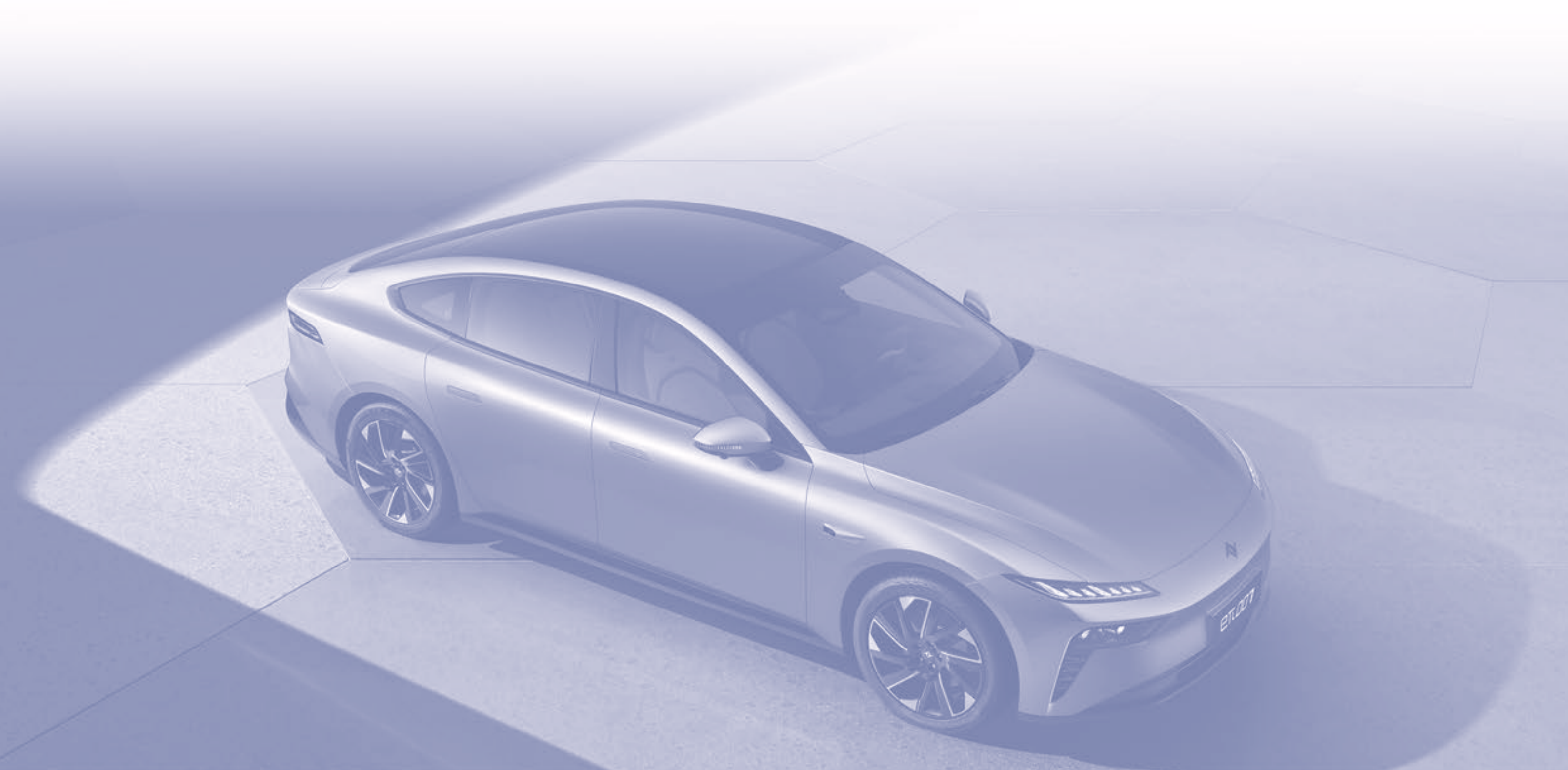
東風汽車集團股份有限公司
DONGFENG MOTOR GROUP COMPANY LIMITED*

