deputy general manager of Dongfeng Commercial Vehicle Co., Ltd., general manager of Dongfeng Motor Co., Ltd., secretary of the Party Committee of Dongfeng Commercial Vehicle Co., Ltd, etc. He has been the general manager of Dongfeng Commercial Vehicle Co., Ltd. since June 2016, vice president of Dongfeng Commercial Vehicle Co., Ltd. since August 2016, and member of the Standing Committee of the Party Committee and vice general manager of Dongfeng Motor Group Co., Ltd. since March 2017.

Lu Feng, Joint Company Secretary and secretary of board of directors

Mr. Lu Feng, born in 1967, with a postgraduate degree, is currently the secretary of the board of directors and the general manager of the Investor Relations Department of the Company. Mr. Lu took part in the work in 1989. He has successively held the posts of secretary of the board of directors of Dongfeng Motor Co., Ltd., deputy general manager and secretary of the board of directors of Dongfeng Motor Co., Ltd., general manager of Dongfeng Motor Co., Ltd. (and then general manager of the Planning Department of Dongfeng Motor Co., Ltd., and general manager of Dongfeng Yulong Automobile Sales Co., Ltd.). From November 2012 to September 2017, he was the general manager (director) of the Company's Legal and Securities Affairs Department (Secretary Office of the board of directors), from November 2012 to June 2017, he was the general manager of the Company's Capital Operation Department, and since August 2016, he has been the secretary of the board of directors. Mr. Lu concurrently serves as secretary of the board of directors, director of the Secretary Office of the board of directors, general manager of Dongfeng Asset Management Co., Ltd., etc.

Yuen Wing Yan, Winnie, Joint Company Secretary

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

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

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

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

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

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

Report of the Supervisory Committee

Dear shareholders,

In 2019, the Supervisory Committee has carried out its supervisory and other duties in accordance with the Company's Articles of Association to ensure the sound, stable and sustainable development of the Company as well as to safeguard the legal interests of all shareholders. It has performed effective supervision, through the inspection of relevant documents and information of the Company, financial reports, and attending meetings of the Board of Directors and the shareholders' general meetings, on the operation status, financial positions, connected transactions and internal control of the Company. The Supervisory Committee expressed the following independent opinion of such matters of the Company during the reporting period:

I. PERFORMANCE OF THE SUPERVISORY COMMITTEE

In 2019, the Supervisory Committee held four meetings, all four meetings were held in the form of on-site meetings and the number of attended supervisors formed quorums of the meetings as stipulated by the Company Law.

In 2019, the Supervisory Committee has reviewed and approved: the 2018 report of the Supervisory Committee of the Company; the 2018 financial report, which was audited by PricewaterhouseCoopers Zhong Tian LLP; the 2018 auditor's report, which was audited by PricewaterhouseCoopers and reviewed and approved by the Audit Committee; the 2018 annual report and preliminary results announcement; the 2018 profit distribution and payment of dividend proposal; the 2019 interim report and results announcement and the distribution proposal of 2019 interim dividend.

II. THE INDEPENDENT VIEWS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY

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

After the supervision on the directors and senior management of the Company, the Supervisory Committee is of the view that the Board of Directors was in compliance with the Company Law, the Securities Law, the Listing Rules of the Stock Exchange of Hong Kong, the Articles of Association of the Company and other relevant laws, rules and regulations and all Directors diligently performed their duties in 2019. The Supervisory Committee also considers that through scientific and democratic decision making of the Board of Directors, the internal management and internal control system of the Company have been further improved and a better internal control mechanism was established. The decision of the Company on material matters was reasonable and procedures of decision-making were in compliance with laws and valid. Almost all of the Directors and the senior management of the Company complied with the laws, regulations, the Article of Association of the Company and the resolutions passed at the Shareholders' General Meeting and Board Meeting during their performance of duty. They were devoted to performing their duties diligently and precisely and performed their duties cautiously and aggressively.

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

The Chairman of the Supervisory Committee has attended all meetings of the Audit Committee under the Board during the reporting period, examined the financial system, financial position and internal audit of the Company and reviewed the 2018 annual report and 2019 interim report of the Company. The Supervisory Committee considers that the financial statements of the Company were prepared in accordance with the Listing Rules, Company Ordinance and International Accounting Principles and Standards. The financial system of the Company was sound and the management measures and internal control system were effective and could ensure the smooth operation and production of the Company. The Supervisory Committee also considers that the 2019 financial report gives a full, true and fair view of the operating results and financial position of the Company for the year and that the unqualified opinion in the financial report issued by PricewaterhouseCoopers the auditors of the Company, are objective and fair.

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

The Supervisory Committee has seen the operating results and assets position of the Company in 2019 to its satisfaction. In 2020, the Supervisory Committee will strictly follow the relevant provisions, such as the Company Law, Securities Law and the Articles of Association of the Company and carry out supervision on the performance and conduct of the Board of Directors and senior management in accordance with laws. The Supervisory Committee will also supervise the Company to refine the corporate governance structure based on the requirements of modern enterprise system, in order to enhance the corporate governance level. In addition, the Supervisory Committee will carry out supervision and perform their duties diligently and attend meetings of the Board of Directors according to the law, so as to ensure the decision-making procedures of material matters of the Company to be in compliance with laws and protect the interests of our shareholders. Besides, through supervising on the financial situation of the Company, further enhancing its internal control and operational risk prevention and maintaining the communication with the internal audit department and external audit institution, the Supervisory Committee will further protect the interests of the Company and our shareholders, in order to consolidate its solid foundation for steady and sustainable development.

By Order of the Supervisory Committee

He Wei
Chairman of the Supervisory Committee

Wuhan, the PRC
30 March 2020

Corporate Governance Report

1. OVERVIEW OF CORPORATE GOVERNANCE

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

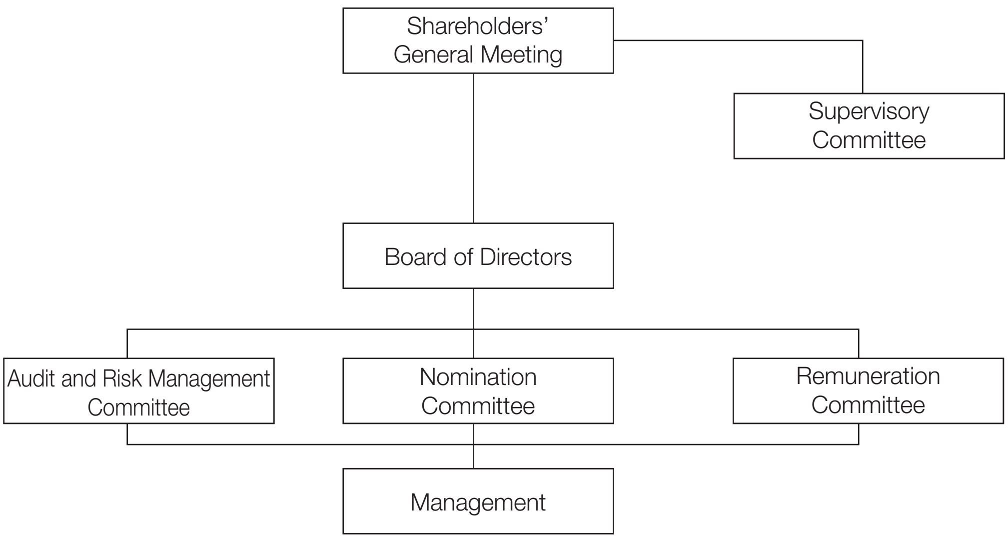
The Board of Directors has reviewed the corporate governance practices of the Company and adopted a number of improved practices, details of which are set out in this report. During the financial year ended 31 December 2019, the Company fully complied with the code provisions as set out in the Corporate Governance Code (Appendix 14 to the Listing Rules of the Stock Exchange of Hong Kong Limited) except for Code Provision A.4.2.

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

2. STRUCTURE OF CORPORATE GOVERNANCE

1. General Structure of Corporate Governance

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



2. Shareholders and Shareholders' General Meeting

(1) Shareholders

As at 31 December 2019, Dongfeng Motor Group Company Limited, the controlling shareholder of the Company, held approximately 67.37% equity interest in the Company both directly and indirectly, with a market value of RMB38,113.92 million. The remaining approximately 32.63% equity interest in the Company was held by public shareholders, with a market value of RMB18,460.10 million.

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

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

(2) Rights of Shareholders

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

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

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

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

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

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

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

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

(3) Communication with Shareholders/Investor Relations

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

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

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

(4) Shareholders' General Meeting

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

During the reporting period, the Company convened two general meetings (an annual general meeting and an extraordinary general meeting, respectively). Among them:

The 2018 annual general meeting was held at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, the People's Republic of China, at 9:00 a.m. on 14 June 2019 (Friday). The resolutions considered at the meeting and the percentages of voters for and against are as follows:

Resolutions	For	%	Against	%
I. As more than half (1/2) of the votes from the shareholders who attended and voted at the annual general meeting were cast in favour of the following resolutions, the resolutions were duly passed as ordinary resolutions:				
1. To consider and approve the report of the Board of Directors of the Company for the year ended 31 December 2018.	7,794,882,596	100	0	0
2. To consider and approve the report of the Supervisory Committee of the Company for the year ended 31 December 2018.	7,794,882,596	100	0	0
3. To consider and approve the international auditor's report and audited financial statements of the Company for the year ended 31 December 2018.	7,794,882,596	100	0	0
4. To consider and approve the profit distribution proposal of the Company for the year ended 31 December 2018 and to authorise the Board to deal with issues in relation to the Company's distribution of final dividend for the year 2018.	7,789,946,596	99.918	6,362,000	0.081
5. To consider and approve the authorisation to the Board to deal with all issues in relation to the Company's distribution of interim dividend for the year 2019 in its absolute discretion (including, but not limited to determine whether to distribute interim dividend for the year 2019).	7,789,946,596	99.918	6,362,000	0.081

Resolutions		For	%	Against	%
6.	To consider and approve the re-appointments of PricewaterhouseCoopers as the overseas auditor of the Company and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor of the Company for the year 2019 to hold office until the conclusion of the annual general meeting for the year 2019 and to authorise the Board to determine the remuneration of the chief auditor.	7,744,648,596	99.34	51,660,000	0.66
7.	To consider and approve the authorisation to the Board to determine the remuneration of the directors, the supervisors of the Company for the year 2019.	7,795,520,596	99.99	788,000	0.01

II. As more than two-thirds (2/3) of the votes from the shareholders who attended and voted at the annual general meeting were cast in favour of the following resolutions, the resolutions were duly passed as special resolutions:

		For	%	Against	%
8.	To consider and approve the amendments to Rules of Procedures of the Board of Directors of the Company.	7,796,308,596	100	0	0
9.	To consider and approve the 2019 bond financing application.	6,782,015,734	87.00	1,013,428,862	13.00
10.	To grant a general mandate to the Board to issue, allot and deal with additional Domestic Shares not exceeding 20% of the total number of Domestic Shares and additional H Shares not exceeding 20% of the total number of H Shares in issue of the Company.	6,158,125,095	78.99	1,638,183,501	21.01

The 2019 extraordinary general meeting was held at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, the People's Republic of China, at 9:00 a.m. on 29 November 2019 (Friday). The resolutions considered at the meeting and the percentages of voters for and against are as follows:

Resolutions		For	%	Against	%
	As more than half (1/2) of the votes from the shareholders who attended and voted at the general meeting were cast in favour of the following resolution, the resolution was duly passed as ordinary resolution:				
1.	To consider and approve the resignation of Mr. Wen Shuzhong as Supervisor.	7,636,659,007	100	0	0.00
2.	To consider and approve the election of Mr. He Wei as Supervisor.	7,636,659,007	100	0	0.00
3.	To consider and approve the resignation of Mr. Cao Xinghe as Independent Non-executive Director.	7,501,558,647	98.23	135,100,360	1.77
4.	To consider and approve the election of Mr. You Zheng as Executive Director.	7,496,688,663	98.17	139,970,344	1.83
5.	To consider and approve the election of Mr. Cheng Daoran as Non-executive Director.	7,631,001,742	99.93	5,657,265	0.07
6.	To consider and approve the remuneration of new Directors and Supervisors.	7,243,885,432	95.20	365,083,602	4.80

All the resolutions proposed at the 2018 annual general meeting and the 2019 extraordinary annual general meeting were approved. There was no restriction on shareholders to cast votes on the resolutions proposed at the 2018 annual general meeting and the 2019 extraordinary annual general meeting. Computershare Hong Kong Investor Services Limited, the share registrar of the Company, retained lawyer Xu Ling from Commerce & Finance Law Offices as the scrutineer for the vote-taking at the 2018 annual general meeting and the 2019 extraordinary annual general meeting. Poll results were announced at the meeting and on the websites of the Company and the Hong Kong Stock Exchange on the day of the meeting.

(5) Shareholders' Calendar

The following table sets out the tentative key dates for shareholders for the financial year ending 31 December 2020. The dates are subject to changes in situation. Shareholders should refer to our announcements issued from time to time.

2020 Shareholders' Calendar

30 March	Announcement of final results and final dividend for the year ended 31 December 2019
Late April	Upload of the 2019 annual report on the websites of the Company and the Hong Kong Stock Exchange
Late April	Dispatch of the 2019 annual report to shareholders
19 June	2019 annual general meeting
Late August	Payment of final dividends for the year ended 31 December 2019
28 August	Announcement of interim results and interim dividend for the six months ending 30 June 2020, if any
Mid October	Payment of interim dividends for the six months ending 30 June 2020, if any

3. Directors and Board of Directors

(1) Directors

1) Composition and Term of Office of Directors

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

The current session of the Board of Directors is the fourth session since the establishment of the Company, which consists of seven directors, including Mr. Zhu Yanfeng, Mr. Li Shaozhu and Mr. You Zheng as executive directors, Mr. Cheng Daoran as non-executive director, Mr. Ma Zhigeng, Mr. Zhang Xiaotie and Mr. Chen Yunfei as independent non-executive directors. The resignation of Mr. Cao Xinghe as former independent non-executive director due to health problems was considered and approved at the Company's 2019 extraordinary annual general meeting held on 29 November 2019. Mr. You Zheng, the executive director, and Mr. Cheng Daoran, the non-executive director, were appointed as directors of the fourth session of the Board of Directors on 29 November 2019 after the consideration and approval at the Company's 2019 extraordinary annual general meeting of shareholders. The term of the fourth session of the Board of Directors has expired on 9 October 2016. Prior to the re-election of the new session of the Board of Directors, the above directors shall perform their duty in good faith. In addition, independent non-executive directors are all independent parties who do not have any connected relationship with the Company and substantial shareholders and their term of office does not exceed nine years.

