



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

Stock Code: 489

2022

INTERIM REPORT



* For identification purposes only

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Chairman's Statement

Dear Shareholders:

On behalf of the Board of Directors, I hereby present the 2022 interim report of Dongfeng Motor Group for your review.

In the first half of 2022, the domestic automobile industry was severe and complicated. Various challenges such as frequent outbreaks of COVID-19 pandemic, ineffective relief of shortage of chips, and price hikes in raw battery materials, have brought tremendous pressure to the development of the industry. Amid the complex business situation, and the drastic changes in the automobile industry under the unprecedented changes in a century, the Group has always adhered to the requirements of high-quality development, and maintained a healthy overall operation.

In the first half of the year, the Group sold approximately 1,234,200 vehicles, representing a year-on-year decrease of 13.4%. The independent brand passenger vehicle business showed a good momentum of accelerated development as a whole, with the sales volume of approximately 226,800 units, representing a year-on-year increase of 59.8%, 56.4 percentage points higher than the industry growth. The commercial vehicle market was affected by major factors such as overcapacity in the logistics industry and rising oil prices, therefore the demand continued to be sluggish. The sales volume of commercial vehicle were approximately 174,600 units, representing a year-on-year decrease of 50.0%. As for the new energy business, the Group seized the opportunity of rapid development of the new energy market and achieved a continuous explosive growth, with sales volume of approximately 128,600 units for the first half of the year and a year-on-year increase of 1.9 times, ranking the fourth in the industry. In particular, the flagship electric luxury MPV VOYAH Dreamer has been successfully launched. The demand for Aeolus E70 continued to boom, up 2.6 times year-on-year. The joint venture passenger vehicle business has taken proactive actions to adjust sale structure, collaborate and coordinate with upstream and downstream suppliers to remain stable, with semi-annual sales volume of approximately 832,800 units. Dongfeng Peugeot Citroën Automobile Company Ltd, carried out in-depth promotion of “Yuan+ Plan, Five Heart Guardian Campaign” and achieved a continuous increase in sales, with a year-on-year increase of 39.0% in sales volume.

The Group's key financial indicators remained healthy. In the first half of the year, sales revenue amounted to RMB44,309 million, profit attributable to equity holders of the company was approximately RMB5,529 million, with a net profit margin of 12.5%, which was better than that of the corresponding period. We continued to optimize the asset structure and operating efficiency, and the gearing ratio was about 1.9 percentage points lower than the ratio at the end of the previous year. The turnover days for the receivables (inclusive bills receivables) decreased continuously year-on-year and the operating cash flow improved significantly.

Chairman's Statement (Continued)

Acting in line with overall objectives of the “14th Five-Year Plan” and the “One Body with Two Wings” business layout, the Group has unswervingly promoted the “Leapfrog Initiative” of science and technology, and accelerated the transformation to an excellent, scientific and technological enterprise. The Group focuses on new energy, automatic driving, electronic and electrical architecture and software, automobile modeling design and other fields. The R&D investment continues to increase, accounting for 5.6%. The group adheres to innovation driven, continues to strengthen its R&D capability, and achieves new achievements in tackling key technologies and products. The development of the Group's unified pure electric architecture platform for passenger vehicles has accelerated and entered a key node. The Group took the lead in establishing the Hubei Province vehicle specification chip industry technology innovation consortium to build a domestic leading automotive chip industry chain and ensure the safety and controllability of the industrial chain, so as to promote the upward development of independent brands. The brand of “Mach Power”, an independent passenger vehicle, has expanded to the hybrid power field, and the product power of new products, such as Dongfeng Aeolus Haoji has been significantly improved; the luxury electric off-road brand “M HERO” was officially released. Accelerating the commencement of the industrialization construction, the Group was committed to becoming a leader in luxury electric off-road culture.

The Group has continued to make breakthroughs in and deepen its reforms, the three-year action plan for reform of State-owned Enterprises has been basically completed, and the effectiveness of reform measures has been continuously released. We vigorously promote the construction of the board of directors of subsidiaries, and institutionalize the implementation of the powers of the board of directors. We completed the third round of tenure system and contractual appointments. In terms of the strategic restructuring and adjustment acceleration, the "Three-In-One" professional integration of Zhixin Technology Co., Ltd., Dinsin Power Co., Ltd. and Dongfeng Motor (Wuhan) Company was basically completed; our proposed acquisition of equity interests in Dongfeng Automobile Co., Ltd., a listed company platform, has created favorable conditions for the strategic development of commercial vehicle business. Each of the business units continued to deepen reforms, and lay a solid foundation for further enhancing the overall competitiveness and operational efficiency.

In the second half of the year, the situation faced by the automobile market is still severe and complex, and the market competition will become more intense. The Group will insist on promoting high-quality development, anchor the goal of high-quality and stable growth, grasp the strategic initiative, maintain patience, identify development opportunities, adhere to the priority of efficiency, make efficient and flexible decisions, and speed up the promotion of Dongfeng excellence and the construction of world-class enterprise.

The Group will accelerate the promotion of its independent brands to catch up and leapfrog. We will continue to push forward the implementation of major projects for independent passenger vehicles, accelerate product iterations and upgrades, and ensure the successful launch of various new models. The Group will accelerate the adjustment of the structure, further strengthen the planning of commodities, power assembly, electronic structure, etc., focus on promoting the construction of a unified platform for commercial vehicles, and promote the high-quality development of commercial vehicles.

Chairman's Statement (Continued)

The Group will continue to enhance its innovation capabilities, further strengthen its chains, further enhance its deployment in the fields of new energy, intelligent networking and related operating systems, accelerate the development of software, speed up the process of independent key domain control stations, and continuously achieve the goal of independent and secure control of the industrial chain and supply chain.

The Group will strengthen system capacity building, continue to improve profitability and marketing capabilities, and promote the steady development of various businesses. The Group will resolutely fight the final battle of the three-year reform campaign, deepen and refine the three system reforms, and establish a market-adapted and internally driven institutional mechanism. We will implement the governance improvement action and accelerate the construction of a modern governance system that matches "Excellence and World-class". We will take the opportunity of digital transformation to accelerate management innovation and promote the construction of a digital process system.

Finally, on behalf of the Board of Directors, I would like to express my sincere gratitude to all shareholders for their continued support and dedication.

Zhu Yanfeng
Chairman

Wuhan, the PRC
29 August 2022

Corporate Information

REGISTERED NAME	Dongfeng Motor Group Company Limited
REGISTERED ADDRESS	Special No. 1 Dongfeng Road Wuhan Economic and Technology Development Zone Wuhan,Hubei 430056 PRC
PRINCIPAL PLACE OF BUSINESS IN THE PRC	Special No. 1 Dongfeng Road Wuhan Economic and Technology Development Zone Wuhan,Hubei 430056 PRC
PRINCIPAL PLACE OF BUSINESS IN HONG KONG	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong SAR
COMPANY WEBSITE	www.dfmfg.com.cn
COMPANY SECRETARIES	Yin Yaoliang Yuen Wing Yan, Winnie (FCG, HKFCG)
AUDITORS	PricewaterhouseCoopers
HONG KONG H SHARE REGISTRAR	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor, Hopewell Centre,183 Queen’s Road East Wan Chai,Hong Kong SAR
PLACE OF LISTING	The Stock Exchange of Hong Kong Limited
STOCK CODE	00489

Report of the Directors

I. BUSINESS OVERVIEW

(I) Major Businesses

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

The commercial vehicle business of Dongfeng Motor Group is mainly operated by Dongfeng Commercial Vehicle Co., Ltd., Dongfeng Motor Co., Ltd., Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Special Commercial Vehicle Co., Ltd..

Dongfeng Motor Group's passenger vehicle business is currently operated by Dongfeng Passenger Vehicle Company, Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroën Automobile Co., Ltd. and Dongfeng Honda Automobile Co., Ltd..

In recent years, Dongfeng Motor Group has accelerated the development of its new-energy vehicle business of "Five-Modernizations", which is principally operated by Dongfeng Motor Co., Ltd., Dongfeng Special Commercial Vehicle Co., Ltd., Dongfeng Passenger Vehicle Company and Zhixin Technology Co., Ltd., VOYAH Automobile Technology Co., Ltd., and eGT New Energy Automotive Co., Ltd..

The financing service business of Dongfeng Motor Group is currently operated by the following companies: Dongfeng Motor Finance Co., Ltd. (a wholly-owned subsidiary of the Company), Dongfeng Nissan Auto Finance Co., Ltd. and Dongfeng Peugeot Citroën Auto Finance Co., Ltd..