Stock Code: 489

2023 ANNUAL REPORT

* For identification purposes only

Contents



Corporate Profile and Summary of Business

I. CORPORATE INFORMATION

COMPANY NAME

Dongfeng Motor Group Company Limited

REGISTERED ADDRESS

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong SAR

AUDITOR

Ernst & Young

Certified Public Accountants and
Registered Public Interest Entity Auditor

II. STOCK PROFILE OF THE COMPANY

LISTING DATE

7 December 2005

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

STOCK CODE

00489

TOTAL SHARE CAPITAL

RMB8,302,252,000 (as of 31 December 2023)

III. OTHER RELATED INFORMATION

COMPANY WEBSITE

www.dfmg.com.cn

JOINT COMPANY SECRETARIES

Liao Xianzhi
Yuen Wing Yan, Winnie (FCG, HKFCG(PE))

HONG KONG H SHARE REGISTRAR

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

IV. BUSINESS SUMMARY

Dongfeng Motor Group Company Limited ("Dongfeng Motor Group") was listed on the Hong Kong Stock Exchange on 7 December 2005. The main business of Dongfeng Motor Group encompasses passenger vehicle and commercial vehicle businesses, including whole vehicles, key assemblies, service and other related business, covering various market segments including premium, high-end, mid-end, and entry grade vehicles. Its domestic business operations are primarily concentrated in more than 20 cities across China, such as Wuhan, Shiyan, Xiangyang, Guangzhou, Liuzhou, Zhengzhou, Chengdu, Chongqing, and Dalian.

As one of the industry leaders in China's automotive market, Dongfeng Motor Group has a complete coverage in passenger vehicle segments, exerting a significant market influence and enjoying high brand awareness. Dongfeng Motor Group's passenger vehicle portfolio includes proprietary brands such as M-Hero Technology, Yoyah, Dongfeng Fengsheng and Dongfeng Liuqi, as well as joint venture business units such as Dongfeng Nissan and Dongfeng Honda. Additionally, Dongfeng Motor Group has strategically positioned itself in the commercial vehicle sector, boasting a complete industrial chain layout and delivering excellent product performance. It is recognized as a leading manufacturer in the commercial vehicle industry. Within the commercial vehicle segment, Dongfeng Motor Group's operations are primarily concentrated in companies such as Dongfeng Commercial Vehicle Co., Ltd., Dongfeng Automobile Co., Ltd., Dongfeng Liuzhou Motor Co., Ltd., Dongfeng Specialty Vehicle Co., Ltd., Zhengzhou Nissan, and others.

Dongfeng Motor Group's automotive finance business has enjoyed significant growth momentum, with the entire business process being digitalized to better support the vehicle business. Currently, the auto finance operations of Dongfeng Motor Group primarily take place within Dongfeng Finance Co., Ltd., Dongfeng Motor Finance Co., Ltd., Chuangge Financial Leasing Co., Ltd., and Dongfeng Nissan Auto Finance Co., Ltd.

In recent years, Dongfeng Motor Group has accelerated the development of its automotive "LEICS" (lightweight, electric, intelligent, connected, and shared) strategy, which involves establishing a comprehensive layout for new businesses. This includes the branding, platforms, and product layout for proprietary new energy vehicles, as well as the optimization and upgrading of core resources, with a focus on proprietary brands and the transition to new energy vehicles. The company has successfully industrialized and localized the production of batteries, motors, and electronic controls, and has gained expertise in key technologies and critical resources such as the "Longqing" green and low-carbon power brand for commercial vehicles, the "Mach" green and low-carbon power brand for passenger vehicles, IGBT, fuel cell technology, and the entire technical chain associated with them.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the 2023 annual report of Dongfeng Motor Group for your review.

In 2023, facing the complex situation of accelerated market demand differentiation, deepening competition pattern and increasing challenges, the Group adhered to the main line of transformation and development, and made every effort to promote the transformation from relying on joint ventures to equal emphasis on both joint ventures and independent development, and from focus on fuel-powered vehicles to a balance between energy-saving vehicles and new energy vehicles. The progress met the expectations of transformation and further strengthened the foundation for corporate development.