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

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

2) *Chairman and President*

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

3) *Independent non-executive directors*

Currently, the Company has three independent non-executive directors, representing more than one third of the total members of the Board of Directors. The Company complied with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors (accounting for at least one third of the Board), at least one of which possessing appropriate professional qualifications or accounting or related financial management expertise. All the independent non-executive directors of the Company are familiar with the rights and obligations of directors and independent non-executive directors of listed companies. During the reporting period, the independent non-executive directors performed their duties in accordance with the Articles of Association of the Company and Rules of Procedures of the Board of Directors in a faithful and diligent manner, exercised the rights as independent non-executive directors in a discreet, careful and proper manner and attended board meetings and shareholders' general meetings in a proactive and responsible manner. They made extensive efforts to improve the Company's corporate governance and material decision-making, and expressed impartial and objective opinions to effectively safeguard the interests of shareholders. All of the three independent non-executive directors of the Company were members of the committees under the Board of Directors.

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

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

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

4) *Non-executive directors*

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

5) *Term of office of the Board of Directors*

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

6) *Training and Continuous Professional Development Directors*

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

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

	Information Reviewed
Executive directors	
Mr. Zhu Yanfeng	36 issues
Mr. Li Shaozhu	36 issues
Mr. You Zheng (appointed on 29 November 2019)	4 issues
Non-executive directors	
Mr. Cheng Daoran (appointed on 29 November 2019)	4 issues
Independent non-executive directors	
Mr. Ma Zhigeng	36 issues
Mr. Zhang Xiaotie	36 issues
Mr. Cao Xinghe (resigned on 29 November 2019)	32 issues
Mr. Chen Yunfei	36 issues

7) *Securities Transactions by Directors*

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Hong Kong Listing Rules (the "Model Code") to regulate the directors' securities transactions. During the reporting year, none of the directors had any other interest in the shares of the Company. All directors have confirmed, following enquiry by the Company that they fully complied with the Model Code during 2019.

8) *Remuneration of Directors*

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

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

During the reporting period, the Company paid remuneration of RMB60,000 (before tax) to each of two independent non-executive directors of the fourth session of the Board of Directors, namely Mr. Ma Zhigeng and Mr. Zhang Xiaotie; Mr. Cao Xinghe was paid remuneration of RMB55,000 (before tax) and Mr. Chen Yunfei was paid remuneration of RMB147,000 (before tax).

9) *Board Diversity Policy*

On 27 March 2019, Board of the Company passed the Board Diversity Policy. This Board Diversity Policy aims at setting out the approach adopted for achieving the diversity of the board of directors of the Company. The Nomination Committee will review annually the structure, size and composition of the Board and advise on any changes proposed to be made to the Board to correspond with the Company's corporate strategy. In reviewing and assessing the Board composition and nomination of directors, a number of factors has to be considered for Board diversity, including but not limited to the following: gender, age, cultural and educational background, professional experience, skills, knowledge and industry and regional experience. The Company aims at maintaining an appropriate balance of diversity perspectives of the Board that are relevant to the

Company's business growth. The Nomination Committee will discuss and agree on the measurable objectives for achieving diversity in the Board and make recommendation to the Board. The Board may adopt and/or amend from time to time such diversity perspectives and measurable objectives in a way that are appropriate to the Company's business requirements and the Board's succession planning, whenever necessary.

(2) The Board

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

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

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

- to set up the basic management system of the Company, including the financial management and human resources management systems;

- to formulate proposals for any amendment of the Articles of Association;

- to submit the proposals for application of bankruptcy of the Company;

- to determine the external guarantees of the Company under the authorisation of general meetings;

- except for the matters that the Company Law and the Articles of Association require to be resolved by the shareholders in general meeting, to decide on other important and administrative matters of the Company and to execute other important agreements;

- to exercise such other authorities as conferred at general meetings and the Articles of Association.

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

1) *The Board Meeting/Attendance record of Directors*

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

	The Board	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive directors					
Mr. Zhu Yanfeng (chairman)	7/7(100%)	–	–	3/3(100%)	2/2(100%)
Mr. Li Shaozhu (president)	7/7(100%)	–	2/2(100%)	–	2/2(100%)
Mr. You Zheng (appointed on 29 November 2019)	2/2(100%)	–	–	–	–
Non-executive directors					
Mr. Cheng Daoran (appointed on 29 November 2019)	0/2(0%)	–	–	–	–

	The Board	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee	General Meeting
Independent non-executive directors					
Mr. Ma Zhigeng	7/7(100%)	3/3(100%)	2/2(100%)	3/3(100%)	2/2(100%)
Mr. Zhang Xiaotie	7/7(100%)	3/3(100%)	–	3/3(100%)	2/2(100%)
Mr. Cao Xinghe (resigned on 29 November 2019)	7/7(100%)	–	1/1(100%)	–	1/1(100%)
Mr. Chen Yunfei	7/7(100%)	3/3(100%)	1/1(100%)	–	2/2(100%)

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

2) *Committees under the Board*

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

Audit and Risk Management Committee

Committee members

All members of the Audit and Risk Management Committee are independent non-executive directors, including Mr. Zhang Xiaotie (the convenor), Mr. Chen Yunfei, and Mr. Ma Zhigeng, among which Mr. Zhang Xiaotie has professional experience in financial management. Mr. Ma Zhigeng has served as a member of Audit and Risk Management Committee since June 2018.

Major duties

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

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

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

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

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

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

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

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

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

- other duties as authorized by the Board.

The major works in 2019

The Audit and Risk Management Committee held three meetings in 2019 and the attendance of its members was set out in this report.

The major works of the Audit and Risk Management Committee in 2019 includes:

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

- reviewing the engagement of chief auditor of the Company for 2019;

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

- receiving report on the conclusion of internal audit work of the Company for 2018 and report on audit work plan of the Company for 2019;
- considering and approving the work plan of Audit and Risk Management Committee of the Board for 2020;
- Meeting with the external auditors twice during the year.

Remuneration Committee

Committee members

The members of the Remuneration Committee are mainly independent non-executive directors, including Mr. Ma Zhigeng (the convenor), Mr. Chen Yunfei and Mr. Li Shaozhu. Mr. Cao Xinghe elected Mr. Chen Yunfei as a member of the Remuneration Committee after resigning from the Remuneration Committee on 29 November 2019.

Major duties

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

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

- other duties authorised by the Board.

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

The major works in 2019

The Remuneration Committee held two meetings in 2019 and the attendance of its members was set out in this report.

The major works of the Remuneration Committee in 2019 included:

- reviewing the remuneration scheme of the Directors and Supervisors of the Company for 2019;

- reviewing and considering the work plan of the Remuneration Committee of the Board for 2020.

Nomination Committee

Committee members

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

Major duties

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

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

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

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

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

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

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

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

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

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

- other duties as authorized by the Board.

The major works in 2019

The Nomination Committee held three meetings in 2019 and the attendance of its members was set out in this report.

The major works of the Nomination Committee in 2019 included:

- assessing the independence of the independent non-executive directors;

- reviewing the composition of the Board;

- considering the change of the relevant senior management of the Company;

- considering the change of the relevant directors of the Company;

- considering the appointment of the relevant senior management of the Company;
- considering the adjustment of relevant members of committees under the Board of the Company;
- considering and approving the work plan of the Nomination Committee of the Board for 2020.

4. Supervisors and the Supervisory Committee

(I) Supervisors

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

The current Supervisory Committee is the fourth session of Supervisory Committee since the establishment of the Company and currently comprises three Supervisors. Before 29 November 2019 (inclusive), the fourth session of the Supervisory Committee was composed of Mr. Wen Shuzhong (the Chairman of the Supervision Committee), Mr. He Wei (Employee Supervisor) and Mr. Zhao Jun (Independent Supervisor). After 29 November 2019, the fourth session of the Supervisory Committee was composed by Mr. He Wei (the Chairman of the Supervision Committee), Mr. Li Ping'an (Employee Supervisor) and Mr. Zhao Jun (Independent Supervisor).

(II) Supervisory Committee

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

	The Supervisory Committee	The regular meeting of the Board	General meeting
Supervisors			
Mr. Wen Shuzhong (Chairman) (Resigned as supervisor on 29 November 2019)	2/2(100%)	4/4(100%)	2/2(100%)
Mr. He Wei (originally the employee supervisor, appointed as a supervisor and the chairman of the Supervisory Committee on 29 November 2019)	4/4(100%)	4/4(100%)	2/2(100%)
Independent Supervisor			
Mr. Zhao Jun	4/4(100%)	4/4(100%)	2/2(100%)
Employee Supervisors			
Mr. Li Ping'an (elected on 29 October 2019, appointed as a member of the supervisory board on 29 November 2019)	2/2(100%)	2/2(100%)	–

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

The Supervisory Committee reviewed the annual and interim financial reports and relevant information of the Company. Upon the audit, the certified public accountant has issued unqualified auditors' reports on the 2018 annual financial report and 2019 interim financial report of the Company, confirmed that the consolidated financial statements give an objective, true and fair view of the financial position and the financial performance of the Company.

5. Accountability and Auditing

(I) Financial Reporting

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

The statement of the auditor of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 91 to 92 of this annual report.

(II) Auditor and Remuneration

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

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

The Audit and Risk Management Committee has discussed and evaluated the professional qualification and the audit works of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian for 2019.

(III) Risk Management and Internal Control

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

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

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

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

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

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

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

6. Company Secretaries

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

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

7. Other Stakeholders

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

8. Strengthening of Corporate Governance

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

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

OPINION

What we have audited

The consolidated financial statements of Dongfeng Motor Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 93 to 219, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

INDEPENDENCE

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

KEY AUDIT MATTERS

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

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

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

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Warranty provisions	
Refer to Note 3 "Significant Accounting Estimates and Judgements", Note 6 "Profit Before Income Tax", Note 19 "Investments in Joint Ventures" and Note 33 "Provisions" to the consolidated financial statements. As at 31 December 2019, the balance of warranty provisions in the consolidated statement of financial position of the Group amounted to RMB1,728 million, and warranty provisions made for the year of RMB603 million were recorded in the consolidated income statement of the Group. Meanwhile, the Group's share of profits of JVs for the year ended 31 December 2019 which were accounted for using the equity method amounted to RMB11,548 million. The warranty provisions made by JVs during the year were significant to the JVs' profit, therefore it had significant impact on the consolidated income statement of the Group. Provisions for warranties granted by the Group and its joint ventures ("JVs") for the passenger and commercial vehicles sold are recognized based on sales volume and past experience of the cost of repair and replacement. The key judgement adopted by management as part of the process includes determining the estimated unit cost of warranty provisions of passenger and commercial vehicles sold. We focused on this area because of the magnitude of the amount of warranty provisions and the significant involvement of management's judgement and assumptions applied in estimating of costs in respect of future warranty claims.	With regard to the warranty provisions of the Group and JVs audited by us: • We understood, evaluated and validated the key controls over the estimation of the warranty provisions. In addition, we tested the information technology environments of the Group's system and the specific automatic controls related to the maintenance of data which was used to calculate the warranty provisions. • We assessed management's warranty provision models using our knowledge of the Group and experience of the passenger and commercial vehicles industry. We also tested the mathematical accuracy of calculations therein by re-performing the calculations. • We compared management's estimation on the warranty cost per unit with the historical actual claims on a sample basis and checked the selected historical actual claims to supporting documents. • In addition, we assessed management's estimation on the warranty cost per unit by discussing with management and performing analysis on actual claims during the year and subsequent to the year-end to identify any indicators of significant quality defect, significant changes of labours and parts costs, and significant changes of expected occurrence of repair or replacement that would significantly affect the estimates of the year end warranty provisions.