Report of the Directors (Continued)

(II) Principal Business Operations during the First Half of 2022

For the six months ended 30 June 2022, the production and sales volume for vehicles of Dongfeng Motor Group were approximately 1,236,700 units and 1,234,200 units respectively. According to the statistics published by the China Association of Automobile Manufacturers, Dongfeng Motor Group had a market share of approximately 10.2% in terms of sales volume of commercial and passenger vehicles made by domestic manufacturers in the first half of 2022. The following table sets out the production and sales volumes of commercial and passenger vehicles of Dongfeng Motor Group as well as their respective market shares in terms of sales volume in the first half of 2022:

	Production Volume <i>(Unit)</i>	Sales Volume <i>(Unit)</i>	Market Share <i>(%)¹</i>
Commercial Vehicles	173,243	174,612	10.3
Trucks	167,278	168,716	11.1
Buses	5,965	5,896	3.3
Passenger Vehicles	1,063,445	1,059,563	10.2
Basic passenger cars	574,251	580,291	11.8
MPVs	38,730	38,937	10.1
SUVs	450,464	440,335	9.0
Total	1,236,688	1,234,175	10.2

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

Revenue of the Group for the six months ended 30 June 2022:

Business	Sales Revenue <i>(RMB million)</i>	Contribution to the Group's Sales Revenue <i>(%)</i>
Passenger vehicles	19,832	44.8
Commercial vehicles	20,808	47.0
Financing service	3,222	7.2
Corporate and others	637	1.4
Elimination	(190)	(0.4)
Total	44,309	100.0

Report of the Directors (Continued)

(III) Business Outlook

Since the beginning of this year, the international environment has become more complicated and severe, domestic epidemics have been frequent and sporadic, and unexpected factors have exceeded expectations. China's economic operation has experienced certain fluctuations. With the effective implementation of a package of policies and measures of the state and local governments since the end of May, the domestic epidemic prevention and control has generally improved, and the positive changes have significantly increased. The economic operation has gradually stabilized and rebounded. The GDP in the first half of the year increased by 2.5% year-on-year. In the second half of the year, it is expected that with the implementation of a series of stable growth policies and measures, the national economy is expected to gradually recover and maintain stable growth.

In the automobile industry, in the first half of the year, affected by the domestic epidemic, residents' consumption will and confidence were affected to a certain extent. However, under the guidance of national policies such as promoting consumption, it is expected that the automobile sales in 2022 will increase slightly compared with that in 2021. In the medium and long-term, residents' consumption demand for automobiles is still strong, with the industrial benefits brought by industrial transformation and consumption upgrading, which provide sufficient guarantee for the stable growth of the automobile market.

II. CORPORATE GOVERNANCE

1. Overview of Corporate Governance

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

2. Corporate Governance Code

During the period, the Company has complied with the code provisions as set out the Corporate Governance Code (the "Code") of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Report of the Directors (Continued)

3. Securities Transaction of the Directors

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

4. Independent Non-executive Directors

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

5. Board Meeting

Five board meetings were held by the Company in the first half of 2022 and the major matters covered were as follows:

- To consider the annual investment plan for 2022 of the Company;
- To consider the financial report for 2021 and the auditors' report for 2021 of the Company and submit them to the Annual General Meeting for voting;
- To consider the profit distribution proposal of the Company for 2021 and submit it to the Annual General Meeting for voting;
- To consider the contents of the 2021 Annual Report and preliminary results announcement of the Company, and authorize the Company's representative or the Company Secretary to sign the relevant disclosure documents and submit them to the Annual General Meeting for voting;
- To consider the annual remuneration proposal of the directors of the Company for the year ended 31 December 2022 and submit it to the Annual General Meeting for voting;

Report of the Directors (Continued)

- To request the shareholders' meeting of the Company to give the Board general authority to issue, allot and dispose new domestic shares and new H shares not exceeding 20% of the issued domestic shares and 20% of the issued H shares of the Company, respectively, and authorise the Board to increase the registered capital and make corresponding amendments to the Articles of Association of the Company as the Board considers appropriate to reflect the new share structure after allotment or issuance of shares;
- To approve the time, place and related matters for convening the 2021 Annual General Meeting of the Company;
- To confirm the independence of Independent Non-executive Directors currently engaged by the Company;
- To consider the disposal of idle and inefficient assets of the Company;
- To consider the 2021 Environmental, Social and Governance Report;
- To consider the Company's equity restructuring plan for Dongfeng Peugeot Citroën Automobile Finance Co., Ltd.;
- To consider the Company's related party transactions on the transfer of 30% equity interests in Hubei Changping held by DFM to Dongfeng Off-road Vehicle;
- To consider the appointment of the Company's chief auditor for 2022 and submit it to the Annual General Meeting for voting.;
- To consider the adjustment of Secretary to the Board of Directors of the Company;
- To consider the Company's proposal to acquire DFL light commercial vehicle business;
- To consider the proposal to increase the repurchase methods to reduce shareholding in Stellantis;
- To consider the equity restructuring plan of Dongfeng Off-road Vehicle Co., Ltd.;
- To consider the proposal on new continuing connected transactions and limit adjustment;
- To consider the negative points compensation scheme of passenger vehicle enterprises in Dongfeng Group in 2021;
- To consider the proposal of the participation of Dongfeng Motor Group Company Limited in the establishment of a power battery joint venture project.

Report of the Directors (Continued)

The Board meetings allow effective discussion and prompt and prudent decision. As at 30 June 2022, the attendance of directors at the Board meetings is as follows:

Members of the Board of Directors	Attendance/ Number of Meetings	Attendance Rate
Executive Directors		
Zhu Yanfeng	4/5	80%
Yang Qing	5/5	100%
You Zheng	4/5	80%
Non-executive Directors		
Huang Wei	5/5	100%
Independent Non-executive Directors		
Zong Qingsheng	5/5	100%
Leung Wai Lap, Philip	5/5	100%
Hu Yiguang	5/5	100%

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

6. Committees under the Board

1) Audit and Risk Management Committee

The Company has established the Audit and Risk Management Committee in accordance with Rules 3.21 and 3.22 of the Listing Rules. The Audit and Risk Management Committee is mainly responsible for reviewing and monitoring the financial reporting process of the Company, evaluating and determining the nature and level of risks encountered by the Company, reviewing the financial supervision, risk management and internal control system of the Company, and making suggestions and advice to the Board. The Audit and Risk Management Committee is composed of three members, all of whom are Independent Non-executive Directors of the Company. The member of the Audit and Risk Management Committee is Mr. Leung Wai Lap, Philip (the convenor), an Independent Non-executive Director who has possessed the professional qualification as required under Rule 3.10(2) of the Listing Rules. The other two members are Mr. Zong Qingsheng and Mr. Hu Yiguang, the Independent Non-executive Directors.

Report of the Directors (Continued)

2) Remuneration Committee

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

3) Nomination Committee

The Company has established the Nomination Committee in accordance with Rules B.3.1 to B.3.3 of Corporate Governance Code. The Nomination Committee is mainly responsible for nominating candidates of Directors, studying and reviewing the criteria and procedures for the nomination and selection of Director candidates, and making recommendations. The committee is composed of three members, a majority of whom are Independent Non-executive Directors. Mr. Zong Qingsheng, an Independent Non-executive Director, is the chairman of the Nomination Committee. The other two members of the committee are Mr. Zhu Yanfeng, an Executive Director, and Mr. Leung Wai Lap, Philip, an Independent Non-executive Director.

7. Internal Control

In the first half of 2022, the Board has fully evaluated the effectiveness of the internal control system of the Company through the Audit and Risk Management Committee and the audit department of the Company with focuses on the control environment, risk assessment, control activity, information and communication as well as supervision. According to the evaluation on the internal control system, the Board believes that, during the first half of the year, the Company had a complete and fully effective internal control system covering various aspects including corporate governance.

III. MAJOR MATTERS

Interim Dividend

The Board of Directors does not recommend an interim dividend for the six months ended 30 June 2022.

Major Acquisitions and Disposals of Subsidiaries, Joint Ventures and Associates

For the six months ended 30 June 2022, there were no material acquisitions and disposals of subsidiaries, joint ventures and associated enterprises by Dongfeng Motor Group.

Material Legal Proceedings

For the six months ended 30 June 2022, 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.

Share Capital

As at 30 June 2022, the total share capital of the Company was RMB8,616,120,000, divided into 8,616,120,000 ordinary shares with a par value of RMB1 each, of which 5,760,388,000 shares were Domestic Shares, representing approximately 66.86% of the total number of shares in issue, and 2,855,732,000 shares were H Shares, representing approximately 33.14% of the total number of shares in issue.