In 2023, approximately 2,088,200 units of vehicles were sold in this period, representing year-on-year decrease of 15.3%; sales of independent brand passenger cars reached 347,400 units, a decrease of 30.2% year-on-year; sales of commercial vehicles reached approximately 343,400 units, an increase of 10.3% year-on-year. The Group's sales of new energy vehicles in this period were approximately 348,000 units, accounting for an increase of 2.7 percentage points in the Group's sales, of which, sales of high-end brand VOYAH exceeded 50,000, an increase of 159.1% year-on-year. Due to the continued decline in market share of non-luxury joint venture passenger cars, the Group's joint venture business achieved sales of 1.3974 million units, of which, Dongfeng Nissan's sales decreased by 21.5% year-on-year and Dongfeng Honda's sales decreased by 8.5% year-on-year. The Group's overseas export business maintained a good growth momentum, with export sales of 169,100 units, an increase of 14.3% year-on-year, achieving the best level in history.

In this period, the Group achieved sales revenue of RMB99.315 billion, with a net loss attributable to shareholders of listed companies of RMB3.996 billion. As of the end of 2023, the Group has abundant cash reserves, amounting to more than RMB100 billion. The Group continuously optimize asset structure and operational efficiency. The asset-liability ratio for this period was 51.7%, with a stable asset-liability structure. Operating cash flow increased by RMB1.991 billion year-on-year, with an operating cash ratio of 8.61%, steadily increasing operating cash flow.

In the face of a very severe situation, the Group focused on the overall goals of the "14th Five-Year Plan" and the Three-Year Action Plan for "Transition Action of technological innovation", and deepened reform and innovation, accelerating the pace of transformation and upgrading in new energy. We comprehensively completed the layout of new energy brands, platforms, products, and core resources, achieving new development in fields such as independent new energy vehicles, control of key core technologies, and deepening reforms, and forming a strategic layout that is significantly better than the era of traditional fuel vehicles.

The Group established comprehensive brand layout. In the luxury car market, we have positioned ourselves in the luxury electric off-road brand Dongfeng M HERO, and the first product, M HERO 917, achieved a transaction price of around RMB700,000 and has sold over a thousand units since its launch in September last year. In the high-end car market, Dongfeng VOYAH has completed three rounds of product iteration, with a transaction price of around RMB250,000 and sales volume in 2023 have exceeded 50,000 units. For the mainstream consumer market, Dongfeng eπ's first model, eπ007, was put into mass production and launched to market on March 14 this year. In the entry-level market, the first model of Dongfeng Nammi, the Nammi 01, started deliveries in January this year.

Through continuous innovation, we provided strong support for the transformation of new energy. We have built three major platforms for independent passenger cars: the M TECH Luxury Offroad Architecture, the Dongfeng Quantum Architecture, and the DSMA energy-saving Architecture. In the fields of green energy and intelligence, we have independently mastered technologies and resources such as the "three core e-components", electronic and electrical architecture, automotive-grade chips, independent controllers, intelligent driving, and fuel cells. We have increased our investment in technology, and the number of new invention patents authorized by the Company remains the highest in the industry.

Committed to promoting institutional and mechanism reforms that are in line with our transformation and upgrading. We have been accelerating the implementation of the three-year transformation and upgrading plan, unwaveringly strengthening and optimizing Dongfeng's independent business and new energy vehicles. We have carried out the "PV Transition Action" to manage the three major brands of Dongfeng Fengshen, Dongfeng eπ, and Dongfeng Nammi in an integrated manner, and pool the resources of the Group to develop the independent new energy passenger vehicle business. We have implemented the "R&D Transition Action" and established a research and development institute to build a "1+n" research and development system, focusing on the transformation and upgrading of new energy, deeply integrating the group's research and development system and resources, and comprehensively enhancing research and development efficiency. Furthermore, we have implemented the "CV Transition Action" for Dongfeng's commercial vehicle business and established a commercial vehicle business unit to operate the commercial vehicle business in an integrated manner across the Group, concentrate superior resources, help boost the commercial vehicle business to fully compete in the new energy era, and create a world-class commercial vehicle enterprise.