KEY AUDIT MATTERS (CONTINUED)

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

Warranty provisions (Continued)

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

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

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

In the context of our audit of consolidated financial statements of the Group, the JVs' management's judgements and estimates associated with their respective warranty provisions noted in respect of the Group's share of the profit and net assets of JVs were supported by available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter (Continued)	How our audit addressed the Key Audit Matter (Continued)
Impairment assessment of Property, plant and equipment	
Refer to Note 3 "Significant Accounting Estimates and Judgements", Note 6"Profit Before Income Tax", Note 14 "Property, plant and equipment" and Note 19 "Investments in Joint Ventures" to the consolidated financial statements. As at 31 December 2019, certain Property, plant and equipment ("PP&E") of the Group and its JVs had impairment indicators, either because manufacturing of certain products has been ceased, or the economic performance of certain production lines of the Group and its JVs were continuously below expectation. As a result, the Group recorded a total impairment provision charge of RMB159 million against these PP&E to the consolidated income statement of the Group for the year then ended. Meanwhile, the Group's share of profits of JVs for the year ended 31 December 2019 which were accounted for using the equity method amounted to RMB11,548 million. The impairment charged over PP&E made by JVs during the year was significant to the JVs' profit, therefore it had significant impact on the consolidated income statement of the Group. In assessing the recoverability of the PP&E that had impairment indicators, management of the Group and the JVs identified the relevant cash generation units ("CGU") to which these PP&E belong, respectively, and estimated the recoverable amounts of these CGUs based on the higher of their fair value less costs of disposal ("FVLCOD") and value in use ("VIU") calculation.	With regard to the impairment assessment of PP&E of the Group: We evaluated the appropriateness of management's grouping of these PP&E with the relevant CGUs. Value in use We assessed the discounted cash flow method used by management to determine the VIU by reference to industry practices, and tested the mathematical accuracy of the VIU calculations. We compared the input data used in the cash flow forecasts against the historical figures and the approved budget and business plans. We challenged management's key assumptions by: • Comparing the revenue growth rates within the budget period with the relevant CGU's historical growth rates; and those beyond the budget period with our independent expectation based on economic data; • Comparing the gross margin with the relevant CGU's past performance, taking into consideration of market trends; and • Assessing the discount rate by considering and recalculating the weighted average cost of capital for the CGU and comparable companies in the relevant industry, as well as considering territory specific factors, such as risk free interest rate and debt ratio prevailing in China market as at base.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter (Continued)	How our audit addressed the Key Audit Matter (Continued)
Impairment assessment of Property, plant and equipment (Continued)	
VIU	FVLCOD
Management used VIU to assess the recoverability of the CGUs and applied significant judgements in determining the VIU calculation. The judgements included: growth rates to extrapolate revenue and cash flows within and beyond the budget period;gross margin; and discount rate.	We evaluated the competency, qualifications, experience and objectivity of management's independent third party valuer. We evaluated management's judgement, including the judgement and methodology used in the third party valuer's report, with the assistance from our in-house valuation experts. We checked the third party evidence and market data to corroborate with management's information.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter (Continued)	How our audit addressed the Key Audit Matter (Continued)
Impairment assessment of Property, plant and equipment (Continued)	
FVLCOD Fair value less costs of disposal is estimated by management based on their knowledge of subject assets. Management applied significant judgement in determining the market values by considering available information and information from an independent third party valuer. We focused on this area due to the magnitude of the impairment provision and the significance of management judgements adopted in assessing the recoverable amount.	With regard to the impairment assessment of PP&E of JVs audited by non-PricewaterhouseCoopers auditor ("Other Auditor"): • We communicated with Other Auditor to have an understanding of Other Auditor's compliance with the ethical requirements that are relevant to us and Other Auditor's professional competence. • We sent instructions to Other Auditor and communicated with them to understand their risk assessment and audit responses to the risk identified on impairment assessment. • We communicated with Other Auditor to understand their audit procedures performed and evaluated Other Auditor's work by reviewing the relevant audit documentation on their audit of impairment assessment. • We obtained and evaluated Other Auditor's communications to us in accordance with our instructions. We found that management's judgements applied in the Group's impairment assessment were supported by available evidence. In the context of our audit of consolidated financial statements of the Group, the JVs' management's judgements associated with its impairment assessment noted in respect of the Group's share of the profit and net assets of JVs were supported by available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Notes	2019 RMB million	2018 RMB million
		Year ended 31 December	
Revenue	4	**101,087**	104,543
Cost of sales		**(87,596)**	(91,128)
Gross profit		**13,491**	13,415
Other income	5	**2,231**	3,164
Selling and distribution expenses		**(4,349)**	(6,342)
Administrative expenses		**(5,076)**	(4,506)
Net impairment losses on financial assets	10	**(1,163)**	(1,006)
Other expenses		**(5,500)**	(5,683)
Finance expenses	7	**(575)**	(265)
Share of profits and losses of:			
Joint ventures	19	**11,633**	12,280
Associates	20	**3,913**	3,182
PROFIT BEFORE INCOME TAX	6	**14,605**	14,239
Income tax expense	11	**(1,759)**	(1,661)
PROFIT FOR THE YEAR		**12,846**	12,578
Profit attributable to:			
Equity holders of the Company		**12,858**	12,979
Non-controlling interests		**(12)**	(401)
		12,846	12,578
Earnings per share attributable to ordinary equity holders of the Company:	13		
Basic for the year		**149.23 cents**	150.64 cents
Diluted for the year		**149.23 cents**	150.64 cents

The notes on pages 104 to 219 form an integral part of the consolidated financial information.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
PROFIT FOR THE YEAR	**12,846**	12,578
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	**228**	234
Remeasurements of post-employment benefit obligations	**27**	(8)
Changes in the fair value of financial assets at fair value through other comprehensive income	**(28)**	101
	227	327
Items that may be reclassified to profit or loss		
Currency translation differences	**(47)**	80
Share of other comprehensive income of investments accounted for using the equity method	**(245)**	(144)
	(292)	(64)
Income tax effect		
Item that will not be reclassified subsequently to profit or loss	**1**	(18)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(64)**	245
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**12,782**	12,823
Total comprehensive income attributable to:		
Equity holders of the Company	**12,789**	13,222
Non-controlling interests	**(7)**	(399)
	12,782	12,823

The notes on pages 104 to 219 form an integral part of the consolidated financial information.

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	31 December 2019 RMB million	2018 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	14	**17,309**	15,835
Right-of-use assets	15	**3,327**	—
Investment properties		**229**	170
Lease prepayments		—	1,476
Intangible assets	16	**5,076**	4,809
Goodwill	17	**1,749**	1,816
Investments in joint ventures	19	**40,427**	44,647
Investments in associates	20	**21,713**	17,682
Financial assets at fair value through other comprehensive income	27	**205**	219
Other non-current assets	21	**36,470**	21,726
Deferred income tax assets	11	**2,356**	2,376
Due from joint ventures	26	**1,035**	538
Total non-current assets		**129,896**	111,294
Current assets			
Inventories	22	**12,191**	10,710
Trade receivables	23	**10,690**	7,582
Bills receivable	24	**1,439**	14,940
Prepayments, deposits and other receivables	25	**51,550**	37,479
Financial assets at fair value through other comprehensive income	27	**12,121**	2,123
Due from joint ventures	26	**12,442**	9,586
Financial assets at fair value through profit or loss	29	**6,972**	1,899
Pledged bank balances and time deposits	28	**3,317**	3,653
Cash and cash in bank	28	**26,768**	27,251
Assets held for sale	30	**4,614**	–
Total current assets		**142,104**	115,223
TOTAL ASSETS		**272,000**	226,517

The notes on pages 104 to 219 form an integral part of the consolidated financial information.

Consolidated Statement of Financial Position (Continued)

As at 31 December 2019

	Notes	31 December 2019 RMB million	2018 RMB million
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	31	**8,616**	8,616
Reserves		**18,336**	16,412
Retained profits		**100,829**	93,328
		127,781	118,356
Non-controlling interests		**6,187**	6,569
TOTAL EQUITY		**133,968**	124,925
Non-current liabilities			
Interest-bearing borrowings	32	**23,923**	10,729
Lease liabilities	15	**2,075**	—
Other long term liabilities		**2,733**	1,894
Government grants	34	**2,094**	1,767
Deferred income tax liabilities	11	**2,275**	2,086
Provisions	33	**750**	659
Total non-current liabilities		**33,850**	17,135

The notes on pages 104 to 219 form an integral part of the consolidated financial information.

Consolidated Statement of Financial Position (Continued)

As at 31 December 2019

	Notes	2019 RMB million	2018 RMB million
		31 December	
Current liabilities			
Trade payables	35	**19,220**	17,222
Lease liabilities	15	**154**	—
Bills payable	36	**27,369**	19,918
Other payables and accruals	37	**12,796**	13,312
Contract liabilities		**3,402**	2,439
Due to joint ventures	26	**19,970**	14,385
Interest-bearing borrowings	32	**19,259**	15,424
Income tax payable		**1,008**	630
Provisions	33	**1,004**	1,127
Total current liabilities		**104,182**	84,457
TOTAL LIABILITIES		**138,032**	101,592
TOTAL EQUITY AND LIABILITIES		**272,000**	226,517

The notes on pages 104 to 219 form an integral part of the consolidated financial information.

Zhu Yanfeng
Director

Li Shaozhu
Director

Consolidated Statement of Changes In Equity

For the year ended 31 December 2019

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

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

The notes on pages 104 to 219 form an integral part of the consolidated financial information.

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

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

The notes on pages 104 to 219 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB million	2018 RMB million
Cash flows from operating activities			
Profit before income tax		**14,605**	14,239
Adjustments for:			
Share of profits and losses of joint ventures and associates		**(15,546)**	(15,462)
Gain on disposal of items of property, plant and equipment and lease prepayments, net	6	**(107)**	(66)
Gain on changes in fair value of financial assets at fair value through profit or loss		**(45)**	(47)
Amortisation of lease prepayments	6	**—**	99
Depreciation of right-of-use assets	6	**221**	—
Provision against inventories	6	**123**	115
Impairment losses on financial assets	6	**1,163**	1,006
Exchange (gains)/loss, net	6	**(15)**	61
Depreciation of property, plant and equipment	6	**1,991**	1,913
Impairment of items of property, plant and equipment	6	**159**	316
Impairment of goodwill		**14**	14
Amortisation of intangible assets	6	**769**	544
Interest expenses of lease liabilities	15	**109**	—
Finance expenses	7	**466**	265
Interest income	5	**(712)**	(942)
Government grants	34	**(505)**	(1,017)
		2,690	1,038

The notes on pages 104 to 219 form an integral part of the consolidated financial information.

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Decrease/(Increase) in trade and bills receivables and prepayments,deposits and other receivables	**451**	(2,492)
Increase in inventories	**(1,383)**	(158)
(Increase)/Decrease in amounts due from joint ventures	**(1,006)**	811
Increase/(Decrease) in trade and bills payables, contract liabilities and other payables and accruals	**10,643**	(8,353)
Increase in loans and receivables from financing services	**(28,585)**	(15,170)
Increase in cash deposits received from financing services	**2,346**	3,618
Increase in a mandatory reserve with the People's Bank of China	**(562)**	(141)
Increase in amounts due to joint ventures	**5,522**	467
Decrease in provisions	**(32)**	(154)
Cash used in operations	**(9,916)**	(20,534)
Interest paid	**(418)**	(240)
Income tax paid	**(1,221)**	(1,475)
Net cash flows used in operating activities	**(11,555)**	(22,249)

The notes on pages 104 to 219 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB million	2018 RMB million
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(4,300)**	(3,089)
Increase in lease prepayments and other long term assets		**–**	(441)
Increase in right-of-use assets and other long term assets		**(609)**	—
Purchases of intangible assets		**(898)**	(1,316)
Purchase of financial assets at fair value through other comprehensive income		**–**	(50)
Payment for acquisition of subsidiary, net of cash acquired		**–**	(433)
Investments in joint ventures and associates		**(3,523)**	(70)
Proceeds from disposal of items of property, plant and equipment		**271**	167
Proceeds from sale of intangible assets		**20**	–
Proceeds from disposal of financial assets at fair value through other comprehensive income		**–**	138
Proceeds from disposal of lease prepayments		**–**	3
Dividends from joint ventures and associates		**13,936**	11,532
Dividends from financial assets at fair value through other comprehensive income		**2**	18
Government grants received		**832**	2,013
Interest received		**474**	899
(Increase)/Decrease in pledged bank balances and time deposits and financial assets at fair value through profit or loss	28,29	**(5,028)**	5,112
Decrease/(Increase) in non-pledged time deposits with original maturity of three months or more when acquired	28	**1,641**	(476)
Cash increased relating to disposal of subsidiaries		**–**	44
Cash paid relating to other investing activities		**(1,346)**	(1,371)
Net cash flows from investing activities		**1,472**	12,680

The notes on pages 104 to 219 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows(Continued)

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB million	2018 RMB million
Cash flows from financing activities			
Proceeds from borrowings		**23,610**	12,662
Repayment of borrowings		**(8,857)**	(6,698)
Capital contribution from non-controlling shareholders		**59**	225
Dividends paid to non-controlling shareholders		**(315)**	(270)
Dividends paid to the equity holders of the Company		**(3,016)**	(3,016)
Other payments related to financing activities		**(240)**	–
Net cash from financing activities		**11,241**	2,903
Net increase/(decrease) in cash and cash equivalents		**1,158**	(6,666)
Cash and cash equivalents at beginning of year		**24,975**	31,641
Cash and cash equivalents at end of year	28	**26,133**	24,975

The notes on pages 104 to 219 form an integral part of the consolidated financial information.

1. GENERAL INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

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

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

2.2 BUSINESS COMBINATION UNDER COMMON CONTROL

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

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

		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 Group changed its accounting policies as a result of adopting IFRS 16 and the related impact is disclosed below. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

IFRS 16 Leases – Impact of adoption

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. The new accounting policies are disclosed in note 2.4 below.

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. The weighted average discount rate applied to the lease liabilities on 1 January 2019 was 4.9%.

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
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using 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.

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

IFRS 16 Leases – Impact of adoption (Continued)

(a) Measurement of lease liabilities

	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 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

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

IFRS 16 Leases – Impact of adoption (Continued)

(b) Measurement of right-of-use assets

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied or measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

	31 December 2019 *RMB million*	1 January 2019 *RMB million*
Leasehold land and land use rights	3,123	3,623
Buildings	204	216
Total right-of-use assets	3,327	3,839
Current lease liabilities	154	133
Non-current lease liabilities	2,075	2,473
Total lease Liabilities	2,229	2,606

(c) Adjustments recognised in the balance sheet on 1 January 2019

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.

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

IFRS 16 Leases – Impact of adoption (Continued)

(c) Adjustments recognised in the balance sheet on 1 January 2019(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**

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

IFRS 16 Leases – Impact of adoption (Continued)

(c) Adjustments recognised in the balance sheet on 1 January 2019 (Continued)

	31 December 2018 *RMB Million*	Effect of adoption of IFRS 16 *RMB Million*	**1 January 2019** ***RMB Million***
Non-current liabilities			
Lease liabilities	—	2,473	**2,473**
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**

(d) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating and financing leases as a result of the adoption of IFRS 16.

2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to 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
Amendments to IFRS 9, IFRS 7 and IAS 39	Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

(ii) rights arising from other contractual arrangements; and

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

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

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

Business combinations and goodwill

Business combinations (except for business combination under common control in Note 2.2) are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange of control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at face value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

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

- (i) the entity and the Group are members of the same Group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

	Estimated useful life
Buildings	Over 10 to 45 years
Equipment	Over 5 to 20 years

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

(i) Patents and licenses

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

(ii) Research and development costs

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

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

(iii) Customer relationships

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

(i) Classification

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets(Continued)

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

Debt instruments

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets(Continued)

(iii) Measurement(Continued)

Debt instruments(Continued)

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

Equity instruments

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

(iv) Impairment

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

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

Loans and borrowings

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and borrowings (Continued)

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

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

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

Borrowing costs

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

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

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

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

Inventories

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

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

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

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

Trade and other receivables

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

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

Revenue recognition

Sale of goods

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

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

Rendering of services

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

Financing components

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

As explained in note 2.3 above, the Group has changed its accounting policy for leases where the group is the lessee. The new policy is described below and the impact of the change in note 2.3.