Report of the Directors (Continued)

Interests of Substantial Shareholders

As at 30 June 2022, the interest and short positions of the persons who hold 5% or more of the class shares in the issued share capital of the Company (other than directors and supervisors of the Company), 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:

Name	Class of Shares	Number of shares held	Percentage in the class of issued share capital (%)	Percentage in the total share capital (%)
Dongfeng Motor Company	Domestic Share	5,760,388,000(L)	100.00(L)	66.86
SCMB Overseas Limited	H Share	242,282,000(L)	8.48(L)	2.81
Standard Chartered Asia Limited	H Share	242,282,000(L)	8.48(L)	2.81
Standard Chartered Bank	H Share	242,282,000(L)	8.48(L)	2.81
Standard Chartered Holding Limited	H Share	242,282,000(L)	8.48(L)	2.81
Standard Chartered Holdings (International) B.V.	H Share	242,282,000(L)	8.48(L)	2.81
Standard Chartered MB Holdings B.V.	H Share	242,282,000(L)	8.48(L)	2.81
Standard Chartered Private Equity Limited	H Share	242,282,000(L)	8.48(L)	2.81
Edinburgh Partners Limited	H Share	153,514,000(L)	5.38(L)	1.78
Brown Brothers Harriman & Co.	H Share	200,060,650(L)	7.00(L)	2.32
		200,060,650(P)	7.00(P)	2.32
Reynolds Margaret (Meg)	H Share	227,596,654(L)	7.97(L)	2.64
Ward Bryan	H Share	227,596,654(L)	7.97(L)	2.64
Westwood Global Investments, LLC	H Share	227,596,654(L)	7.97(L)	2.64
Citigroup Inc.	H Share	200,464,601(L)	7.01(L)	2.32
		676,000(S)	0.02(S)	0.00
		197,398,184(P)	6.91(P)	2.29
FIL Limited	H Share	143,910,000(L)	5.04(L)	1.67
Pandanus Associates Inc.	H Share	143,910,000(L)	5.04(L)	1.67
Pandanus Partners L.P.	H Share	143,910,000(L)	5.04(L)	1.67
BlackRock, Inc.	H Share	144,126,756(L)	5.05(L)	1.67
		6,540,000(S)	0.23(S)	0.07
Invesco Asset Management Limited	H Share	172,598,867(L)	6.04(L)	2.00
The Bank of New York Mellon Corporation	H Share	143,508,455(L)	5.03(L)	1.66
		139,215,034(P)	4.87(P)	1.61

Notes:

L—Long Position

S—Short Position

P—Lending Pool

Report of the Directors (Continued)

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

Name	Position	Class of Shares	Nature of interest	Number of shares held	Percentage	Percentage
					in the class of issued share capital	in the total share capital
					%	%
He Wei	Chairman of the Supervisory Committee	H Share	Beneficial interest	100,000(L)	0.00	0.00
Jin Jun	Employee Supervisor	H Share	Beneficial interest	60,000(L)	0.00	0.00

Purchase, Sale or Redemption of Listed Securities of the Company

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

Management Discussion and Analysis

I. OPERATING ENVIRONMENT

In the first half of 2022, the growth of the world economy was obviously slowing down, and China's economy has been developing steadily, and the GDP in the first half of the year has increased by 2.5% year-on-year. The overall economy has maintained a moderate growth trend. The resilience and dynamism of economic development have become more apparent, and major economic indicators have also shown recovering growth.

In the first half of 2022, the automotive industry as a whole showed a downward trend due to the superposition of adverse factors such as frequent outbreaks of epidemics, the increase in the price of automobile batteries, and the continuous rise in oil prices. In the medium term, production and sales for the year were 12,117,100 units and 12,056,500 units, respectively, representing a year-on-year decrease of 3.7% and 6.6%, a lower-than-expected performance, with production and sales volumes remaining the highest in the world.

The passenger vehicles market grew slightly, with mid-term sales of 10,354,700 units throughout the first half of the year, a year-on-year increase of 3.4%. Among which, the sales volume of SUV increased by 3.3% year-on-year, the sales volume of basic vehicles increased by 6.1% year-on-year, and the sales volume of MPV decreased by 15.7% year-on-year.

Affected by the major factors such as excess transportation capacity in the logistics industry, frequent outbreaks of pandemic diseases and rising oil prices, the demand remained sluggish, and the commercial vehicles sales throughout the medium term were 1,701,800 units, representing a year-on-year decrease of 41.2%. In terms of the production and sales of different models, the sales of buses represented a year-on-year decrease of 30.5%, and the sales of trucks represented a year-on-year decrease of 42.2%.

The new energy vehicle market grew strongly, with sales of 2,586,500 units of new energy vehicles throughout the first half of the year, representing a year-on-year increase of 120.0%, among which, the sales of new energy passenger vehicles were 2,483,500 units, with a year-on-year increase of 117.9%, accounting for 24.0% of total passenger vehicle sales volume. A total of 103,000 units of new energy commercial vehicles were sold in the first half of the year, representing a year-on-year increase of 79.1%, accounting for 6.1% of the total commercial vehicle sales volume.

Management Discussion and Analysis (Continued)

II. OPERATION ANALYSIS

In the first half of 2022, in the face of the complex and volatile external situations, the Group maintained high-quality development, seized the market, strengthened resource synergy, and focused on promoting the improvement of marketing capabilities and profitability, maintaining healthy overall operation. The Group achieved sales volume of approximately 1,234,200 units, sales revenue of approximately RMB44,309 million and profit attributable to shareholders of approximately RMB5,529 million for the period.

Affected by the combination of adverse factors such as frequent outbreaks of pandemic, the increase in the price of automobile batteries, and the continuous rise in oil prices, the sales volume of the passenger vehicle of the Company was approximately 1,059,600 units, representing a year-on-year decrease of approximately 1.5%. Among which, the sales volume of passenger vehicle business of joint ventures was approximately 832,800 units, representing a year-on-year decrease of approximately 10.8%.

Affected by the major factors such as overcapacity in the logistics industry, repeated outbreaks of the pandemic, and rising oil prices, the industry demand was sluggish, and the sales volume of commercial vehicles of the Group was approximately 174,600 units, representing a year-on-year decrease of approximately 50.0%. The commercial vehicle business of the Group has the core independent research and development capabilities of the entire product chain, and the brand of “Longqing” powertrain in commercial vehicles leads the industry in terms of technical performance. In the first half of the year, the “Longqishi” equipped with the Longqin DDi13 engine and DA14 gearbox assembly was successfully launched and received high attention from the industry. The DDi13 engine has the leading “double scroll, variable cross-section turbine technology” and the Long Qing DA14 intelligent AMT gearbox, which has the characteristics of high reliability and high transmission efficiency. The fuel oil of this power combination is reduced by more than 3% as compared with that of the same class of vehicles.

The new energy business of the Group has achieved explosive growth, with sales volume of new energy vehicles of approximately 128,600 units in the current period, representing a year-on-year increase of approximately 185.9%. Among which, the sales volume of new energy passenger vehicles was approximately 116,900 units, representing a year-on-year increase of approximately 203.0%; and the sales volume of new energy commercial vehicles was approximately 11,800 units, representing a year-on-year increase of approximately 83.1%.

Management Discussion and Analysis (Continued)

III. FINANCIAL ANALYSIS

1. Revenue

The revenue of the Group for the interim period of 2022 was approximately RMB44,309 million, representing a decrease of approximately RMB25,738 million, or approximately 36.7%, as compared with approximately RMB70,047 million for the corresponding period of last year. The change in revenue was mainly from Dongfeng Commercial Vehicle Co., Ltd., Dongfeng Liuzhou Motor Co., Ltd., Dongfeng Special Commercial Vehicle Co., Ltd., Dongfeng Passenger Vehicle Company, VOYAH Automobile Technology Co., Ltd. and Dongfeng Peugeot Citroën Automobile Sales Co., Ltd..

	The first half of 2022 Sales Revenue RMB million	The first half of 2021 Sales Revenue RMB million
Passenger vehicles	19,832	10,808
Commercial vehicles	20,808	54,519
Financing service	3,222	4,465
Corporate and others	637	555
Elimination	(190)	(300)
Total	44,309	70,047

1.1 Passenger Vehicle Business

The sales revenue of passenger vehicles of the Group for the interim period of 2022 increased by approximately RMB9,024 million, or approximately 83.5%, to approximately RMB19,832 million from approximately RMB10,808 million for the corresponding period of last year. The increase in revenue was mainly from the passenger vehicles business of Dongfeng Passenger Vehicle Company, VOYAH Automobile Technology Co., Ltd., Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Peugeot Citroën Automobile Sales Co., Ltd..

1.2 Commercial Vehicle Business

Affected by the decline in industry demand, the sales revenue of commercial vehicle business of the Group for the interim period of 2022 was approximately RMB20,808 million, representing a decrease of approximately RMB33,711 million or a decrease of approximately 61.8% from approximately RMB54,519 million for the corresponding period of last year. The decrease in revenue was mainly from the commercial vehicles business of Dongfeng Commercial Vehicle Co., Ltd., Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Special Commercial Vehicle Co., Ltd..