The implementation of these measures has achieved significant progress. From January to February this year, the Group sold 331,000 units of vehicles, an increase of 26.2%, achieving a "good start". Looking ahead, the Group will anchor the goals and tasks of the new mid-term business plan. We will strengthen our mission of "striving for first place and being a good national team", and make every effort to achieve transformation and breakthroughs, surpassing and leaping forward, and promoting new and greater progress in the Company's operations, in order to assist all shareholders in achieving value appreciation.

Finally, on behalf of the board of directors, I would like to express my sincere gratitude to all shareholders for their continued support and contribution.

Yang Qing
Wuhan, the PRC

28 March 2024

Director Report

I. BUSINESS OVERVIEW

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.

1. Whole vehicle

(1) Passenger vehicles

The passenger vehicle business of Dongfeng Motor Group is mainly operated in the own business units such as M TECH, VOYAH Automobile, Dongfeng Aeolus and Dongfeng Liuzhou Automobile and the joint venture business units such as Dongfeng Nissan and Dongfeng Honda. Dongfeng Motor Group mainly produces and sells 89 series of passenger vehicles, including 32 series of sedans, 9 series of MPVs and 48 series of SUVs. The main products include:

- Dongfeng M HERO 917;
- Dongfeng VOYAH FREE, DREAM, PASSION;
- Dongfeng Aeolus Yixuan, Haohan, E70; Dongfeng e π 007，Dongfeng NAMMI 01;
- Dongfeng Forthing Lingzhi, T5, Youting;
- Dongfeng Venucia V-online, V-online DDI, VX6;
- Dongfeng Nissan Altima, Sylphy, X-Trail, Qashqai, Ariya; Dongfeng Infiniti QX50, QX60;
- Dongfeng Honda CIVIC, CR-V, XR-V, UR-V, INSPIRE, Elysion and eNS1;
- Dongfeng Peugeot 408, 408X; Dongfeng Citroën C5, C5X, e Elysee.

(2) Commercial vehicles

The commercial vehicle business of Dongfeng Motor Group is mainly operated by Dongfeng Commercial Vehicle Co., Ltd., Dongfeng Motor Automobile Co., Ltd., Dongfeng Liuzhou Motor Co., Ltd., Dongfeng Special Commercial Vehicle Co., Ltd. and Zhengzhou Nissan Automobile Co., Ltd. Dongfeng Motor Group mainly produces and sells 27 series of commercial vehicles, including 14 series of heavy- and medium-duty trucks, 7 series of light-duty trucks, 4 series of pickup trucks and 2 series of buses. The main products include:

- Dongfeng Kinland, Dongfeng Kingrun, Dongfeng Vasol and Chenglong series products in terms of heavy- and medium-duty trucks;
- Dongfeng Duolika, Dongfeng Captain, Dongfeng Tuyi, Dongfeng Xiaobawang and Dongfeng Furika series products in terms of light-duty trucks;
- Rich and Navara series products in terms of pickup trucks;
- Dongfeng Tianyi and Dongfeng Yufeng series products in terms of buses.

2. New energy vehicles

In recent years, Dongfeng Motor Group has accelerated the development of its new-energy vehicle business of "LEICS" layout, and by the end of 2023, Dongfeng Motor Group produces and sells 34 kinds of new energy passenger vehicles and 9 kinds of new energy commercial vehicles. The main products of new energy passenger vehicles are Dongfeng M HERO 917, Dongfeng VOYAH FREE, DREAM, PASSION; Dongfeng Aeolus SKY EV01, E70; Dongfeng NAMMI BOX; Dongfeng Forthing Lingzhi M5EV, Forthing S50EV, pure electric SUV; Dongfeng Venucia V-online DDI, D60EV, VX6; Dongfeng Nissan Sylphy BEV, Ariya; 27 Dongfeng Honda CR-V PHEV, eNS1 and INSPIRE PHEV; Dongfeng Peugeot 4008 PHEV, 508L PHEV; Dongfeng Citroën C5X PHEV and so on. The main products of new energy commercial vehicles are Dongfeng Kinland, Dongfeng Kingrun, Dongfeng Vasol, Dongfeng Captain, Dongfeng Tuyi, Dongfeng Tianyi and Dongfeng Yufeng.