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.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases(Continued)

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

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

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

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

Income tax

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

(i) Current income tax

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

(ii) Deferred income tax

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

(ii) Deferred income tax (Continued)

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

Employee benefits

(i) Retirement benefits

The Group's contributions to various defined contribution pension schemes regulated by the relevant municipal and provincial governments in the PRC and a supplemental pension scheme regulated by DMC are expensed as incurred. Further details of the defined contribution pension schemes and the supplemental pension scheme are set out in note 6(a) below.

(ii) Medical benefits

The Group's contributions to various defined contribution medical benefit plans organized by the relevant municipal and provincial governments in the PRC and a supplemental medical benefit plan organized by DMC are expensed as incurred. Further details of the defined contribution medical benefit plans and the supplemental medical benefit plan are set out in note 6(b) below.

(iii) Cash housing subsidies

Cash housing subsidies represented payments to the housing subsidy plans implemented by the Group in 2000. Cash housing subsidies related to past services of employees were fully recognized in the income statement on a one-off basis in the year of implementation of 2000. Cash housing subsidies related to present services of employees are recognized in the income statement when incurred. Further details of the housing subsidy plans are set out in note 6(c) below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits(Continued)

(iv) Termination and early retirement benefits

Termination and early retirement benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed either to terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Further details of the termination and early retirement benefit plan are set out in note 6(d) below.

Dividends

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

Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

(iii) Group companies

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

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

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

(iv) Disposal of foreign operation and partial disposal

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

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

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Warranty provisions

Provisions for warranties granted by the Group and its JVs for the passenger and commercial vehicles sold are recognized based on sales volume and past experience of the cost of repair and replacement. The key judgement adopted by management as part of the process includes determining the estimated unit cost of warranty provisions of passenger and commercial vehicles sold. The calculation of the estimated unit cost includes a number of variable factors and assumptions including changes of expected occurrence of repair or replacement and the changes of labor and parts costs.

(ii) Deferred tax assets

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

(iii) Income tax

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

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS(CONTINUED)

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

As at 31 December 2019, certain Property, plant and equipment ("PP&E") of the Group and its JVs had impairment indicators, either because manufacturing of certain products has been ceased, or the economic performance of certain production lines of the Group and its JVs were continuously below expectation. In assessing the recoverability of the PP&E that had impairment indicator, management of the Group and the JVs identified the relevant cash generation units ("CGUs") to which these PP&E belong, respectively, and estimated the recoverable amounts of these CGUs based on the higher of their fair value less costs of disposal ("FVLCOD") and value in use ("VIU") calculation. Management used VIU to assess the recoverability of the CGUs and applied significant judgements in determining the VIU calculation. Fair value less costs of disposal is estimated by management based on their knowledge of subject assets. Management applied significant judgement in determining the market values by considering available information and information from an independent third party valuer. The judgements include growth rates to extrapolate revenue and cash flows within and beyond the budget period gross margin and discount rate.

(v) Impairment of financial assets

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

4. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2019, no revenue from transactions with a single external customer amounted to 10% or more of the Group’s total revenue.

Revenue recognised that was included in the contract liability balance at the beginning of the period amounted to RMB2,292 million.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019

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

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

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019

	Commercial vehicles *RMB million*	Passenger vehicles *RMB million*	Financing service *RMB million*	Corporate and others *RMB million*	Elimination *RMB million*	Total *RMB million*
Other segment information						
Capital expenditure:						
– Property, plant and equipment	1,607	2,459	142	92	–	4,300
– Intangible assets	670	182	20	26	–	898
– Right-of-use assets and other non-current assets	82	20	505	2	–	609
Depreciation of property, plant and equipment	883	907	5	196	–	1,991
Amortisation of intangible assets	570	68	8	123	–	769
Depreciation of right-of-use assets	112	87	4	18	–	221
Provision against inventories	71	41	–	11	–	123
Impairment losses of financial assets	16	134	989	24	–	1,163
Impairment losses of non-current assets	4	132	2	36	–	174
Warranty provisions	521	81	–	1	–	603

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018

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

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

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018

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

5. OTHER INCOME

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

	2019 ***RMB million***	2018 *RMB million*
Net income from disposal of other materials	**107**	56
Government grants and subsidies	**505**	1,017
Interest income	**712**	942
Management dispatch fee received from joint ventures	**302**	242
Others	**605**	907
	2,231	3,164

6. PROFIT BEFORE INCOME TAX

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

	Notes	2019 RMB million	2018 RMB million
Cost of inventories recognized as expense		**81,917**	87,940
Interest expense for financing services (included in cost of sales)		**330**	372
Provision against inventories		**123**	115
Depreciation of property, plant and equipment	14	**1,991**	1,913
Amortization of intangible assets	16	**769**	544
Depreciation of right-of-use assets		**221**	—
Amortization of lease prepayments		—	99
Auditors' remuneration*		**19**	17
Net impairment losses on financial assets	10	**1,163**	1,006
Staff costs (excluding directors' and supervisors' remuneration *(Note 8)*):			
– Wages and salaries		**7,482**	6,622
– Pension scheme costs	(a)	**686**	719
– Medical benefit costs	(b)	**429**	407
– Cash housing subsidy costs	(c)	**1**	1
		8,598	7,749
Included in other expenses:			
Gains on disposal of items of property, plant and equipment, net		**(64)**	(21)
Gains on disposal of lease prepayments		**–**	(45)
Gains on disposal of right-of-use assets		**(43)**	–
Impairment of items of property, plant and equipment	14	**159**	316
Impairment of goodwill		**13**	–
Warranty provisions	33	**603**	960
Research costs		**4,742**	3,861
Royalty fee		**74**	447
Other exchange (gains)/losses, net		**(15)**	61

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

6. PROFIT BEFORE INCOME TAX (CONTINUED)

(a) Retirement benefits

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

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

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

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

(b) Medical benefits

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

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

6. PROFIT BEFORE INCOME TAX (CONTINUED)

(b) Medical benefits (Continued)

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

(c) Cash housing subsidies

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

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

(d) Termination and early retirement benefits

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

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

7. FINANCE EXPENSES

	2019 RMB million	2018 RMB million
Interest expenses on bank loans and other borrowings	**495**	214
Interest expenses on lease liabilities (Note 15)	**109**	—
Exchange net (gains)/losses of financing activities	**(28)**	54
Less: Amount capitalized	**(1)**	(3)
Finance expenses	**575**	265

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	Directors		Supervisors	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Fees	**322**	348	**48**	57
Other emoluments:				
– Salaries	**468**	462	**568**	472
– Discretionary bonuses	**1,373**	1,277	**1,864**	1,059
– Estimated money value of other benefits	**118**	126	**113**	104
– Employer's contribution to a retirement benefit scheme	**170**	177	**153**	148
Total charged to the income statement	**2,451**	2,390	**2,746**	1,840

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

For the year ended 31 December 2019:

Name	Fees	Salary	Discretionary bonuses	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:						
Zhu Yanfeng	–	219	590	54	74	937
Li Shaozhu (Executive Director and President)	–	219	590	54	74	937
You Zheng (appointed on 29 November 2019)	–	15	166	5	16	202
	–	453	1,346	113	164	2,076
Non-executive directors:						
Cheng Daoran (appointed on 29 November 2019)	–	15	27	5	6	53
Independent non-executive directors:						
Ma Zhigeng	60	–	–	–	–	60
Zhang Xiaotie	60	–	–	–	–	60
Cao Xinghe (resigned on 29 November 2019)	55	–	–	–	–	55
Chen Yunfei	147	–	–	–	–	147
	322	–	–	–	–	322
	322	468	1,373	118	170	2,451

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

For the year ended 31 December 2019 (Continued):

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

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

For the year ended 31 December 2018:

Name	Fees	Salary	Discretionary bonuses	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:						
Zhu Yanfeng	–	195	486	53	74	808
Li Shaozhu (Executive Director and President)	–	195	478	52	74	799
Liu Weidong(resigned on 15 June 2018)	–	72	313	21	29	435
	–	462	1,277	126	177	2,042
Independent non-executive directors:						
Ma Zhigeng	60	–	–	–	–	60
Zhang Xiaotie	60	–	–	–	–	60
Cao Xinghe	60	–	–	–	–	60
Chen Yunfei	168	–	–	–	–	168
	348	–	–	–	–	348
	348	462	1,277	126	177	2,390

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

For the year ended 31 December 2018 (Continued):

Name	Fees	Salary	Discretionary bonuses	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors:						
Wen Shuzhong	–	168	244	52	74	538
He Wei	–	304	815	52	74	1,245
	–	472	1,059	104	148	1,783
Independent supervisors:						
Zhao Jun	57	–	–	–	–	57
	57	472	1,059	104	148	1,840

No retirement benefits or termination benefits were paid to directors or supervisors during the year ended 31 December 2019. No considerations were provided to third parties for making available directors' services (2018: same).

During the year, no loans, quasi-loans or other dealings were entered into by the company in favor of directors or supervisors (2018: same).

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include directors (2018: nil directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the five (2018: five) highest paid employees who are neither a director nor a supervisor of the Company are as follows:

	2019	2018
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,473**	3,487
Bonuses	**12,941**	8,760
Pension scheme contributions	**429**	619
	16,843	12,866

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

	Number of employees	
	2019	2018
HKD2,000,001 – HKD2,500,000	**–**	2
HKD2,500,001 – HKD3,000,000	**1**	2
HKD3,000,001 – HKD3,500,000	**1**	1
HKD3,500,001 – HKD4,000,000	**2**	–
HKD4,000,001 – HKD4,500,000	**1**	–
	5	5

10. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2019 RMB million	2018 RMB million
Impairment losses of trade receivables	153	299
Impairment losses of other receivables	13	21
Impairment losses of loans and receivables from financing services	907	686
Others	90	–
	1,163	1,006

11. INCOME TAX EXPENSE AND DEFERRED INCOME TAX

	2019 RMB million	2018 RMB million
Current income tax	1,490	992
Deferred income tax	269	669
Income tax expense for the year	1,759	1,661

(a) Corporate income tax

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

(b) Hong Kong profits tax

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

(c) Deferred income tax

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

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

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

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

	2019	2018
	RMB million	*RMB million*
Profit before income tax	**14,605**	14,239
At the PRC statutory corporate income tax rate of 25% (2018: 25%)	**3,651**	3,560
Tax concessions and lower tax rates for specific provinces or locations	**(314)**	(276)
Share of profits and losses of Joint ventures and Associates	**(3,090)**	(3,184)
Income not subject to corporate income tax	**(33)**	(28)
Expenses not deductible for corporate income tax	**19**	16
Tax losses not recognized	**1,868**	1,566
Others	**(342)**	7
Income tax expense at the Group's effective income tax rate	**1,759**	1,661

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

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

	Consolidated statement of financial statement As at 31 December		Consolidated income statement and statement of comprehensive income Year ended 31 December	
	2019	2018	**2019**	2018
	RMB million	*RMB million*	***RMB million***	*RMB million*
Deferred tax assets:				
Assets impairment	**400**	287	**(113)**	(65)
Accrued expenses	**706**	1,310	**604**	232
Warranty provisions	**177**	155	**(22)**	170
Wages payable	**182**	125	**(57)**	21
Tax losses carry-forwards	**–**	–	**–**	(12)
Interest received in advance	**767**	378	**(389)**	(163)
Others	**124**	121	**(3)**	(27)
Gross deferred tax assets	**2,356**	2,376	**20**	156
Deferred tax liabilities:				
Fair value adjustments arising from acquisition of subsidiaries	**(63)**	(77)	**(14)**	(13)
Reallocation subsidy received from government	**(73)**	(84)	**(11)**	(15)
Changes in the fair value of financial assets at fair value through other comprehensive income	**(25)**	(18)	**7**	18
Unremitted earnings of oversea businesses	**(2,114)**	(1,907)	**207**	541
Gross deferred tax liabilities	**(2,275)**	(2,086)	**189**	531
			268	687
Represented by:				
Deferred tax credited to consolidated income statement			**269**	669
Deferred tax credited to consolidated other comprehensive income			**(1)**	18
			268	687

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

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

	31 December	
	2019	2018
	RMB million	*RMB million*
Deferred income tax assets：		
Deferred income tax assets to be recovered over 12 months	**633**	371
Deferred income tax assets to be recovered within 12 months	**1,723**	2,005
	2,356	2,376
Deferred income tax liabilities：		
Deferred income tax liabilities settled over 12 months	**(1,672)**	(2,070)
Deferred income tax liabilities settled within 12 months	**(603)**	(16)
	(2,275)	(2,086)
	81	290

12. DIVIDEND

	2019	2018
	RMB million	*RMB million*
Proposed final-RMB0.25 (2018: RMB0.25) per ordinary share	**2,154**	2,154

The proposed final dividend for year 2019 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The total dividends paid in 2019 amounted to RMB3,016 million, being RMB0.35 per share (2018: RMB3,016 million, being RMB0.35 per share).