Management Discussion and Analysis (Continued)

1.3 Auto Financing Service Business

Finance company of the Group carried out financial business transformation, extended the value exploration of the automotive aftermarket, and improved the sales support for the automobiles business. In the first half of the year, the finance business declined compared with the same period due to the epidemic and the sharp decline in the commercial vehicle industry.

The revenue of auto financing service of the Group for the interim period of 2022 decreased by approximately RMB1,243 million, or approximately 27.8%, to approximately RMB3,222 million from approximately RMB4,465 million of the corresponding period of last year.

1.4 Information on the Financing Service Business

The financing service business of the Group is primarily conducted through a subsidiary of the Company, Dongfeng Motor Finance Co., Ltd. ("Dongfeng Finance"), holding a financial permit granted by the China Banking and Insurance Regulatory Commission, for the purpose of supporting the sale of the commercial and passenger vehicles of the Group.

The Group's financing service business targeted both external customers and companies related parties of the Group. Dongfeng Finance provides loans under four main categories: (i) supply chain financing, mainly comprising financing services including accounts receivable factoring and commercial bill discount to upstream suppliers of members related parties of the Group; (ii) Group members financing, mainly comprising loans, accounts receivable factoring, commercial bill discount and entrusted loans to related parties of the Group; (iii) distributor financing, mainly comprising loans and acceptance bills to vehicle distributors who purchase the Group's vehicles in bulk; and (iv) end customers financing, mainly comprising loans and lease financing to end users.

As at December 31, 2021, the balance of the Company's credit assets was RMB91,459 million, 96.3% of which was financed by the end customers and 3.7% of which was due from companies the related parties of the Group and their respective suppliers. In terms of customer types, 93.2% and 6.8% of the financing balance of the Dongfeng Finance was due from individual borrowers and corporate borrowers, respectively. The loans provided to the five largest borrowers accounted for 4.7% of the loans.

To reduce the risk for the Group, in general, Dongfeng Finance required vehicles as collaterals for its financing services to end customers and may require a guarantor depending on the end customer's qualifications. For financing services to vehicle distributors, Dongfeng Finance required vehicle pledges and custody of the vehicles, vehicle qualification certificates and car keys. For the related parties of the Group, the Company determined the guarantee conditions according to different business types and customer qualifications. The major terms of loans granted include loans receivable, interest rate, maturity date and guarantee conditions.

Management Discussion and Analysis (Continued)

The Group strived to adhere to a set of comprehensive standards, guidelines and procedures in respect of credit risk management. A risk and compliance management committee was set up to review the credit policies and operating guidelines of each business line and formulate the benchmark conditions and approval standards for the Group's financing services. The Group adopted an intelligent approval model for individual customers, and make loans offering decisions based on credit information and data from the People's Bank of China and independent third parties. The Group comprehensively assessed the recoverability of a corporate borrower by establishing a scorecard model based on factors including on-site due diligence, the borrower's financial capability, credit performance record and guarantee ability. The Group constantly carried out quality inspection to ensure the effectiveness of the implementation of risk assessment procedures, regularly monitored risk and optimized the effect of the loan review model.

The Group adopted information technology to continuously monitor the recoverability of loans. The Group monitored the industrial and commercial, administrative, judicial and credit information changes of corporate borrowers through the post-loan management platform, and monitored the operating efficiency of its end customers financing business through its vehicle operation monitoring platform. For loan collection, the Group implemented classified collection for overdue loans, and had formulated detailed operating rules for overdue loan collection, including allocation of specialized teams and resources to collect overdue loans through text messages, telephone calls, letters, outsourced collection, disposal of mortgaged vehicles and judicial proceedings.

As stated in the annual report of the Company, the Group recognised provision for impairment of loans and receivables from financing service as at 31 December 2021 was approximately RMB2,738 million, as compared to that of RMB2,118 million as at 31 December 2020. To the best information, knowledge and belief of the Directors, the increase was mainly because (i) the relevant regulatory authorities encourage forward-looking provisioning in accordance with the principle of substance over form to enhance risk resistance; (ii) the expected credit loss model is adjusted and provision is made more prudently; (iii) by the end of 2021, relevant financial institutions are relatively cautious about the forecast values of future macroeconomic indicators, and the expected credit losses are adjusted upwards accordingly.

2. Cost of Sales and Gross Profit

The total cost of sales of the Group for the interim of 2022 was approximately RMB39,105 million, representing a decrease of approximately RMB20,695 million, or approximately 34.6%, as compared with approximately RMB59,800 million of the corresponding period of last year. The total gross profit was approximately RMB5,204 million, representing a decrease of approximately RMB5,043 million, or approximately 49.2%, as compared with approximately RMB10,247 million of the corresponding period of last year. The comprehensive gross profit margin for current period was approximately 11.7%.

Management Discussion and Analysis (Continued)

3. Other Income

The total other income of the Group for the interim period of 2022 amounted to approximately RMB3,342 million, representing an increase of approximately RMB474 million compared with approximately RMB2,868 million of the corresponding period of last year.

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

4. Selling and Distribution Expenses

The selling and distribution expenses of the Group for the interim period of 2022 increased by approximately RMB51 million to approximately RMB3,019 million from approximately RMB2,968 million of the corresponding period of last year.

The increase in selling and distribution expenses was mainly due to: with the development of sales network of VOYAH Automobile Technology Co., Ltd., salaries of the sales staffs increased.

5. Administrative Expenses

The administrative expenses of the Group for the interim period of 2022 decreased by approximately RMB335 million to approximately RMB2,223 million from approximately RMB2,558 million of the corresponding period of last year.

The decrease in administrative expenses was mainly due to the decrease of sales volume, adopting the decline in incentive bonuses linked to benefits.

6. Impairment Losses on Financial Assets

The net impairment losses on financial assets of the Group for the interim period of 2022 decreased by approximately RMB476 million to approximately RMB604 million from approximately RMB1,080 million in the corresponding period last year.

The changes in net impairment losses on financial assets were mainly due to: (1) with the decrease in sales volume in the current period, the base of loan size correspondingly decreased; (2) the provision rate increased as compared with the corresponding period; (3) the increase in impairment losses on other financial assets. The three aspects had a combined effect.

Management Discussion and Analysis (Continued)

7. Other Expenses

The other expenses of the Group for the interim period of 2022 amounted to approximately RMB2,869 million, representing an increase of approximately RMB19 million as compared with approximately RMB2,850 million of the corresponding period of last year.

The main reasons for the change in net of other expenses in the current period were mainly due to: (1) research and development expenses in the current period increased by RMB119 million as compared with the corresponding period; (2) the warranty provision decreased by RMB167 million as compared with the corresponding period due to the decrease in sales volume.

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

8. Finance Expenses

The finance expenses of the Group for the interim period of 2022 amounted to approximately RMB300 million, representing an increase of approximately RMB83 million as compared with approximately RMB217 million of the corresponding period of last year.

The increase in finance expenses in current period was mainly due to the decrease in foreign exchange gains on foreign currency borrowings and bonds as compared with the corresponding period as a result of fluctuations in the Euro to RMB exchange rate.

9. Share of Profits and Losses of Joint Ventures

Share of profits and losses of joint ventures of the Group for the interim period of 2022 decreased by approximately RMB1,233 million to approximately RMB5,225 million, from approximately RMB6,458 million of the corresponding period of last year. The main reasons for the change were that: (1) Share of Dongfeng Peugeot Citroën Automobile Co., Ltd. recorded a decrease in loss of approximately RMB290 million as a result of performance improvement in current period; (2) Share of profits of Dongfeng Honda Automobile Co., Ltd. decreased by approximately RMB1,098 million compared to the same period; (3) Share of profits of Dongfeng Motor Co., Ltd. decreased by approximately RMB419 million over the same period.

10. Share of Profits and Losses of Associates

Share of profits and losses of associates of the Group for the interim period of 2022 amounted to approximately RMB373 million, representing a decrease of approximately RMB271 million as compared with that of approximately RMB644 million of the corresponding period of last year, which mainly due to: the decrease in the investment income of Dongfeng Nissan Auto Finance Co.,Ltd. over the corresponding period.

Management Discussion and Analysis (Continued)

11. Income Tax Expense

The income tax expense of the Group for the interim period of 2022 decreased by approximately RMB1,326 million to approximately RMB-27 million from approximately RMB1,299 million in the corresponding period of last year.

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

The profit attributable to the equity holders of the Group for the interim period of 2022 was approximately RMB5,529 million, representing a decrease of approximately RMB3,084 million, or approximately 35.8% as compared with that of approximately RMB8,613 million of the corresponding period of last year. The net profit margin (a percentage of profit attributable to the equity holders of the Company to total revenue) was approximately 12.5%, representing an increase of approximately 0.2 percentage point as compared with approximately 12.3% 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 7.5%, representing a slight decrease of 4.6 percentage points as compared with approximately 12.1% of the corresponding period of last year.