3. Production capacity

As at 31 December 2023, the whole vehicle production capacity of Dongfeng Motor Group was approximately 3.98 million units, representing an increase of 0.14 million units as compared to the end of 2022, mainly attributable to Dongfeng Passenger Vehicle Company. The whole vehicle production capacity of commercial vehicles was approximately 0.62 million units and that of passenger vehicles was approximately 3.36 million units.

4. Sales and service channels

As the new LEICS trend of the automobile industry continued and market competition deepened and intensified, the changes in both marketing models and channels also continued to deepen. On one hand, Dongfeng Motor Group promoted the transformation and upgrading of sales channels, and enhanced customer operation capacity and improved customer satisfaction through digital tools such as APPs and WeChat applets; on the other hand, it also explored new channel models by using the channel of directly-managed stores + eco-stores for the Dongfeng VOYAH. As at 31 December 2023, the Dongfeng Motor Group had a total of 6,027 sales outlets covering 31 provinces (municipalities and autonomous regions) across the country.

5. Financing services

As of the date of the announcement, the financing service business of Dongfeng Motor Group is currently operated by the following companies: Dongfeng Auto Finance Co., Ltd, Dongfeng Motor Finance Co., Ltd. Dongfeng Nissan Auto Finance Co., Ltd.

6. Capital expenditure

In 2023, Dongfeng Motor Group completed a total of actual investment (equity method) amounting to RMB12,487 million, representing an increase of RMB2,995 million, or 32% as compared to the same period last year. The main reasons for the increase were the increase in investment in MTECH, eπ, Nammi and other independent new energy vehicle business, and in “three core e-components” and other products of Intelligent Power System Co., Ltd. Among them, the capitalization of research and development expenditure and the purchase of intangible assets amounted to about RMB3,711 million, and the fixed assets and other expenditure amounted to about RMB8,776 million.

7. Business Outlook

In 2024, it is expected that the automobile industry will maintain its growth momentum, and continue to accelerate the transformation into new energy and intelligent vehicles. Chinese automobile exports will be facilitated, and the scale of automobile industry in China will rank the first worldwide. In terms of passenger vehicles, it is expected that further policies will be launched at the state level to stimulate the overall consumer market; in terms of commercial vehicles, driven by factors such as demand release from clearing vehicle inventories at the China National Standard 5 (CN-5) and the early elimination of vehicles at the China National Standard 4 (CN-4), the total industry volume (TIV) of the domestic market will increase, bringing benefits to the overall market. However, the automobile market will still be affected by the global economic downturn, the slow recovery of consumption and confidence, geopolitics and other unfavourable factors. The core competitiveness of China's new energy vehicles has been formed and will continue to grow at a high rate, while the export market will maintain its growth trend but at a lower rate. For the year, 31 million units are expected to be sold, representing a year-on-year increase of 3.0%.

The sales target of Dongfeng Motor Group in 2024 is 2.7 million units, a year-on-year growth of 29% compared to 2023. With the continuous optimization of the Group's strategic layout, transformation breakthrough, brand upward and other aspects, and the orderly and gradual launching of new models, passenger car sales target is 2.28 million, an increase of 30%. With the acceleration of the integration of the Group's commercial vehicle business, the layout of gas vehicles, new energy and high-horsepower models gradually showed strength, and the sales volume of commercial vehicles was targeted at 420,000 units, an increase of 22% year-on-year.

II. SIGNIFICANT EVENTS

Proposed final dividends

The Board did not propose to distribute a final dividend for the year ended 31 December 2023.