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

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

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

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

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

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

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

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

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

The calculation of basic earnings per share is based on:

	2019	2018
	RMB million	*RMB million*
Earnings:		
Profit for the year attributable to ordinary equity holders of the Company	**12,858**	12,979
	Number of shares	
	million	*million*
Shares:		
Weighted average number of ordinary shares in issue during the year	**8,616**	8,616
Earnings per share	**149.23 cents**	150.64 cents

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

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB million*	Equipment *RMB million*	Construction in progress *RMB million*	Total *RMB million*
At 31 December 2018 and 1 January 2019:				
Cost	8,008	18,908	2,130	29,046
Accumulated depreciation and impairment	(2,287)	(10,903)	(21)	(13,211)
Net carrying amount	5,721	8,005	2,109	15,835
At 1 January 2019, net of accumulated depreciation and impairment	5,721	8,005	2,109	15,835
Additions	207	603	3,229	4,039
Disposals	(55)	(148)	–	(203)
Reclassification	286	968	(1,254)	–
Other transfer	(71)	–	(141)	(212)
Impairment	(4)	(155)	–	(159)
Depreciation during the year	(339)	(1,652)	–	(1,991)
At 31 December 2019, net of accumulated depreciation and impairment	5,745	7,621	3,943	17,309
At 31 December 2019:				
Cost	8,318	19,248	3,943	31,509
Accumulated depreciation and impairment	(2,573)	(11,627)	–	(14,200)
Net carrying amount	5,745	7,621	3,943	17,309

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

15. LEASES

	2019	1 January 2019*
	RMB million	*RMB million*
Leasehold land and land use rights**	3,123	3,623
Buildings	204	216
Total right-of-use assets	3,327	3,839
Current lease liabilities	154	133
Non-current lease liabilities	2,075	2,473
Total lease liabilities	2,229	2,606

* For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 2.3.

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

Additions to the right-of-use assets during the 2019 financial year were RMB44 Million.

15. LEASES (CONTINUED)

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

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

	2019	2018
	RMB million	*RMB million*
Leasehold land and land use rights	**179**	—
Buildings	**42**	—
Total depreciation of right-of-use assets *(Note 6)*	**221**	—
Interest expense *(Note 7)*	**109**	—
Expense relating to short-term leases	**145**	—
Expense relating to leases of low-value assets	**44**	—

The total cash outflow for leases in 2019 was RMB429 Million.

Included in the lease liabilities are the following balances with related parties:

	31 December	
	2019	2018
	RMB million	*RMB million*
Lease liabilities:		
– DMC, its subsidiaries, associates and joint ventures	**2,042**	—

16. INTANGIBLE ASSETS

	Patents and licenses *RMB million*	Customer relationships *RMB million*	Research and development costs *RMB million*	Others *RMB million*	Total *RMB million*
For the year ended 31 December 2019					
Cost:					
At 1 January 2019	3,154	1,336	1,624	1,108	7,222
Additions	–	–	796	243	1,039
Reclassification	1,388	–	(1,388)	–	–
Disposals	–	–	–	(22)	(22)
Write-off	(65)	–	–	–	(65)
At 31 December 2019	4,477	1,336	1,032	1,329	8,174
Accumulated amortization:					
At 1 January 2019	1,115	432	–	739	2,286
Amortization	576	79	–	114	769
Disposals	–	–	–	(18)	(18)
Write-off	(65)	–	–	–	(65)
At 31 December 2019	1,626	511	–	835	2,972
Impairment:					
At 1 January 2019	126	–	–	1	127
Disposals	–	–	–	(1)	(1)
At 31 December 2019	126	–	–	–	126
Net carrying amount:					
At 1 January 2019	1,913	904	1,624	368	4,809
At 31 December 2019	2,725	825	1,032	494	5,076

16. INTANGIBLE ASSETS (CONTINUED)

Amortisation expenses are included in cost of sales (RMB40 Million; 2018 – RMB70 Million), research costs (RMB445 Million; 2018 – RMB240 Million, selling and distribution expenses (RMB4 Million; 2018 – RMB4 Million) and administration expenses (RMB280 Million; 2018 – RMB230 Million).

	Patents and licenses *RMB million*	Customer relationships *RMB million*	Research and development costs *RMB million*	Others *RMB million*	Total *RMB million*
For the year ended 31 December 2018					
Cost:					
At 1 January 2018	1,882	1,336	1,915	960	6,093
Additions	88	–	893	149	1,130
Acquisition of subsidiaries	–	–	–	36	36
Reclassification	1,184	–	(1,184)	–	–
Disposals	–	–	–	(37)	(37)
At 31 December 2018	3,154	1,336	1,624	1,108	7,222
Accumulated amortization:					
At 1 January 2018	747	355	–	642	1,744
Amortization	368	77	–	99	544
Acquisition of subsidiaries	–	–	–	10	10
Disposals	–	–	–	(12)	(12)
At 31 December 2018	1,115	432	–	739	2,286

16. INTANGIBLE ASSETS (CONTINUED)

	Patents and licenses *RMB million*	Customer relationships *RMB million*	Research and development costs *RMB million*	Others *RMB million*	Total *RMB million*
Impairment:					
At 1 January 2018	112	–	–	–	112
Additions	14	–	–	–	14
Acquisition of subsidiaries	–	–	–	26	26
Disposals	–	–	–	(25)	(25)
At 31 December 2018	126	–	–	1	127
Net carrying amount:					
At 1 January 2018	1,023	981	1,915	318	4,237
At 31 December 2018	1,913	904	1,624	368	4,809

17. GOODWILL

	31 December	
	2019	2018
	RMB million	*RMB million*
Cost:		
At 1 January	**1,816**	1,763
(Disposal)/Acquisition	**(54)**	53
At 31 December	**1,762**	1,816
Impairment:		
At 1 January	**–**	–
Additions	**13**	–
At 31 December	**13**	–
Net carrying amount:		
At 1 January 2019	**1,816**	1,763
At 31 December 2019	**1,749**	1,816

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

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

	2019	2018
Growth rate	**2%–4%**	2%–4%
Gross rate	**16.5%–20%**	16.5%–19.5%
Discount rate before tax	**15%–17.5%**	15%–17.5%

18. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2019 were as follows:

Name	Place of establishment and business	Paid-up and registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Dongfeng Commercial Vehicles Co., Ltd.	PRC	RMB9,200,000,000	55.00	–	Manufacturing and sales of commercial vehicles
Dongfeng Liuzhou Motor Co., Ltd.	PRC	RMB1,224,700,000	75.00	–	Manufacturing and sale of automobiles, automotive parts and components
Dongfeng Motor Finance Co., Ltd. ("DFF")	PRC	RMB9,000,000,000	100.00	–	Provision of finance services
China Dongfeng Motor Industry Import and Export Co., Ltd.	PRC	RMB200,000,000	95.00	2.60	Marketing and sale of automobiles
Dongfeng Changxing (Wuhan) Technology Co., Ltd	PRC	RMB506,816,200	95.39	–	Manufacturing and sale of electric vehicles, parts and components
Zhixin Technology Co., Ltd.	PRC	RMB1,000,000,000	82.14	–	Manufacturing and sale of electric vehicles, parts and components
Dongfeng Off-road Vehicle Co., Ltd.	PRC	RMB155,000,000	100.00	–	Manufacturing and sale of off-road vehicles, parts and components
Dongfeng Special Commercial Vehicle Co., Ltd.	PRC	RMB343,314,200	75.08	–	Manufacturing and sale of special commercial vehicles, parts and components
Dongfeng Peugeot Citroën Automobile Sales Co., Ltd.	PRC	RMB100,000,000	50.00	–	Marketing and sale of automobiles
Dongfeng Getrag Transmission Co., Ltd.	PRC	RMB662,281,100	50.00	–	Manufacture and sale of automotive parts and components
Dongfeng Automobile Trade Co., Ltd.	PRC	RMB220,000,000	100.00	–	Marketing and sale of automobiles

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

18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarized financial information on subsidiaries with non-controlling interests:

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

Summarized statement of financial position

	31 December	
	2019	2018
	RMB million	*RMB million*
Current assets	**64,138**	56,631
Current liabilities	**63,139**	56,442
Net current assets	**999**	189
Non-current assets	**22,483**	21,836
Non-current liabilities	**4,760**	3,420
Net non-current assets	**17,723**	18,416
Net assets	**18,722**	18,605

Summarized statement of comprehensive income

	2019	2018
	RMB million	*RMB million*
Revenue	**86,399**	97,742
Profit before income tax	**933**	810
Income tax expense	**(831)**	(630)
Profit for the year	**102**	180
Other comprehensive income	**(8)**	20
Total comprehensive income for the year	**94**	200

19. INVESTMENTS IN JOINT VENTURES

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

	31 December	
	2019	2018
	RMB million	*RMB million*
Joint ventures, at carrying value	**40,427**	44,647

The movements in investments in joint ventures are as follows:

	2019	2018
	RMB million	*RMB million*
At 1 January	**44,557**	39,888
Additional investments	**–**	20
Share of profits	**11,548**	13,275
Other comprehensive income	**(72)**	(11)
Other changes in equity	**(26)**	–
Disposals	**(3)**	(46)
Dividends received	**(15,577)**	(8,479)
At 31 December	**40,427**	44,647

19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Particulars of the principal joint ventures of the Group as at 31 December 2019 were as follows:

Name	Place of establishment and business	Paid-up Registered capital	Percentage of equity interest attributable to the Company	Principal activities
Dongfeng Motor Co., Ltd. ("DFL")	PRC	RMB16,700,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Peugeot Citroën Automobile Co., Ltd. ("DPCA")	PRC	RMB7,000,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Automobile Co., Ltd. ("DHAC")	PRC	USD560,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Engine Co., Ltd.	PRC	USD121,583,517	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Auto Parts Co., Ltd.	PRC	USD62,500,000	44.00	Manufacture and sale of automotive parts and components
Dongfeng Renault Automotive Co., Ltd.	PRC	RMB4,706,303,466	50.00	Manufacture and sale of automotive parts and components
Dongfeng Peugeot Citroën Auto Finance Co., Ltd.	PRC	RMB1,000,000,000	50.00	Provision of auto financial services
eGT New Energy Automotive Co., Ltd.	PRC	RMB140,000,000	50.00	Manufacture and sale of automotive parts and components

19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The financial information of material joint ventures

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

(i) Statement of financial position of material joint ventures

	DFL		DPCA		DHAC	
	31 December		31 December		31 December	
	2019	2018	**2019**	2018	**2019**	2018
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Cash and cash equivalents	**43,471**	39,356	**1,418**	1,588	**27,942**	21,359
Other current assets (excluding cash)	**56,955**	63,374	**6,792**	4,629	**19,746**	20,524
Total current assets	**100,426**	102,730	**8,210**	6,217	**47,688**	41,883
Total non-current assets	**48,307**	46,294	**16,464**	19,212	**13,132**	11,905
Total assets	**148,733**	149,024	**24,674**	25,429	**60,820**	53,788
Current financial liabilities (excluding account payable)	**(579)**	(619)	**(5,902)**	(3,687)	**–**	–
Other current liabilities (including account payable)	**(81,030)**	(81,934)	**(7,354)**	(8,980)	**(47,287)**	(36,405)
Provisions	**(1,036)**	(1,047)	**(64)**	(25)	**(242)**	(200)
Total current liabilities	**(81,609)**	(82,553)	**(13,256)**	(12,667)	**(47,287)**	(36,405)
Non-current financial liabilities (excluding account payable)	**(35)**	(19)	**(1,209)**	(277)	**–**	–
Other non-current liabilities (including account payable)	**(9,689)**	(6,830)	**(2,106)**	(1,755)	**(1,733)**	(3,081)
Provisions	**(1,067)**	(1,105)	**(35)**	(45)	**(274)**	(1,072)
Total non-current liabilities	**(9,724)**	(6,849)	**(3,315)**	(2,032)	**(1,733)**	(3,081)
Total liabilities	**(91,333)**	(89,402)	**(16,571)**	(14,699)	**(49,020)**	(39,486)
Non-controlling interests	**(8,340)**	(8,998)	**–**	–	**–**	–
Net assets	**49,060**	50,624	**8,103**	10,730	**11,800**	14,302

19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The financial information of material joint ventures (Continued)

(ii) Statement of comprehensive income of material joint ventures

	DFL		DPCA		DHAC	
	31 December		31 December		31 December	
	2019	2018	**2019**	2018	**2019**	2018
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Revenue	**187,871**	180,963	**14,289**	24,653	**112,299**	101,121
Depreciation and amortization	**(4,502)**	(4,958)	**(1,835)**	(2,235)	**(1,192)**	(957)
Interest income	**1,609**	1,570	**28**	252	**485**	440
Interest expenses	**(172)**	(139)	**(290)**	(119)	**–**	(11)
Profit/(loss) before income tax	**22,042**	22,122	**(1,899)**	(1,864)	**14,663**	13,698
Income tax expenses	**(5,496)**	(4,887)	**(728)**	95	**(3,742)**	(3,535)
Profit/(loss) after tax	**16,546**	17,235	**(2,627)**	(1,769)	**10,921**	10,163
Non-controlling interests	**(2,244)**	(1,948)	**–**	–	**–**	–
Other comprehensive income	**(144)**	(10)	**–**	–	**–**	–
Total comprehensive income	**14,158**	15,277	**(2,627)**	(1,769)	**10,921**	10,163
Dividend received	**7,748**	2,955	**–**	–	**6,711**	4,337

19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Reconciliation of financial information

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

	DFL		DPCA		DHAC	
	2019	2018	**2019**	2018	**2019**	2018
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Opening net assets at 1 January	**50,624**	41,256	**10,730**	12,499	**14,302**	12,814
Profit after tax	**16,546**	17,235	**(2,627)**	(1,769)	**10,921**	10,163
Other comprehensive income	**(144)**	(10)	**–**	–	**–**	–
Dividend	**(15,496)**	(5,909)	**–**	–	**(13,423)**	(8,675)
Non-controlling interests	**(2,244)**	(1,948)	**–**	–	**–**	–
Other equity movement	**(226)**	–	**–**	–	**–**	–
Capital contribution from non-controlling shareholders	**–**	–	**–**	–	**–**	–
Closing net assets at 31 December	**49,060**	50,624	**8,103**	10,730	**11,800**	14,302
Interest in joint ventures (50%)	**24,530**	25,312	**4,052**	5,365	**5,900**	7,151
Goodwill	**–**	–	**277**	277	**–**	–
Carrying amount of investments in material joint ventures	**24,530**	25,312	**4,329**	5,642	**5,900**	7,151

19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Reconciliation of financial information (Continued)

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

	2019	2018
	RMB million	*RMB million*
Share of joint ventures' results		
Profit after tax	**250**	1,435
Other comprehensive income	**–**	(5)
Total comprehensive income	**250**	1,430
Aggregate carrying amount of the Group's investments in the joint ventures	**5,668**	6,542

20. INVESTMENTS IN ASSOCIATES

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

	31 December	
	2019	2018
	RMB million	*RMB million*
Associates, at carrying value	**21,713**	17,682

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the principal associates as at 31 December 2019 were as follows:

Name	Place of establishment and business	Percentage of ownership interest attributable to the Group	Principal activities
Dongfeng Nissan Auto Finance Co., Ltd. #	PRC	49.50	Provision of finance services
Wuhan Lear-DFM Auto Electric Co. Ltd. #	PRC	25.00	Manufacture and sale of automotive parts and components
PSA Peugeot Citroën Group ("PSA")	France	12.23	Manufacture and sale of automotive parts and components

Sino-foreign equity joint venture

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

The Group acquired the equity interests 110.6 million shares in the PSA Peugeot Citroën Group ("PSA"), a company listed on the Paris Bourse Stocks Exchange, for a consideration of EUR 800 million (approximately RMB6,801 million) in 2014. The investment in PSA is accounted for as an investment in associates using equity method since the Group has significant influence over PSA as the Group has the power to participate in the financial and operating policy decisions of PSA mainly by virtue of the fact that the Group is one of the three equal largest shareholders of PSA and the Group has certain representation on the governing body. On 18 December 2019, the Group signed a stock repurchase agreement with PSA, and both parties agreed to sell 30.7 million PSA shares held by the Group to PSA or a third party at the then market value on disposal. According to the agreement, the sale of the shares is expected to be completed in the next year, so the Group has reclassified the 30.7 million PSA shares to assets (amounted to RMB4,614 million at cost) as held for sale (Note 30).