13. Total Assets

Total assets of the Group for mid-2022 amounted to approximately RMB306,957 million, representing a decrease of approximately RMB12,810 million, or 4.0%, as compared with RMB319,767 million as at the end of the last year. This was mainly due to: (1) a decrease of approximately RMB5,823 million in investments in joint ventures/associates, non-current financial assets at fair value through other comprehensive income; (2) loans and receivables from financing services decreased by approximately RMB12,944 million; (3) the increase in inventories was approximately RMB1,608 million; (4) a decrease of approximately RMB2,029 million in trade receivables, bills receivable and current financial assets at fair value through other comprehensive income; (5) an increase of approximately RMB10,981 million in cash and cash equivalents, pledged bank balances and time deposits and financial assets at fair value through profit or loss.

14. Total Liabilities

Total liabilities of the Group for mid-2022 amounted to approximately RMB155,180 million, representing a decrease of approximately RMB12,523 million, or 7.5% as compared with approximately RMB167,703 million at the end of the last year. The decrease was mainly due to: (1) an increase in interest-bearing liabilities of RMB8,298 million; (2) a decrease in deposits received by Dongfeng Motor Finance Co., Ltd from joint ventures of RMB6,061 million; (3) a decrease in trade payables and bills payable of RMB11,406 million; (4) contract liabilities decreased by approximately RMB2,267 million.

Management Discussion and Analysis (Continued)

15. Total Equity

Total equity of the Group for mid-2022 amounted to approximately RMB151,777 million, representing a decrease of approximately RMB287 million or 0.2% as compared with approximately RMB152,064 million as at the end of last year. Equity attributable to equity holders of the Company amounted to approximately RMB147,463 million, representing an increase of approximately RMB121 million as compared with approximately RMB147,342 million as at the end of last year.

16. Liquidity and Sources of Capital

	Six months ended 30 June 2022 RMB million	Six months ended 30 June 2021 RMB million
Net cash flows used in operating activities	(3,865)	(11,591)
Net cash flows generated from investment activities	10,489	10,227
Net cash flows generated from/(used in) financing activities	6,546	(8,203)
Net increase/(decrease) in cash and cash equivalents	13,170	(9,567)

The Group's net cash flows used in operating activities was approximately RMB3,865 million. The amount mainly consisted of: (1) profit before income tax amounted to approximately RMB2,249 million, net of depreciation, impairment and other non-cash items; (2) decrease in cash flow of RMB2,536 million due to higher balances of inventories; (3) decrease of trade payables, bills payable and other payables and accruals decreasing cash flow by approximately RMB13,312 million; (4) increase in cash flow of approximately RMB12,476 million due to lower balances of loans granted by Dongfeng Motor Finance Co., Ltd; (5) decrease in cash flow of income tax payment by approximately RMB1,763 million.

The Group's net cash flows generated from investment activities was approximately RMB10,489 million. The amount mainly consisted of: (1) receipt of dividend from joint ventures and associates, representing an increase of approximately RMB6,803 million; (2) expense in the purchases of property, plant and equipment and intangible assets and other long-term assets of approximately RMB2,833 million; (3) receipt of cash from disposal of stocks and equity of approximately RMB6,721 million (approximately RMB5,247 million from disposal of 40 million shares of Stellantis and approximately RMB1,474 million from disposal of Xiaokang Shares).

The Group's net cash flows generated from financing activities was approximately RMB6,546 million. This amount mainly reflected: (1) increase of bank borrowings and bonds, resulting in a cash inflow of approximately RMB14,239 million; (2) repayment of bank borrowings and bonds, resulting in a cash outflow of approximately RMB7,631 million.

Management Discussion and Analysis (Continued)

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 RMB62,041 million as at 30 June 2022, representing an increase of approximately RMB13,011 million as compared with approximately RMB49,030 million as at 31 December 2021. Cash and bank balances (including non-pledged time deposits with original maturity of three months or more when acquired) amounted to approximately RMB63,152 million, representing an increase of approximately RMB12,882 million as compared with approximately RMB50,270 million as at 31 December 2021.

The Group's inventory turnover days was 61 days as at 30 June 2022, an increase of 28 days compared to the same period last year. The turnover days for trade receivables was 31 days, a decrease of 2 days compared to the same period last year. The turnover days for bills receivable and receivables financing was 42 days, a decrease of 19 days compared to the same period last year. The turnover days for receivables (including bills receivable and receivables financing) was 74 days, a decrease of 20 days from the same period last year.

17. Major Financial Figures Based on Proportionate Consolidation

Based on proportionate consolidation, the revenue of the Group for the interim period of 2022 was approximately RMB107,643 million, representing a decrease of approximately RMB33,203 million, or approximately 23.6%, as compared with approximately RMB140,846 million of the corresponding period of last year. Profit before income tax was approximately RMB6,910 million, representing a decrease of approximately RMB6,167 million, or approximately 47.2%, as compared with approximately RMB13,077 million of the corresponding period of last year. Total assets were approximately RMB360,236 million, representing a decrease of RMB25,077 million, or approximately 6.5%, as compared with approximately RMB385,313 million as at the end of last year.

Directors, Supervisors and Senior Management

As at the disclosure date of 2022 interim report, the directors, supervisors and senior management of the Company include:

Zhu Yanfeng (竺延風)	Executive Director, Chairman of the Board of Directors
Yang Qing (楊青)	Executive Director, President
You Zheng (尤擘)	Executive Director, Vice President
Huang Wei (黃偉)	Non-Executive Director
Zong Qingsheng (宗慶生)	Independent Non-executive Director
Leung Wai Lap, Philip (梁偉立)	Independent Non-executive Director
Hu Yiguang (胡裔光)	Independent Non-executive Director

SENIOR MANAGEMENT

Qiao Yang (喬陽)	Vice President
Feng Changjun (馮長軍)	Vice President
Li Jun (李軍)	Secretary to the Board of Directors
Yin Yaoliang (殷耀亮)	Joint Company Secretary

SUPERVISORS

He Wei (何偉)	Chairman of the Supervisory Committee
Bao Hongxiang (鮑洪湘)	Independent Supervisor
Jin Jun (靳軍)	Employee Supervisor

Directors, Supervisors and Senior Management (Continued)

HEADS OF DEPARTMENTS

The head of Office of the Company (Party committee of the Board) is Mr. Zhang Xiaofan

The general manager of Strategic Planning and Technology Development Department of the Company is Mr. Zhou Feng

The head of the Operation Management Department of the Company is Mr. Zhang Jun

The head of the Human Resource Department of the Company is Mr. Zheng Hongyi

The head of the Financial Accounting Controlling Department of the Company is Mr. Liao Xianzhi

The deputy general manager of the international Business Department of the Company (responsible for daily operations) is Mr. Ma Lei

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

The head of the Legal Compliance Department of the Company is Mr. Chen Feng

The head of the Corporate Culture Department of the Company is Mr. Jin Jun

The deputy head of the Supervision Department of the Company (Discipline Inspection Commission) is Mr. Chen Tao

The head of the Communist Party Committee Inspection Leading Group Office of the Company is Ms. Xu Liuning

The deputy director of the Staff Relation Department of the Company (responsible for daily operations) is Mr. Sun Sanbao

The deputy director of the Deepening Reform Promotion Office of the Company is Mr. Guo Tao

The secretary of the Committee Youth League of the Company is Mr. Ge Zhe

Report on Review of Interim Financial Information

To the Board of Directors of Dongfeng Motor Group Company Limited

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 29 to 59, which comprises the interim condensed consolidated statement of financial position of Dongfeng Motor Group Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2022 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 August 2022

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB million (Unaudited)	2021 RMB million (Unaudited and restated)
Revenue	2	44,309	70,047
Cost of sales		(39,105)	(59,800)
Gross profit		5,204	10,247
Other income	3	3,342	2,868
Selling and distribution expenses		(3,019)	(2,968)
Administrative expenses		(2,223)	(2,558)
Impairment losses on financial assets	6	(604)	(1,080)
Other expenses	7	(2,869)	(2,850)
Finance expenses	5	(300)	(217)
Share of profits and losses of:			
Joint ventures		5,225	6,458
Associates		373	644
PROFIT BEFORE INCOME TAX	4	5,129	10,544
Income tax expense	8	27	(1,299)
PROFIT FOR THE PERIOD		5,156	9,245
Profit is attributable to:			
Equity holders of the company		5,529	8,613
Non-controlling interests		(373)	632
		5,156	9,245
Earnings per share attributable to the ordinary equity holders of the Company:	10		
Basic and diluted earnings per share		64.17 cents	99.97 cents