Material legal proceedings

For the year ended 31 December 2023, Dongfeng Motor Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against Dongfeng Motor Group as far as Dongfeng Motor Group was aware.

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

In 2023, the Company's JCEs, in total, declared and distributed aggregate dividends of approximately RMB2,349 million to the Company. Although the exact amounts of dividend distributions are not set each year, pursuant to each of the joint venture agreements, distributions are required to be paid out of the profit made by the relevant JCEs (after payments of income tax) in accordance with the relevant PRC law as determined at the meetings of the Board of Directors of each JCE as being appropriate dividend distributions on the circumstances of each JCE. When determining dividend distributions, the Board of Directors of each JCE will offset losses of previous years and deduct from the profit made by the relevant JCE the portion of profit to be allocated for applicable legal reserves as required under the PRC laws and regulations and company reserve (including but not limited to amounts allocated to cover the relevant JCE's working capital or to increase capital or expand production), employee bonus and welfare and company development. Pursuant to each of the joint venture agreements, distributions of profit will be made in proportion to the capital contributions paid by the relevant joint venture party and the Company respectively in accordance with the PRC laws.

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

Financial summary

A summary of the Group's operating results, for the last five years ended 31 December 2023 and the assets and the liabilities of are set out on page 227 in this annual report.

Bank loans and other borrowings

Details of the bank loans and other borrowings of the Group are set out in note 31 to the audited financial statements.

Property, plant and equipment

Changes in property, plant and equipment of the Group for the year ended 31 December 2023 are set out in note 14 to the audited financial statements.

Designated deposits and overdue term deposits

As at 31 December 2023, the Group had no designated deposits and overdue term deposits in any financial or other authorities.

Reserves

Details of movements in reserves of the Company and the Group for the year ended 31 December 2023 are set out in note 42 to the audited financial statements and the consolidated statement of changes in equity on page 98, respectively. Pursuant to Article 155 of the Articles of Association of the Company, if there are material discrepancies between the financial statements prepared in accordance with the accounting standards and regulations in the PRC and the financial statements prepared in accordance with International Financial Reporting Standards or the accounting standards in other place(s) where the Company is listed, the after-tax profit to be allocated for the relevant accounting period shall be the lower of the after-tax profits in these financial statements. The Board of Directors recommends no profit distribution for the year 2023, subject to consideration and approval at the annual general meeting to be held on 21 June 2024.

Donations

The Group has made total donations of approximately RMB11 million for the year ended 31 December 2023.

Major customers and suppliers

During the year ended 31 December 2023, the revenue attributable to the five largest customers accounted for no more than 30% of the Group's revenue for the year.

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

As at 31 December 2023, details of the subsidiaries and JCEs as well as other companies in which the Company has direct equity interests are set out in notes 18, 19 and 20 to the audited financial statements for the year respectively.

Share capital

As at 31 December 2023, the aggregate share capital of the Company was RMB8,302,252,000, divided into 8,302,252,000 ordinary shares with a nominal value of RMB1 each, of which 5,760,388,000 were Domestic Shares representing approximately 69.38% of the aggregate number of shares in issue, and 2,541,864,000 were H Shares representing approximately 30.62% of the aggregate number of shares in issue.

Pre-emptive rights

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

Purchase, sale or redemption of securities of the Company

Reference is made to the circular of the Company dated 29 May 2023, the Directors believe that the reason to repurchase of the Company's H Shares is based on the full confidence in the future development of the Company, helps maintain the Company's investment value and the Company's reputation in the capital market, and is also in line with the Company's future development strategy. The Directors are of the view that the flexibility afforded by the H Share Repurchase Mandate would be beneficial to and in the best interest of the Company and its Shareholders. The relevant resolution had been passed at Annual General Meeting held on 20 June 2023.

During the twelve months of 2023, the Company repurchased a total of 313,092,000 H shares on the Stock Exchange of Hong Kong Limited. As at 31 December 2023, the total number of H shares in issue was 2,541,864,000.