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

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2019	2018
	RMB million	*RMB million*
Associates-Share of profits	**3,913**	3,182

The movements in investments in associates are as follows:

	2019	2018
	RMB million	*RMB million*
1 January	**17,684**	14,591
Increase in investment	**5,522**	108
Share of profits	**3,913**	3,182
Other comprehensive income	**55**	101
Other changes in equity	**(101)**	24
Dividend received	**(706)**	(398)
Amounts reclassified to Assets held for sale (Note 30)	**(4,614)**	–
Translation reserve	**(40)**	74
31 December	**21,713**	17,682

21. OTHER NON-CURRENT ASSETS

		31 December	
		2019	2018
	Note	***RMB million***	*RMB million*
Loans and receivables from financing services	25(a)	**32,272**	18,228
Mandatory reserve deposits with the People's Bank of China (the "PBOC")	(a)	**3,732**	3,170
Others		**466**	328
		36,470	21,726

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

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

	31 December	
	2019	2018
	RMB million	*RMB million*
Associates	**988**	–

22. INVENTORIES

	31 December	
	2019	2018
	RMB million	*RMB million*
Raw materials	**1,730**	1,722
Work in progress	**1,587**	842
Finished goods – at cost	**8,874**	8,146
	12,191	10,710

23. TRADE RECEIVABLES

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

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

	31 December	
	2019	2018
	RMB million	*RMB million*
Within three months	**7,431**	3,544
More than three months but within one year	**2,204**	3,134
More than one year	**1,055**	904
	10,690	7,582

Fair values of trade receivables

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

Impairment and risk exposure

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an increase of the loss allowance for trade receivables, and a further increase in the allowance by RMB153 million in the current periods. Note 42(c) provides for details about the calculation of the allowance.

23. TRADE RECEIVABLES (CONTINUED)

Impairment and risk exposure (Continued)

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

	31 December	
	2019	2018
	RMB million	*RMB million*
DMC, its subsidiaries, associates and joint ventures	**155**	205
Non-controlling shareholders of a subsidiary and their subsidiaries	**218**	235
Associates	**24**	14
	397	454

24. BILLS RECEIVABLE

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

	31 December	
	2019	2018
	RMB million	*RMB million*
Within one year	**1,439**	14,940

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

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		31 December	
		2019	2018
	Note	***RMB million***	*RMB million*
Prepayments		**1,705**	1,868
Deposits and other receivables		**4,711**	2,933
Restricted fixed term deposits within one year	(b)	**–**	2,000
Loans and receivables from financing services	(a)	**45,134**	30,678
		51,550	37,479

Fair values of other receivables

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

Impairment and risk exposure

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

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Impairment and risk exposure (Continued)

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

		31 December	
		2019	2018
	Notes	***RMB million***	*RMB million*
Gross loans and receivables from financing services		**80,110**	50,384
Less: impairment allowances		**(1,669)**	(940)
		78,441	49,444
Less: current portion		**45,134**	30,678
Non-current portion	21、26	**33,307**	18,766

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

	31 December	
	2019	2018
	RMB million	*RMB million*
DMC, its subsidiaries, associates and joint ventures	**290**	384
Non-controlling shareholders of a subsidiary and their subsidiaries	**4**	2
Associates	**156**	28
	450	414

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

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Impairment and risk exposure (Continued)

(b) Restricted fixed term deposits within one year

The balance of restricted fixed term deposits within one year is nil (2018: RMB2,000 million) placed by the Company in an associate (2018: in an associate) which is involved in the provision of financing services. The balance of restricted fixed term deposits as at 31 December 2018 that deposited in Dongfeng Nissan Auto Finance Co., Ltd. by the Company, has been used for capital increase in Dongfeng Nissan Auto Finance Co., Ltd. in 2019.

26. BALANCES WITH JOINT VENTURES

		31 December	
		2019	2018
	Notes	***RMB million***	*RMB million*
Due from joint ventures			
Interest-bearing loans to joint ventures		**2,557**	2,070
Dividends receivable from joint ventures		**7,649**	5,302
Loans and receivables from financing services	25(a)	**1,035**	538
Trade receivables	42(c)	**517**	416
Others	(a)	**1,719**	1,798
		13,477	10,124
Less: Current portion		**(12,442)**	(9,586)
Non-current portion		**1,035**	538
Due to joint ventures			
Cash deposits in DFF	(b)	**10,801**	9,093
Others	(a)	**9,169**	5,292
		19,970	14,385
Less: Current portion		**(19,970)**	(14,385)
Non-current portion		**–**	–

26. BALANCES WITH JOINT VENTURES *(CONTINUED)*

Notes:

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

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

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December	
	2019	2018
	RMB million	*RMB million*
Non-current:		
Unlisted equity investments at fair value through other comprehensive income	**205**	219
Current:		
Unlisted debt instruments at fair value through other comprehensive income	**12,121**	2,123

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

		31 December	
		2019	2018
	Note	***RMB million***	*RMB million*
Cash and bank balances		**24,958**	24,875
Time deposits		**5,127**	6,029
Restricted fixed term deposits within one year	25(b)	**–**	2,000
		30,085	32,904
Less: Pledged bank balances and time deposits for securing general banking facilities		**(3,317)**	(3,653)
Less: Restricted fixed term deposits within one year	25(b)	**–**	(2,000)
Cash and in bank as stated in the consolidated statement of financial position		**26,768**	27,251
Less: Non-pledged time deposits with original maturity of three months or more when acquired		**(635)**	(2,276)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**26,133**	24,975

Time deposits included nil (2018: RMB200 million) placed by the Company in an associate which is involved in the provision of financing services and nil (2018: RMB1,900 million) placed by the Company in a joint venture which is involved in the provision of financing services.

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

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		31 December	
		2019	2018
	Note	***RMB million***	*RMB million*
Current			
Wealth management product			
– with principal and interests non-guaranteed		**–**	50
Funds		**100**	–
Structural deposits	(a)	**5,736**	1,819
Unlisted equity securities		**1,136**	–
Euro and HKD swaps		**–**	30
		6,972	1,899

(a) The structural deposits is within one year, and the floating interest rates are range from 1.30% to 3.88%.

30. ASSETS HELD FOR SALE

	31 December	
	2019	2018
	RMB million	*RMB million*
Listed equity securities (Note 20)	**4,614**	–

31. SHARE CAPITAL

	31 December	
	2019	2018
	RMB million	*RMB million*
Registered, issued and fully paid:		
– 5,760,388,000 (2018: 5,760,388,000) Domestic Shares of RMB1.00 each	**5,760**	5,760
– 2,855,732,000 (2018: 2,855,732,000) H shares of RMB1.00 each	**2,856**	2,856
	8,616	8,616

32. INTEREST-BEARING BORROWINGS

	31 December					
	2019			2018		
	Effective interest rate ***(%)***	**Maturity**	***RMB million***	Effective interest rate *(%)*	Maturity	*RMB million*
Current						
Bank loans – secured	**4.35**	**2020**	**160**	0.65+HIBOR	2019	737
Bank loans – unsecured	**2.00–5.22, 6MEURIBOR +1.3%**	**2020**	**4,894**	4.57–5.22, 0.65+HIBOR	2019	2,828
Other loans – unsecured	**1.75–2.25**	**2020**	**14,205**	2.25	2019	11,859
			19,259			15,424
Non-Current						
Bank loans –secured	**6MEURIBOR +1.3**	**2022**	**2,032**	3.325, 6MEURIBOR +1.3	2021–2022	2,231
Bank loans –unsecured	**3.35–4.75**	**2022**	**1,998**	3.35	2020	500
Guaranteed notes	**1.15–1.606**	**2021–2023**	**4,682**	1.15–1.606	2021–2023	4,698
Asset-Backed Security	**2.90–4.00**	**2021–2022**	**5,211**	–	–	–
Unsecured notes	**3.58–5.49**	**2021–2023**	**10,000**	3.96–5.49	2021–2023	3,300
			23,923			10,729
			43,182			26,153

Other loans mainly represented cash deposits placed by DMC, its subsidiaries, associates and joint ventures amounting to RMB6,107 million (2018: RMB1,078 million) and other unrelated third parties in DFF, a subsidiary of the Group which is involved in the provision of financing services and loans from the PBOC. These loans bear interest at the prevailing savings interest rate published by the PBOC.

32. INTEREST-BEARING BORROWINGS (CONTINUED)

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB1,845 million on 16 January 2019, The ABS is divided into tranche A, tranche B. Tranche A, B bear interest from 18 January 2019 at the rate of 3.37%, 3.69%. Interest on the securities is payable monthly on 26th. The Company has already repaid RMB1,429 million by the end of 31 December 2019.

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB2,726 million on 17 July 2019, The ABS is divided into tranche A1, tranche A2 and tranche B. Tranche A1, A2, B bear interest from 19 July 2019 at the rate of 3.03%, 3.19% and 4%. Interest on the securities is payable monthly on 26th. The company has already repaid RMB1,000 million by the end of 31 December 2019.

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB4,350 million on 21 October 2019, The ABS is divided into tranche A1 and tranche A2. Tranche A1, A2 bear interest from 23 October 2019 at the rate of 2.9% and 3.12%. Interest on the securities is payable monthly on 26th. The company has already repaid RMB1,280 million by the end of 31 December 2019.

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

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

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

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

32. INTEREST-BEARING BORROWINGS (CONTINUED)

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

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

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

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

	31 December	
	2019	2018
	RMB million	*RMB million*
Time deposits and bank balances	**3,308**	3,653

32. INTEREST-BEARING BORROWINGS (CONTINUED)

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

	31 December	
	2019	2018
	RMB million	*RMB million*
Bank loans repayable:		
Within one year or on demand	**5,054**	3,565
One year to two years	**1,708**	578
Two years to three years	**2,322**	191
Three years to five years	**–**	1,962
	9,084	6,296
Notes repayable:		
One year to two years	**9,272**	–
Two years to three years	**8,840**	–
Three years to five years	**1,781**	7,998
	19,893	7,998
Other loans repayable:		
Within one year or on demand	**14,205**	11,859
	43,182	26,153

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

32. INTEREST-BEARING BORROWINGS (CONTINUED)

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

	31 December	
	2019	2018
	RMB million	*RMB million*
RMB	**36,390**	18,600
EUR	**6,792**	6,816
HKD	**–**	737
	43,182	26,153

33. PROVISIONS

	31 December	
	2019	2018
	RMB million	*RMB million*
Non-current	**750**	659
Current	**1,004**	1,127
	1,754	1,786

33. PROVISIONS (CONTINUED)

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

	Environmental restoration costs *RMB million*	Warranty provisions *RMB million*	Total *RMB million*
At 1 January 2018	89	1,848	1,937
Provisions during the year	–	960	960
Utilized	(43)	(1,068)	(1,111)
At 31 December 2018	46	1,740	1,786
Provisions during the year	**4**	**603**	**607**
Utilized	**(24)**	**(615)**	**(639)**
At 31 December 2019	**26**	**1,728**	**1,754**

The carrying amounts of the Group's provisions approximate their fair values.

(a) Environmental restoration costs

In accordance with the prevailing regulations in the PRC, the Group is required to restore to the original condition of the land on which its production plants are located. The directors have estimated and provided for the expected costs of the restoration of the land.

(b) Warranty provisions

The Group provides warranties for certain automotive products and undertakes the obligation to repair or replace items that fail to perform satisfactorily. The amount of provisions for product warranties is estimated based on the sales volume and past experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and is revised when appropriate.

34. GOVERNMENT GRANTS

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

	RMB million
At 1 January 2018	771
Received during the year	2,013
Recognised as other income during the year	(1,017)
At 31 December 2018 and 1 January 2019	1,767
Received during the year	**832**
Recognised as other income during the year	**(505)**
At 31 December 2019	**2,094**

35. TRADE PAYABLES

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

	31 December	
	2019	2018
	RMB million	*RMB million*
Within three months	**17,536**	15,880
More than three months but within one year	**1,094**	997
More than one year	**590**	345
	19,220	17,222

35. TRADE PAYABLES (CONTINUED)

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

	31 December	
	2019	2018
	RMB million	*RMB million*
DMC, its subsidiaries, associates and joint ventures	**254**	367
Non-controlling shareholders of a subsidiary and their subsidiaries	**4**	13
Associates	**109**	4
	367	384

36. BILLS PAYABLE

The maturity profile of the bills payable is as follows:

	31 December	
	2019	2018
	RMB million	*RMB million*
Within one year	**27,369**	19,918

37. OTHER PAYABLES AND ACCRUALS

	31 December	
	2019	2018
	RMB million	*RMB million*
Advances from customers	**419**	385
Accrued salaries, wages and benefits	**2,684**	2,090
Other payables	**9,693**	10,837
	12,796	13,312

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

	31 December	
	2019	2018
	RMB million	*RMB million*
DMC, its subsidiaries, associates and joint ventures	**344**	313
Non-controlling shareholders of a subsidiary and their subsidiaries	**292**	305
Joint ventures	**1**	–
	637	618

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

Non-controlling shareholders of a subsidiary and their subsidiaries included payable related to acquisition of intangible assets amounting to RMB56 million, which is expected to be settled within one year since the balance sheet date. The payable amounting to RMB147 million expected to be settled over one year since the balance sheet date are classified as other long term liabilities.

38. NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	31 December 2019 RMB million	31 December 2018 RMB million
Cash and cash in bank	**26,768**	27,251
Borrowings – repayable within one year (including overdraft)	**(19,259)**	(15,424)
Borrowings – repayable after one year	**(23,923)**	(10,729)
Lease liability	**(2,229)**	—
Net debt	**(18,643)**	1,098

	Cash RMB million	Borrowings – repayable within one year RMB million	Borrowings – repayable after one year RMB million	Lease liability RMB million	Total RMB million
Net debt as at 1 January 2018	33,441	(14,381)	(2,398)	—	16,662
Cash flows	(6,190)	(916)	(8,461)	—	(15,567)
Foreign exchange adjustments	–	(49)	52	—	3
Other non-cash movements	–	(78)	78	—	–
Net debt as at 31 December 2018	27,251	(15,424)	(10,729)	—	1,098
Recognized on adoption of IFRS 16 (Note 2.3)	–	–	–	(2,606)	(2,606)
Net debt as at 1 January 2019	**27,251**	**(15,424)**	**(10,729)**	**(2,606)**	**(1,508)**
Cash flows	**(483)**	**(3,206)**	**(13,893)**	**240**	**(17,342)**
Foreign exchange adjustments	**–**	**–**	**16**	**–**	**16**
Other non-cash movements	**–**	**(629)**	**683**	**137**	**191**
Net debt as at 31 December 2019	**26,768**	**(19,259)**	**(23,923)**	**(2,229)**	**(18,643)**

38. NET DEBT RECONCILIATION (CONTINUED)

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

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

39. COMMITMENTS

Capital commitments

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

	31 December	
	2019	2018
	RMB million	*RMB million*
Contracted, but not provided for:		
– Property, plant and equipment	**1,426**	1,771

40. RELATED PARTY TRANSACTIONS

During the year, in addition to those disclosed elsewhere in these financial statements, the Group had the following significant transactions with its related parties:

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

	Note	2019 RMB million	2018 RMB million
Purchases of automotive parts/raw materials from and payment of royalty fee to :	(i)		
– DMC, its subsidiaries, associates and joint ventures		**744**	609
– Joint ventures		**14,712**	15,277
– Associates		**134**	106
– Subsidiaries' joint ventures		**4,379**	3,886
– Non-controlling shareholders of a subsidiary and their subsidiaries		**18**	45
		19,987	19,923
Purchases of automotive from :	(i)		
– DMC, its subsidiaries, associates and joint ventures		**11**	10
– Joint ventures		**10,563**	21,547
– Subsidiaries' joint ventures		**5**	–
		10,579	21,557
Purchases of water, steam and electricity from DMC	(i)	**–**	358

40. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2019 RMB million	2018 RMB million
Purchases of items of property, plant and equipment and intangible assets from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**25**	35
– Joint ventures		**208**	157
– Non-controlling shareholders of a subsidiary and their subsidiaries		**–**	63
		233	255
Purchases of services from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**749**	317
– Joint ventures		**611**	243
– Non-controlling shareholders of a subsidiary and their subsidiaries		**92**	160
		1,452	720
Sales of automotive parts/raw materials to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**271**	157
– Joint ventures		**3,461**	3,934
– Associates		**1**	–
– Subsidiaries' joint ventures		**28**	35
– Non-controlling shareholders of a subsidiary and their subsidiaries		**–**	3
		3,761	4,129

40. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2019 RMB million	2018 RMB million
Sales of automobiles to: :	(i)		
– DMC, its subsidiaries, associates and joint ventures		**2,096**	1,927
– Joint ventures		**377**	381
– Subsidiaries' joint ventures		**–**	29
– Non-controlling shareholders of a subsidiary and their subsidiaries		**1,486**	1,278
		3,959	3,615
Provisions of services to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**8**	1
– Joint ventures		**48**	107
– Associates		**3**	–
– Subsidiaries' joint ventures		**4**	4
– Non-controlling shareholders of a subsidiary and their subsidiaries		**35**	–
		98	112
Interest expenses for financing services paid to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**121**	8
– Joint ventures		**77**	210
– Subsidiaries' joint ventures		**14**	9
– Non-controlling shareholders of a subsidiary and their subsidiaries		**10**	11
		222	238

40. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2019 RMB million	2018 RMB million
Interest expenses of lease liabilities paid to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**101**	–
Interest incomes from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**32**	50
– Joint ventures		**84**	98
– Associates		**4**	–
– Subsidiaries' joint ventures		**5**	1
		125	149
Fee and commission incomes from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**–**	1
– Joint ventures		**9**	9
		9	10
Dispatch Fee from joint ventures:	(i)	**302**	313
Dividend paid to:			
– Non-controlling shareholders of a subsidiaries and their subsidiaries		**285**	258

Note:

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

40. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

(i) Details of the Group's balances with its related parties as at the end of the reporting period are disclosed in notes 15, 23, 25, 28, 32, 35 and 37 to the financial statements.

(ii) Details of the Group's balances with joint ventures as at the end of the reporting period are disclosed in note 26 to the financial statements.

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

	2019	2018
	RMB'000	*RMB'000*
Short term employee benefits	**4,874**	3,905
Post-employment benefits	**323**	325
Total compensation paid to key management personnel	**5,197**	4,230

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

41. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	31 December	
	2019	2018
	RMB million	*RMB million*
Financial assets at amortised cost		
Other non-current assets	**36,004**	21,398
Trade receivables	**10,690**	7,582
Bills receivable	**1,439**	14,940
Financial assets included in prepayments, deposits and other receivables	**48,935**	34,752
Due from joint ventures	**13,275**	10,041
Pledged bank balances and time deposits	**3,317**	3,653
Cash and cash in bank	**26,768**	27,251
Financial assets at fair value through other comprehensive income		
Unlisted equity securities included in financial assets at fair value through other comprehensive income	**205**	219
Bills receivable included in financial assets at fair value through other comprehensive income	**12,121**	2,123
Financial assets at fair value through profit or loss	**6,972**	1,899
	159,726	123,858

41. FINANCIAL INSTRUMENTS BY CATEGORY(CONTINUED)

Financial liabilities

	31 December	
	2019	2018
	RMB million	*RMB million*
Liabilities at amortised cost		
Trade payables	**19,220**	17,222
Bills payable	**27,369**	19,918
Financial liabilities included in other payables and accruals	**9,217**	10,252
Due to joint ventures	**19,644**	13,947
Interest-bearing borrowings	**43,182**	26,153
Other long term liabilities	**1,886**	1,072
Lease liabilities	**2,229**	—
	122,747	88,564

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, other interest-bearing loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. The directors review and agree policies for managing each of these risks and they are summarised below:

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Interest rate risk

The Group's interest rate risk mainly arises from long-term interest-bearing borrowings including long-term borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate borrowings. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

As at 31 December 2019, all the Group's long-term interest-bearing borrowings is mainly euro-denominated floating rate contract, the amount is RMB2,032 million (as at 31 December 2018 : euro-denominated floating rate contract, the amount is RMB2,119 million, and HKD-denominated floating rate contract, the amount is RMB737 million).

(b) Foreign currency risk

The businesses of the Group are principally located in the PRC. While most of the sales of the Group are conducted in RMB, certain of the Group's borrowings were denominated in other currencies such as euro dollars (EUR) and Hong Kong dollars (HKD).

As at 31 December 2019 and 31 December 2018, the carrying amounts in RMB equivalent of the Group's liabilities denominated in foreign currencies are summarised below:

	31 December	
	2019	2018
	RMB million	*RMB million*
Interest-bearing borrowings	**6,792**	7,553

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

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (Continued)

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

	Increase/(decrease) in post tax profit	
	2019	2018
	RMB million	*RMB million*
If RMB strengthens against EUR/HKD by 5%	**255**	283
If RMB weakens against EUR/HKD by 5%	**(255)**	(283)

(c) Credit risk

The cash and bank balances and time deposits of the Group are mainly deposited with state-owned banks in the PRC, such as Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation.

The Group has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not have a significant exposure to any individual customer.

The Group's financing services are primarily focused on supporting the sale of the commercial and passenger vehicles of the Group. As a consequence of these activities, the Group is exposed to credit risk, which is monitored and managed based on defined standards, guidelines and procedures. The Group mitigates credit risk by credit protection provided by guarantors and by loan collateral such as vehicle licences. Scoring systems are applied for the assessment of the default risk of individual customers. All loans and receivables from financing services are reviewed for objective evidence of impairment and classified based on a ten-tier classification system.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

The carrying amount of each financial asset included in these financial statements represents the maximum exposure of the Group to credit risk in relation to its financial assets. In addition, the guarantees given by the Group to banks in favour of banking facilities granted to the Group's joint ventures represent the Group's other exposure to credit risk. The Group has no other financial assets carrying significant exposure to credit risk and has no significant concentration of credit risk.

Trade receivables

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. If there is objective evidence of impairment exists individually for financial assets that are individually significant, impairment loss is recognized in the consolidated income statement. The carrying amount of trade receivables individually measured is RMB254 million (2018: RMB160 million) and the loss allowance for these trade receivables is RMB254 million (2018: RMB160 million). The Group performs a collective assessment for all other trade receivables that are not individually significant or for which impairment has not yet been identified by including the asset in a group of financial assets with similar credit risk characteristics for impairment.

The loss allowance as at 31 December 2019 was determined as follows for trade receivables:

	Less than 1 year	1–2 years	2–3 years	More than 3 years	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
31 December 2019					
Expected loss rate	1.24%	10.75%	74.63%	100.00%	6.71%
Gross carrying amount – trade receivables	9,848	960	472	216	11,496
Gross carrying amount – trade receivables in due from joint ventures	495	17	1	4	517
Loss allowance – trade receivables	128	105	353	220	806

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Trade receivables(continued)

The loss allowance as at 31 December 2018 was determined as follows for trade receivables:

	Less than 1 year *RMB million*	1–2 years *RMB million*	2–3 years *RMB million*	More than 3 years *RMB million*	Total *RMB million*
31 December 2018					
Expected loss rate	2.60%	22.44%	43.62%	100.00%	9.05%
Gross carrying amount – trade receivables	6,867	712	634	165	8,378
Gross carrying amount – trade receivables in due from joint ventures	402	10	1	3	416
Loss allowance – trade receivables	189	162	277	168	796

The closing loss allowances for trade receivables as at 31 December 2019 reconcile to the opening loss allowances as follows:

	Trade receivables	
	2019	2018
	RMB million	*RMB million*
At 1 January	**956**	673
Increase in loss allowance recognized in profit or loss during the year	**153**	299
Receivables written off during the year as uncollectible	**(49)**	(16)
At 31 December	**1,060**	956

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables included in prepayments, deposits and other receivables, mandatory reserve deposits with the PBOC, fixed term deposits included in other non-current assets, pledged bank balances and time deposits, cash and cash in bank, bills receivable and other receivables included in due from joint ventures.

The loss allowance for other financial assets at amortised cost as at 31 December 2018 reconciles to the opening loss allowance on 1 January 2019 and to the closing loss allowance as at 31 December 2019 as follows:

	Other receivables included in prepayments, deposits and other receivables and other receivables included in due from joint ventures
	RMB million
Closing loss allowance as at 31 December 2018	111
Amounts restated through opening retained earnings	–
Opening loss allowance as at 1 January 2019	111
Increase in the allowance recognised in profit or loss during the period	13
Closing loss allowance as at 31 December 2019	124

(i) Impairment on mandatory reserve deposits with the PBOC, fixed term deposits, pledged bank balances and time deposits, and cash and cash in bank is measured as 12-month expected credit losses. These financial assets above are acquired from large state-owned banks with principal and interests guaranteed, and the expected credit losses is immaterial.

(ii) Impairment on bills receivable is measured as 12-month expected credit losses. The bills receivable are bank acceptance notes for which the repayments are guaranteed by large state-owned banks, and the expected credit losses is immaterial.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services

The Group applies ECL model for impairment assessment. No significant credit risk is conscious for the reporting period. For loans and receivables from financing service, the Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive information, especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic
- conditions that are expected to cause a significant change to the counter party's ability to meet its obligations
- actual or expected significant changes in the operating results of the counter party
- significant increases in credit risk on other financial instruments of the same counter party
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behavior of the counter party, including changes in the payment status of borrower in the group and changes in the operating results of the counter party

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services(Continued)

To manage risk arising from loans and receivables from financing service, standardised credit management procedures are performed. For pre-approval investigation, the Group optimises the review process by using big data technology through its platform and system, including credit analysis, assessment of collectability of borrowers, monitoring the cash flow status, possibility of misconduct and fraudulent activities. In terms of credit examining management, specific policies and procedures are established to assess loans offering. For subsequent monitoring, the Group monitors the cash flow and operation status of each borrower. Once the loan was issued, all borrowers would be assessed by fraud examination model to prevent fraudulent behaviors. In post-loan supervision, the Group establishes risk monitoring alert system through periodical monitoring. The estimation of credit exposure for risk management purposes is complex and requires use of models as the exposure varies with changes in markets conditions, expected cash flows and passage of time.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). This is consistent with the general approach used for the purposes of measuring ECL under IFRS 9.

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

- The loans and receivables from financing service that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.

- The Group measures the loss allowance for the loans and receivables from financing service at an amount equal to the lifetime ECL if the credit risk of that financial instrument has increased significantly since initial recognition, but is not yet deemed to be credit-impaired.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

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

- If the financial instrument is credit-impaired (as defined below), it is then moved to "Stage 3". The expected credit loss is measured on lifetime basis.