The notes on pages 37 to 59 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 <i>RMB million</i> (Unaudited)	2021 <i>RMB million</i> (Unaudited and restated)
PROFIT FOR THE PERIOD	5,156	9,245
OTHER COMPREHENSIVE INCOME		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Share of other comprehensive income of investments accounted for using the equity method	(40)	–
Changes in the fair value of financial assets at fair value through other comprehensive income	(3,931)	4,853
Others	–	(8)
	(3,971)	4,845
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	(14)	(217)
Share of other comprehensive expense of investments accounted for using the equity method	–	702
	(14)	485
Income tax effect		
Item that will not be reclassified subsequently to profit or loss	983	(1,207)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(3,002)	4,123
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,154	13,368
Total comprehensive income is attributable to:		
Equity holders of the Company	2,527	12,740
Non-controlling interests	(373)	628
	2,154	13,368

The notes on pages 37 to 59 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	30 June 2022 RMB million (Unaudited)	31 December 2021 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	11	19,017	18,827
Right-of-use assets		3,879	4,242
Investment properties		2,338	2,215
Intangible assets		5,459	5,826
Goodwill		1,521	1,733
Investments in joint ventures		44,755	41,986
Investments in associates		14,902	14,528
Financial assets at fair value through other comprehensive income	13	8,905	17,871
Other non-current assets		31,475	34,735
Deferred income tax assets		3,222	2,929
Total non-current assets		<u>135,473</u>	<u>144,892</u>
Current assets			
Inventories		13,027	11,419
Trade receivables	12	7,583	6,947
Bills receivable		2,651	731
Prepayments, deposits and other receivables		55,389	64,274
Financial assets at fair value through other comprehensive income	13	7,656	12,241
Due from joint ventures		6,252	11,318
Pledged bank balances and time deposits	14	2,468	3,642
Financial assets at fair value through profit or loss		13,306	14,033
Cash and bank balances	14	63,152	50,270
Total current assets		<u>171,484</u>	<u>174,875</u>
TOTAL ASSETS		<u><u>306,957</u></u>	<u><u>319,767</u></u>

The notes on pages 37 to 59 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2022

	<i>Notes</i>	30 June 2022 RMB million (Unaudited)	31 December 2021 RMB million
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital		8,616	8,616
Reserves		21,092	23,823
Retained profits		<u>117,755</u>	<u>114,903</u>
		147,463	147,342
Non-controlling interests		<u>4,314</u>	<u>4,722</u>
TOTAL EQUITY		<u>151,777</u>	<u>152,064</u>
Non-current liabilities			
Interest-bearing borrowings	16	20,870	16,652
Lease liabilities		1,899	2,179
Other long-term liabilities		2,566	2,879
Government grants		2,631	2,496
Deferred income tax liabilities		988	2,882
Provisions		<u>1,230</u>	<u>1,025</u>
Total non-current liabilities		<u>30,184</u>	<u>28,113</u>

The notes on pages 37 to 59 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2022

	<i>Notes</i>	30 June 2022 RMB million (Unaudited)	31 December 2021 RMB million
Current liabilities			
Trade payables	15	15,863	19,327
Bills payable		20,999	28,941
Lease liabilities		316	298
Other payables and accruals		16,851	17,631
Contract liabilities		3,361	5,628
Due to joint ventures		33,001	36,797
Interest-bearing borrowings	16	32,217	28,137
Income tax payables		1,245	1,545
Provisions		1,143	1,286
		<hr/>	<hr/>
Total current liabilities		124,996	139,590
		<hr/>	<hr/>
TOTAL LIABILITIES		155,180	167,703
		<hr/> <hr/>	<hr/> <hr/>
TOTAL EQUITY AND LIABILITIES		306,957	319,767
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 37 to 59 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Issued capital	Capital reserves	Statutory reserves	Retained profits	Total		
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
For the six months ended							
30 June 2022							
As at 1 January 2022	8,616	5,436	18,387	114,903	147,342	4,722	152,064
Total comprehensive income for the period	-	(3,002)	-	5,529	2,527	(373)	2,154
Transfer to reserves	-	-	1,079	(1,079)	-	-	-
Share of capital reserve of investments accounted for using the equity method	-	45	-	-	45	-	45
2021 final dividend	-	-	-	(2,585)	(2,585)	-	(2,585)
Dividends declared to non-controlling interests	-	-	-	-	-	(5)	(5)
Capital contribution from non-controlling interests	-	-	-	-	-	21	21
Transactions with non-controlling interests	-	61	-	-	61	(61)	-
Other	-	(914)	-	987	73	10	83
As at 30 June 2022	<u>8,616</u>	<u>1,626</u>	<u>19,466</u>	<u>117,755</u>	<u>147,463</u>	<u>4,314</u>	<u>151,777</u>

The notes on pages 37 to 59 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2022

	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Issued capital	Capital reserves	Statutory reserves	Retained profits	Total		
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)
For the six months ended 30 June 2021							
As at 1 January 2021							
As previously reported	8,616	2,931	17,362	106,899	135,808	5,318	141,126
Restatement for business combination under common control	–	131	6	(42)	95	16	111
As restated	8,616	3,062	17,368	106,857	135,903	5,334	141,237
Total comprehensive income for the period	–	4,127	–	8,613	12,740	628	13,368
Transfer to reserves	–	–	142	(142)	–	–	–
Share of capital reserve of investments accounted for using the equity method	–	218	–	–	218	–	218
Dividends declared to non-controlling interests	–	–	–	–	–	(591)	(591)
Capital contribution from non-controlling interests	–	–	–	–	–	18	18
Transactions with non-controlling interests	–	–	–	–	–	(12)	(12)
Other	–	(333)	–	370	37	3	40
As at 30 June 2021	<u>8,616</u>	<u>7,074</u>	<u>17,510</u>	<u>115,698</u>	<u>148,898</u>	<u>5,380</u>	<u>154,278</u>

The notes on pages 37 to 59 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB million (Unaudited)	2021 RMB million (Unaudited and restated)
Cash flows from operating activities			
Cash flows used in operating activities		(2,102)	(10,248)
Income tax paid		(1,763)	(1,343)
Cash flows used in operating activities – net		(3,865)	(11,591)
Cash flows from investing activities			
Acquisition of subsidiaries, joint ventures and associates – net		(331)	(510)
Dividends from joint ventures and associates		6,803	6,693
Purchases of items of property, plant and equipment and intangible assets and other long-term assets		(2,833)	(2,677)
Other investing cash flows – net		6,850	6,721
Cash flows generated from investing activities – net		10,489	10,227
Cash flows from financing activities			
Proceeds from borrowings and bonds		14,239	5,845
Repayments of borrowings and bonds		(7,631)	(13,062)
Dividends paid to non-controlling interests		(5)	(976)
Other financing cash flows – net		(57)	(10)
Cash flows generated from/(used in) financing activities – net		6,546	(8,203)
Net increase/(decrease) in cash and cash equivalents		13,170	(9,567)
Effects of exchange rate changes on cash and cash equivalents		(159)	–
Cash and cash equivalents at beginning of the period		49,030	46,396
Cash and cash equivalents at end of the period	14	62,041	36,829

The notes on pages 37 to 59 form an integral part of this interim consolidated financial information.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

1.1 CORPORATE INFORMATION

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

During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the manufacture and sale of automobiles, engines and other automotive parts and rendering of financing services.

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

This interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the Board of Directors on 29 August 2022.

1.2 BASIS OF PRESENTATION

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

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial information, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

1.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial information of the Group for the year ended 31 December 2021 (referring to the annual financial statements in the relevant year), as described in those annual financial information except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to IFRSs effective for the financial year ending 31 December 2022.

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) New and amended standards adopted by the Group

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

		Effective for annual periods beginning on or after
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018–2020	1 January 2022

The adoption of those amendments did not have any significant impact on the Group's financial information and did not require retrospective adjustments.