- In Stages 1 and 2, interest income is calculated on the gross carrying amount(without deducting the loss allowance) and the effective interest rate. If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount and the effective interest rate.

The impairment of loans and receivables from financing service was provided based on the "three-stages" model by referring to the changes in credit quality since initial recognition.

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

(1) Significant increase in credit risk (SICR)

The Group considers loans and receivables from financing service to have experienced a significant increase in credit risk when backstop criteria have been met. A backstop criteria is applied and the loans and receivables from financing service have experienced a significant increase in credit risk if the borrower's contractual payments are past due 30 days.

(2) Definition of default and credit-impaired assets

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

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

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

(3) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

(4) Forward-looking information incorporated in the ECL models

The calculation of ECL incorporate forward-looking information. The Group has performed historical analysis and identified the retail index of social consumer goods as the key economic variables impacting credit risk and the expected credit losses.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

(ii) Provision for impairment

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

- Additional provisions for new financial instruments recognized, as well as releases for loans and receivables from financing service derecognised in the period;

- Loans and receivables from financing service derecognized and write-offs of provision related to assets that were written off during the period

The following tables explain the changes in the provision for impairment of loan receivables between the beginning and the end of the year:

	Stage 1 12-month ECL *RMB million*	Stage 2 Lifetime ECL *RMB million*	Stage 3 Lifetime ECL *RMB million*	TOTAL *RMB million*
Carrying amount of loans and receivables from financing service of 31 December 2019	79,642	108	360	80,110
Provision for impairment of loans and receivables from financing service of 1 January 2019	790	29	121	940
Increases	574	22	311	907
Write-offs	–	–	(178)	(178)
Provision for impairment of loans and receivables from financing service of 31 December 2019	1,364	51	254	1,669
Net value of loans and receivables from financing service of 31 December 2019	78,278	57	106	78,441

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

(ii) Provision for impairment (Continued)

	Stage 1 12-month ECL *RMB million*	Stage 2 Lifetime ECL *RMB million*	Stage 3 Lifetime ECL *RMB million*	TOTAL *RMB million*
Carrying amount of loans and receivables from financing service of 31 December 2018	50,168	51	165	50,384
Provision for impairment of loans and receivables from financing service of 1 January 2018	193	14	137	344
Increases	597	15	74	686
Write-offs	–	–	(90)	(90)
Provision for impairment of loans and receivables from financing service of 31 December 2018	790	29	121	940
Net value of loans and receivables from financing service of 31 December 2018	49,378	22	44	49,444

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

(iii) Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

The Group may write-off financial assets that are still subject to enforcement activity.

(iv) Modification

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. The Group considers the impact from such modification is not significant.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, and other available sources of financing.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2019				
	Within one year or on demand *RMB million*	In the second year *RMB million*	In the third to fifth years *RMB million*	Beyond five years *RMB million*	Total *RMB million*
Interest-bearing borrowings	19,808	11,626	13,581	–	45,015
Trade payables	19,220	–	–	–	19,220
Bills payable	27,369	–	–	–	27,369
Other payables	9,114	1,813	109	27	11,063
Due to joint ventures	19,644	–	–	–	19,644
Lease liabilities	154	146	560	4,285	5,145
	95,309	13,585	14,250	4,312	127,456

	31 December 2018				
	Within one year or on demand *RMB million*	In the second year *RMB million*	In the third to fifth years *RMB million*	Beyond five years *RMB million*	Total *RMB million*
Interest-bearing borrowings	15,424	1,347	9,382	–	26,153
Trade payables	17,222	–	–	–	17,222
Bills payable	19,918	–	–	–	19,918
Other payables	11,831	384	1,269	64	13,548
Due to joint ventures	13,947	–	–	–	13,947
	78,342	1,731	10,651	64	90,788

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

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

	31 December	
	2019	2018
	RMB million	*RMB million*
Lease liabilities	**2,229**	—
Interest-bearing borrowings	**43,182**	26,153
Less: Cash and cash in bank	**(26,768)**	(27,251)
Net debt	**18,643**	(1,098)
Equity attributable to equity holders of the Company	**127,781**	118,356
Net debt to equity ratio	**14.59%**	-0.93%

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value estimation

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

As at 31 December 2019		**Level 1**	**Level 2**	**Level 3**	**Total**
	Notes	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Financial assets					
Financial assets at FVPL					
Funds	29	–	100	–	100
Structural deposits	29	–	–	5,736	5,736
Unlisted equity securities	29	–	–	1,136	1,136
Financial assets at fair value through other comprehensive income (FVOCI)					
Bills receivable	27	–	–	12,121	12,121
Unlisted equity securities	27	–	–	205	205
Total financial assets		–	100	19,198	19,298

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value estimation (Continued)

At at 31 December 2018	*Notes*	Level 1 *RMB million*	Level 2 *RMB million*	Level 3 *RMB million*	Total *RMB million*
Financial assets					
Financial assets at FVPL					
Wealth management product					
– with principal and interests non-guaranteed	29	–	–	50	50
Structural deposits	29	–	–	1,819	1,819
Euro and HKD swap	29	–	–	30	30
Financial assets at fair value through other comprehensive income (FVOCI)					
Bills receivable	27	–	–	2,123	2,123
Unlisted equity securities	27	–	–	219	219
Total financial assets		–	–	4,241	4,241

43. EVENTS AFTER THE REPORTING PERIOD

A final dividend in respect of the year ended 31 December 2019 of RMB0.25 per share, amounting to a total dividend of RMB2,154 million, was proposed by the Board of Directors at a meeting held on 30 March 2020, subject to the final approval by the shareholders of the Company at the Annual General Meeting. These financial statements do not reflect this dividend payable.

In January 2020, Coronavirus Disease 2019 ("COVID-19") pneumonia broke out all over the country. It is expected to affect the business operation and overall economic of some provinces and cities and some industries including Hubei Province in the short term, depending on the situation of the epidemic prevention and control, the duration and the implementation of various regulatory policies. The Group will pay more attention to the development of the epidemic and assess its impact on the Group's financial situation and operating results.

44. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2019	2018
	RMB million	*RMB million*
ASSETS		
Non-current assets		
Property, plant and equipment	**5,327**	3,829
Right-of-use assets	**365**	—
Lease prepayments	—	281
Intangible assets	**723**	640
Investments in subsidiaries	**18,268**	17,128
Investments in joint ventures	**21,129**	16,338
Investments in associates	**595**	595
Financial assets at fair value through other comprehensive income	**45**	49
Total non-current assets	**46,452**	38,860
Current assets		
Inventories	**662**	932
Trade receivables	**3,294**	3,366
Bills receivable	**279**	365
Prepayments, deposits and other receivables	**11,901**	10,273
Due from joint ventures	**140**	166
Pledged bank balances	**109**	82
Financial assets at fair value through profit or loss	**1,136**	–
Cash and cash in bank	**43,876**	34,671
Total current assets	**61,397**	49,855
TOTAL ASSETS	**107,849**	88,715

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

Balance sheet of the Company (Continued)

	As at 31 December	
	2019	2018
	RMB million	*RMB million*
EQUITY AND LIABILITIES		
Equity		
Issued capital	**8,616**	8,616
Reserves	**12,817**	11,785
Retained profits	**61,643**	54,763
TOTAL EQUITY	**83,076**	75,164
Non-current liabilities		
Interest-bearing borrowings	**11,699**	3,800
Lease liabilities	**73**	—
Other non-current liabilities	**57**	57
Provisions	**270**	295
Government grants	**1,370**	1,076
Total non-current liabilities	**13,469**	5,228

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

Balance sheet of the Company (Continued)

	As at 31 December	
	2019	2018
	RMB million	*RMB million*
Current liabilities		
Trade payables	**2,875**	3,687
Lease liabilities	**7**	—
Bills payable	**1,173**	853
Other payables and accruals	**4,050**	2,555
Contract liabilities	**1,096**	444
Due to joint ventures	**762**	444
Interest-bearing borrowings	**1,000**	–
Income tax payable	**211**	211
Provisions	**130**	129
Total current liabilities	**11,304**	8,323
TOTAL LIABILITIES	**24,773**	13,551
TOTAL EQUITY AND LIABILITIES	**107,849**	88,715

The balance sheet of the Company was approved by the Board of Directors on 30 March 2020 and was signed on its behalf.

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

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

Reserve movement of the Company

	Capital reserve *RMB million*	Statutory reserves *RMB million*	Retained profits *RMB million*	Total *RMB million*
As at 1 January 2018	3,683	6,976	53,606	64,265
Total comprehensive income for the year	–	–	5,267	5,267
Business combination involving enterprises under common control	(40)	–	–	(40)
Transfer to reserve	1,162	–	(1,162)	–
Final 2017 and interim 2018 dividend declared and paid	–	–	(3,016)	(3,016)
Others	4	–	68	72
As at 31 December 2018	4,809	6,976	54,763	66,548
Change in accounting policy-IFRS 16	–	–	(87)	(87)
As at 1 January 2019	**4,809**	**6,976**	**54,676**	**66,461**
Total comprehensive income for the year	**–**	**–**	**11,039**	**11,039**
Transfer to reserve	**–**	**1,056**	**(1,056)**	**–**
Share of capital reserve of investments accounted for using the equity method	**(24)**	**–**	**–**	**(24)**
Final 2018 and interim 2019 dividend declared and paid	**–**	**–**	**(3,016)**	**(3,016)**
As at 31 December 2019	**4,785**	**8,032**	**61,643**	**74,460**

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

Reserve movement of the Company (Continued)

(a) Statutory reserves

In accordance with the PRC Company Law, the Company, its subsidiaries, joint ventures and associates established in the PRC are required to allocate 10% of their profits after tax (determined under the PRC Generally Accepted Accounting Principles (PRC GAAP)) to their respective statutory surplus reserves (the "SSR"). No allocation to the SSR is required after the balance of such reserve reaches 50% of the registered capital of the respective companies. Subject to certain restrictions set out in the PRC Company Law, part of the SSR may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital of the respective companies.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises and the memorandum and articles of association of the relevant companies, the Group's Sino-foreign joint ventures are also required to make appropriations of certain of their profits after tax thereof to their enterprise expansion funds and reserve funds, which are restricted as to use.

(b) Distributable reserves

As set out in note 12, for dividend distribution purposes, the Company's distributable profit is based on the lower of the net profit after tax as determined under PRC GAAP and IFRSs following its restructuring into a joint stock limited liability company on 12 October 2004. The amounts that the Company's subsidiaries and joint ventures can legally distribute by way of dividend are determined by reference to their profits as reflected in their financial statements prepared in accordance with PRC GAAP. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

In accordance with the PRC Company Law, the net profits after transfers to the SSR can be distributed as dividends by the companies comprising the Group as set out above.

Under the relevant laws and regulatory requirements, the net profits of the Group's Sino-foreign joint ventures after transfers to the enterprise expansion fund and the reserve funds can be distributed as dividends by the Group's Sino-foreign joint ventures.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2020.

Five Year Financial Summary

For the year ended 31 December 2019

A summary of published results and the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
RESULTS					
Revenue	**101,087**	104,543	125,980	122,535	126,566
Cost of sales	**(87,596)**	(91,128)	(109,716)	(105,020)	(109,637)
Gross profit	**13,491**	13,415	16,264	17,515	16,929
Other income	**2,231**	3,164	2,817	2,201	1,897
Selling and distribution expenses	**(4,349)**	(6,342)	(7,460)	(7,634)	(7,144)
Administrative expenses	**(5,076)**	(4,506)	(4,610)	(3,767)	(3,691)
Net impairment losses on financial assets	**(1,163)**	(1,006)	–	–	–
Other expenses	**(5,500)**	(5,683)	(6,425)	(5,701)	(5,834)
Finance (costs)/income – net	**(575)**	(265)	(592)	(445)	189
Share of profits and losses of:					
Joint ventures	**11,633**	12,280	13,574	11,665	10,422
Associates	**3,913**	3,182	2,207	1,897	1,297
PROFIT BEFORE TAX	**14,605**	14,239	15,775	15,731	14,065
Income tax expense	**(1,759)**	(1,661)	(1,148)	(1,276)	(1,353)
PROFIT FOR THE YEAR	**12,846**	12,578	14,627	14,455	12,712
Profit attributable to:					
Equity holders of the parent	**12,858**	12,979	14,061	13,345	11,550
Non-controlling interest	**(12)**	(401)	566	1,110	1,162
	12,846	12,578	14,627	14,455	12,712

Five Year Financial Summary (Continued)

For the year ended 31 December 2019

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**272,000**	226,517	213,908	185,079	160,786
Total liabilities	**(138,032)**	(101,592)	(98,584)	(81,441)	(69,302)
Non-controlling interests	**(6,187)**	(6,569)	(6,809)	(6,912)	(6,834)
	127,781	118,356	108,515	96,726	84,650

Definitions

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

"The Company"	東風汽車集團股份有限公司(Dongfeng Motor Group Company Limited), a joint stock limited company registered in the PRC on 12 October 2004 in accordance with the laws of the PRC or where the context refers to any time prior to the date of incorporation, those entities and businesses which were contributed to and conducted by the Company upon its establishment
"Dongfeng Joint Venture Companies"	Jointly-controlled Entities in which the Company, its subsidiaries or Jointly-controlled Entities (including their respective subsidiaries and Jointly-controlled Entities) have equity interests as at 31 December 2019.
"Dongfeng Motor Corporation" or "DMC"	東風汽車集團有限公司(Dongfeng Motor Corporation), the controlling shareholder of the Company, state-owned enterprise incorporated under the laws of the PRC, referred to as DMC
"Dongfeng Motor Group" or "the Group"	the Company and its subsidiaries, the Dongfeng Joint Venture Companies and their respective subsidiaries and associates.
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC
"Joint Venture Company"	A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"PRC" or "China"	the People's Republic of China. Except where the context requires, geographical references in this annual report to the PRC or China exclude Hong Kong, Macau or Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Parent Group"	Dongfeng Motor Corporation and its subsidiaries (excluding the Group)