(ii) New and amended standards that might be relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2022 and have not been early adopted

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction	1 January 2023

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

1.4 ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

1.5 RESTATEMENT OF THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

1.5 RESTATEMENT OF THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 30 June 2021			
CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
	As per originally reported <i>RMB million</i>	Retrospective adjustments <i>RMB million</i>	As restated <i>RMB million</i>
Revenue	69,856	191	70,047
Cost of sales	<u>(59,656)</u>	<u>(144)</u>	<u>(59,800)</u>
Gross profit	10,200	47	10,247
Other income	2,807	61	2,868
Selling and distribution expenses	(2,896)	(72)	(2,968)
Administrative expenses	(2,513)	(45)	(2,558)
Impairment losses on financial assets	(1,080)	–	(1,080)
Other expenses	(2,861)	11	(2,850)
Finance expenses	(204)	(13)	(217)
Share of profits and losses of:			
Joint ventures	6,458	–	6,458
Associates	<u>644</u>	<u>–</u>	<u>644</u>
PROFIT BEFORE INCOME TAX	<u>10,555</u>	<u>(11)</u>	<u>10,544</u>
Income tax expense	<u>(1,296)</u>	<u>(3)</u>	<u>(1,299)</u>
PROFIT FOR THE PERIOD	<u>9,259</u>	<u>(14)</u>	<u>9,245</u>
Profit is attributable to:			
Equity holders of the company	8,629	(16)	8,613
Non-controlling interests	<u>630</u>	<u>2</u>	<u>632</u>
	<u>9,259</u>	<u>(14)</u>	<u>9,245</u>

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

2. REVENUE AND SEGMENT INFORMATION

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

- The commercial vehicles segment mainly manufactures and sells commercial vehicles, and its related engines and other automotive parts;
- The passenger vehicles segment mainly manufactures and sells passenger vehicles, and its related engines and other automotive parts;
- The financing service segment mainly provides financing services to external customers and companies within the Group; and
- The corporate and other segment mainly manufactures and sells other automobile related products.

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

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

During the six months ended 30 June 2021 and 2022, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2022

	Commercial vehicles <i>RMB million</i> (Unaudited)	Passenger vehicles <i>RMB million</i> (Unaudited)	Financing service <i>RMB million</i> (Unaudited)	Corporate and others <i>RMB million</i> (Unaudited)	Elimination <i>RMB million</i> (Unaudited)	Total <i>RMB million</i> (Unaudited)
Segment revenue						
Sales to external customers	20,794	19,701	3,210	604	-	44,309
Sales to internal customers	14	131	12	33	(190)	-
	<u>20,808</u>	<u>19,832</u>	<u>3,222</u>	<u>637</u>	<u>(190)</u>	<u>44,309</u>
Results						
Segment results	<u>(769)</u>	<u>(2,195)</u>	<u>1,060</u>	<u>256</u>	<u>1,059</u>	<u>(589)</u>
Interest income	317	153	-	987	(1,037)	420
Finance expenses						(300)
Share of profits and losses of:						
Associates	(49)	11	493	(82)	-	373
Joint ventures	<u>(51)</u>	<u>5,221</u>	<u>60</u>	<u>(5)</u>	<u>-</u>	<u>5,225</u>
Profit before income tax						5,129
Income tax expense						<u>27</u>
Profit for the period						<u>5,156</u>

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

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2021

	Commercial vehicles <i>RMB million</i> (Unaudited)	Passenger vehicles <i>RMB million</i> (Unaudited and restated)	Financing service <i>RMB million</i> (Unaudited)	Corporate and others <i>RMB million</i> (Unaudited and restated)	Elimination <i>RMB million</i> (Unaudited and restated)	Total <i>RMB million</i> (Unaudited and restated)
Segment revenue						
Sales to external customers	54,494	10,550	4,452	551	–	70,047
Sales to internal customers	25	258	13	4	(300)	–
	<u>54,519</u>	<u>10,808</u>	<u>4,465</u>	<u>555</u>	<u>(300)</u>	<u>70,047</u>
Results						
Segment results	<u>2,357</u>	<u>(1,142)</u>	<u>1,814</u>	<u>(544)</u>	<u>775</u>	<u>3,260</u>
Interest income	466	86	2	967	(1,122)	399
Finance expenses						(217)
Share of profits and losses of:						
Associates	25	5	590	24	–	644
Joint ventures	<u>265</u>	<u>6,270</u>	<u>92</u>	<u>(169)</u>	<u>–</u>	<u>6,458</u>
Profit before income tax						10,544
Income tax expense						<u>(1,299)</u>
Profit for the period						<u>9,245</u>

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

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

3. OTHER INCOME

	Six months ended 30 June	
	2022 <i>RMB million</i> (Unaudited)	2021 <i>RMB million</i> (Unaudited and restated)
Investment income/(loss) from disposal of subsidiaries, joint ventures and associates	1,015	(48)
Interest income	420	399
Government grants and subsidies	344	202
Dividends from financial assets at fair value through other comprehensive income	719	1,684
Stationing fee received from the joint ventures	105	116
Others	739	515
	3,342	2,868

4. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2022 <i>RMB million</i> (Unaudited)	2021 <i>RMB million</i> (Unaudited and restated)
Cost of inventories recognized as expense	35,767	56,485
Interest expense for financing services (included in cost of sales)	354	175
Provision against inventories	29	218
Depreciation of property, plant and equipment	1,322	1,208
Amortisation of intangible assets	592	515
Depreciation of right-of-use assets	174	144
Depreciation of investment properties	26	5
Impairment losses on financial assets	604	1,080

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

5. FINANCE EXPENSES

	Six months ended 30 June	
	2022 <i>RMB million</i> (Unaudited)	2021 <i>RMB million</i> (Unaudited and restated)
Interest expenses on bank loans and other borrowings	471	454
Interest expenses on lease liabilities	57	52
Exchange net gains of financing activities	(228)	(289)
Finance expenses	<u>300</u>	<u>217</u>

6. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Six months ended 30 June	
	2022 <i>RMB million</i> (Unaudited)	2021 <i>RMB million</i> (Unaudited and restated)
Impairment losses of trade receivables	247	72
Impairment losses of other receivables	10	30
Impairment losses of loans and receivables from financing services	347	978
	<u>604</u>	<u>1,080</u>

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

7. OTHER EXPENSES

	Six months ended 30 June	
	2022 <i>RMB million</i> (Unaudited)	2021 <i>RMB million</i> (Unaudited and restated)
Impairment losses of long-term assets	–	2
Research costs	2,463	2,344
Others	406	504
	<u>2,869</u>	<u>2,850</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 <i>RMB million</i> (Unaudited)	2021 <i>RMB million</i> (Unaudited and restated)
Current income tax	882	1,667
Deferred income tax	(909)	(368)
Income tax expense for the period	<u>(27)</u>	<u>1,299</u>

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2022 and 30 June 2021.

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

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

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

9. DIVIDEND

	Six months ended 30 June	
	2022	2021
	RMB million	<i>RMB million</i>
	(Unaudited)	(Unaudited)
Proposed Special dividend RMB: nil (2021: RMB0.40) per ordinary share	-	3,446

The Board of Directors does not recommend the payment of any interim dividend for the six months ended 30 June 2022. On 26 August 2021, the Board of Directors has declared a special dividend of RMB0.40 per share, amounting to RMB3,446 million. A dividend of RMB3,446 million that was related to the period to 30 June 2021 has been distributed on 20 October 2021.

A dividend of RMB2,585 million that was related to the period to 31 December 2021 has been distributed on 25 August 2022.

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

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

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2022	2021
	RMB million	RMB million
	(Unaudited)	(Unaudited and restated)
Earnings:		
Profit for the period attributable to ordinary equity holders of the Company	5,529	8,613
	Number of shares	
	million	million
Shares:		
Weighted average number of ordinary shares in issue during the period	8,616	8,616
Earnings per share (RMB)	64.17 cents	99.97 cents

Diluted earnings per share equals basic earnings per share as the Company has no dilutive potential ordinary shares for the six months ended 30 June 2022 and 30 June 2021.

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment in an aggregate amount of approximately RMB2,347 million (the restated amount for the six months ended 30 June 2021: RMB2,083 million) and disposed of property, plant and equipment with an aggregate net book value of approximately RMB338 million (the restated amount for the six months ended 30 June 2021: RMB44 million). Decrease of property, plant and equipment with an aggregate net book value of approximately RMB263 million was due to disposal of subsidiaries (for the six months ended 30 June 2021: nil). The net transfer of investment properties in fixed assets is RMB167 million (for the six months ended 30 June 2021: nil). Intangible assets transferred from construction in progress was approximately RMB67 million (for the six months ended 30 June 2021: RMB47 million). Depreciation was approximately RMB1,322 million (the restated amount for the six months ended 30 June 2021: RMB1,207 million) and no impairment was accrued for the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB2 million).

12. TRADE RECEIVABLES

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

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

	30 June 2022 RMB million (Unaudited)	31 December 2021 RMB million
Within three months	4,261	3,318
More than three months but within one year	1,577	1,069
More than one year	1,745	2,560
	7,583	6,947

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2022 RMB million (Unaudited)	31 December 2021 RMB million
Non-current:		
Listed equity investments at fair value through other comprehensive income:		
– Stellantis (i)	8,193	16,764
– Faurecia	514	901
Unlisted equity investments at fair value through other comprehensive income	198	206
	8,905	17,871
Current:		
Unlisted debt instruments at fair value through other comprehensive income	7,656	12,241
	16,561	30,112

- (i) On January 26, 2022, the Group disposed 40 million Stellantis shares at a price of EUR18.3 per share to a third party. After disposal, the Group held 99,223,907 shares of Stellantis, with a shareholding ratio of 3.17%. The Group cannot directly participate in or influence over the financial and operating decisions of Stellantis. Therefore, the Group cannot exercise significant influence on Stellantis and the investment is accounted for financial assets at fair value through other comprehensive income.

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

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

	30 June 2022	31 December 2021
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	
Cash and bank deposits	62,040	47,089
Time deposits	3,580	6,823
	65,620	53,912
Less: Pledged bank balances and time deposits for securing general banking facilities	(2,468)	(3,642)
Cash and bank balances in the interim condensed consolidated statement of financial position	63,152	50,270
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(1,111)	(1,240)
Cash and cash equivalents in the interim condensed consolidated statement of cash flow	62,041	49,030

15. TRADE PAYABLES

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

	30 June 2022	31 December 2021
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	
Within three months	13,403	17,776
More than three months but within one year	2,033	1,067
More than one year	427	484
	15,863	19,327

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

16. INTEREST-BEARING BORROWINGS

Interest expense on borrowings for the six months ended 30 June 2022 was RMB471 million (the restated amount for the six months ended 30 June 2021: RMB454 million).

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB4,430 million on 20 May 2020, the ABS is divided into tranche A and tranche B. Tranche A and B bear interest from 22 May 2020 at the rate of 2.05% and 2.55%. Interest on the securities is payable monthly on 26th. The Company has already repaid RMB4,430 million by the end of 30 June 2022.

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 on 23 October each year. The Notes have been listed on the Irish Stock Exchange.

The Unsecured notes (the “Notes”) were public issued in amount of RMB1,000 million on 5 December 2018 and were offered in the denomination of RMB100 each and to be expired in 5 years. The Notes bear interest from 6 December 2018 at the rate of 4.21% per annum. Interest on the Notes is payable 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 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 on 17 October each year. The Notes have been listed on the Shanghai Stock Exchange.

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

16. INTEREST-BEARING BORROWINGS (CONTINUED)

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

The Guaranteed notes (the “Notes”) were issued in the aggregate principal amount of EUR725 million on 19 October 2021 and were registered in the denomination of EUR100,000 each and to be expired in 3 years. The Notes bear interest from 19 October 2021 at the rate of 0.425% per annum. Interest on the Notes is payable on 19 October each year. The Notes have been listed on the Hong Kong Exchanges.

The Unsecured notes (the “Notes”) were public issued in amount of RMB2,000 million on 15 March 2022 and were offered in the denomination of RMB100 each and to be expired in 3 years. The Notes bear interest from 15 March 2022 at the rate of 3.00% per annum. Interest on the Notes is payable on 15 March each year. The Notes have been listed on the Shanghai Stock Exchange.

17. COMMITMENTS

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

	30 June 2022 RMB million (Unaudited)	31 December 2021 RMB million
Contracted, but not provided for: Property, plant and equipment	701	810

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

18. RELATED PARTY TRANSACTIONS

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

Same as disclosed elsewhere in this interim condensed consolidated financial information, during the six months ended 30 June 2022, the Group had the following significant transactions with its related parties:

	Six months ended 30 June	
	2022 <i>RMB million</i> (Unaudited)	2021 <i>RMB million</i> (Unaudited and restated)
Purchases of automotive parts/raw materials from and the payment of royalty fee to:		
– DMC, its subsidiaries, associates and joint ventures	307	286
– Joint ventures	4,179	10,138
– Associates	72	61
– Subsidiaries' joint ventures	1,248	3,163
– Non-controlling shareholders of a subsidiary and their subsidiaries	–	3
	5,806	13,651
Purchases of automobiles from:		
– DMC, its subsidiaries, associates and joint ventures	2	–
– Joint ventures	5,456	4,482
	5,458	4,482
Purchases of items of property, plant and equipment and intangible assets from:		
– DMC, its subsidiaries, associates and joint ventures	60	72
– Joint ventures	482	513
	542	585

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

18. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended 30 June	
	2022 <i>RMB million</i> (Unaudited)	2021 <i>RMB million</i> (Unaudited and restated)
Purchases of services from:		
– DMC, its subsidiaries, associates and joint ventures	399	379
– Joint ventures	411	272
– Subsidiaries' joint ventures	27	10
– Non-controlling shareholders of a subsidiary and their subsidiaries	2	3
	839	664
Sales of automotive parts/raw materials to:		
– DMC, its subsidiaries, associates and joint ventures	53	110
– Joint ventures	1,384	2,362
– Associates	–	2
– Subsidiaries' joint ventures	6	34
	1,443	2,508
Sales of automobiles to:		
– DMC, its subsidiaries, associates and joint ventures	63	72
– Joint ventures	155	375
– Non-controlling shareholders of a subsidiary and their subsidiaries	99	585
	317	1,032

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

18. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended 30 June	
	2022 <i>RMB million</i> (Unaudited)	2021 <i>RMB million</i> (Unaudited and restated)
Provision of services to:		
– DMC, its subsidiaries, associates and joint ventures	28	77
– Joint ventures	112	163
– Associates	4	1
	144	241
Interest expense paid to:		
– DMC, its subsidiaries, associates and joint ventures	109	90
– Joint ventures	202	48
– Associates	–	1
– Subsidiaries' joint ventures	1	–
– Non-controlling shareholders of a subsidiary and their subsidiaries	–	4
	312	143
Interest incomes from:		
– DMC, its subsidiaries, associates and joint ventures	–	5
– Joint ventures	13	23
– Associates	–	2
– Subsidiaries' joint ventures	–	4
	13	34
Fee and commission incomes from joint ventures	5	4
Dispatch Fee received from joint ventures	105	116
Interest expenses of lease liabilities to DMC	42	41

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

18. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

	30 June 2022 RMB million (Unaudited)	31 December 2021 RMB million
Receivables from related parties included in trade receivables:		
– DMC, its subsidiaries, associates and joint ventures	116	60
– Associates	7	7
– Non-controlling shareholders of a subsidiary and their subsidiaries	108	114
	<u>231</u>	<u>181</u>
Receivables from related parties included in prepayments, deposits, other receivables:		
– DMC, its subsidiaries, associates and joint ventures	1,204	419
– Associates	111	113
– Non-controlling shareholders of a subsidiary and their subsidiaries	11	11
	<u>1,326</u>	<u>543</u>
Payables to related parties included in trade payables:		
– DMC, its subsidiaries, associates and joint ventures	640	622
– Associates	33	33
	<u>673</u>	<u>655</u>

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

18. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (Continued)

	30 June 2022 RMB million (Unaudited)	31 December 2021 RMB million
Payables to related parties included in other payables and accruals and contract liabilities:		
– DMC, its subsidiaries, associates and joint ventures	353	786
– Associates	2	–
– Non-controlling shareholders of a subsidiary and their subsidiaries	36	40
	391	826
Payables to DMC, its subsidiaries, associates and joint ventures included in lease liabilities:	1,547	1,779
Payables to non-controlling shareholders of a subsidiary and their subsidiaries included in other long-term liabilities:	171	178
Payables to related parties included in Interest-bearing borrowings:		
– DMC, its subsidiaries, associates and joint ventures	8,952	8,104
– Associates	77	64
	9,029	8,168

Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

18. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2022 <i>RMB thousand</i> (Unaudited)	2021 <i>RMB thousand</i> (Unaudited)
Short-term employee benefits	3,752	3,437
Post-employment benefits	213	179
Total compensation to key management personnel	<u>3,965</u>	<u>3,616</u>

Definitions

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

“Company”	東風汽車集團股份有限公司(Dongfeng Motor Group Company Limited), a joint stock limited company registered in the PRC on 12 October 2004 in accordance with the laws of the PRC or where the context refers to any time prior to the date of incorporation, those entities and businesses which were contributed to and conducted by the Company upon its establishment.
“Dongfeng Joint Venture Companies”	Jointly-controlled Entities in which the Company, its subsidiaries or Jointly-controlled Entities (including their respective subsidiaries and Jointly-controlled Entities) have equity interests as at 31 December 2015.
“Group” or “Dongfeng Motor Group”	the Company and its subsidiaries, the Dongfeng Joint Venture Companies and their respective subsidiaries and associates.
“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.
“Dongfeng Motor Corporation” or “DMC”	東風汽車公司(Dongfeng Motor Corporation), a state-owned enterprise incorporated under the laws of the PRC and the parent of the Company.
“PRC” or “China”	the People’s Republic of China. Except where the context requires, geographical references in this interim report to the PRC or China exclude Hong Kong SAR, Macau SAR and Taiwan, China.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time.
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time.