Details of the share repurchase are as follows:

Month	Number of the shares repurchased	Purchase price per share (HKD) Highest	Lowest	Total Consideration (before expenses) (HKD)
January 2023	3,800,000	4.55	4.43	17,068,780
May 2023	19,250,000	3.40	3.31	64,978,400
June 2023	38,850,000	4.11	3.41	147,230,580
July 2023	10,220,000	3.71	3.47	36,573,001
August 2023	5,240,000	2.99	2.87	15,397,356
September 2023	81,440,000	3.10	2.93	245,837,213.20
October 2023	80,204,000	3.48	2.94	257,449,523.40
November 2023	51,914,000	3.65	3.45	182,742,730.60
December 2023	22,174,000	4.01	3.73	85,764,739.00

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

Interests of Substantial Shareholders

As at 31 December 2023, the names and relevant number of shares of the persons who hold 5% or more (Classification of shareholding structure according to domestic shares and H shares) of the class shares in the issued capital of the Company (other than directors and supervisors), as recorded in the register to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance are set out below:

Note: (L) – Long position, (S) – Short Position, (P) – Lending Pool

Name	Class of Shares	Number of shares held	Percentage in the class of issued share capital *(%)*	Percentage in the total share capital *(%)*
Dongfeng Motor Corporation	Domestic Share	5,760,388,000 (L)	100.00 (L)	69.38
	H Share	256,742,000 (L)	10.10 (L)	3.23
Reynolds Margaret (Meg)	H Share	218,378,654 (L)	8.59 (L)	2.63
Ward Bryan	H Share	218,378,654 (L)	8.59 (L)	2.63
Westwood Global Investments, LLC	H Share	218,378,654 (L)	8.59 (L)	2.63
Citigroup Inc.	H Share	153,383,331 (L)	6.03 (L)	1.85
		5,246,511 (S)	0.21 (S)	0.06
		151,050,252 (P)	5.94 (P)	1.82

Directors, Supervisors and Senior Management of the Company

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

Directors

Zhu Yanfeng	Executive Director and Chairman of the Board of Directors (Resigned on 2 November 2023)
Yang Qing	Executive Director and Chairman of the Board of Directors (Appointed as the Chairman on 2 November 2023)
You Zheng	Executive Director
Huang Wei	Non-executive Director (Resigned on 17 May 2023)
Zong Qingsheng	Independent Non-executive Director
Leung Wai Lap, Philip	Independent Non-executive Director
Hu Yiguang	Independent Non-executive Director

Senior Management

Feng Changjun	Vice President
Li Jun	Secretary to the Board of Directors
Liao Xianjun	Joint Company Secretary

Brief biographies of each of the directors and senior management are set out on pages 49 to 50 and 52 to 54 of this annual report.

Supervisors

He Wei	Chairman of the Supervisory Committee
Bao Hongxiang	Supervisor
Jin Jun	Employee Supervisor

Brief biographies of each of the supervisors are set out on pages 51 to 52 of this annual report.

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

As of 31 December 2023, the directors, supervisors, and key executive officers of the Company, as well as their associates, held the following interests in the share capital or debt securities of the Company or any associated corporations (as defined in the Securities and Futures Ordinance): (a) interests that are required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests deemed or treated as owned under the relevant provisions of the Securities and Futures Ordinance and short positions); or (b) interests that are required to be registered in the register referred to in section 352 of the Securities and Futures Ordinance; or (c) interests that are required to be notified to the Company and the Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing of Securities on the Stock Exchange as follows:

Long positions in shares and underlying shares of the Company:

Name	Position	Class of share	Capacity in which shares were/are held	Number of shares bought/sold or involved	Percentage of issued shares in class (%)	Percentage in the total share capital (%)
He Wei	Chairman of the Supervisory Committee	H Share of the Company	Beneficial interest	100,000 (Long Position)	0.00	0.00
Jin Jun	Employee Supervisor	H Share of the Company	Beneficial interest	60,000 (Long Position)	0.00	0.00

Confirmations of independence from independent non-executive directors

The Company has received the annual written confirmations of independence from all independent non-executive directors in 2023, namely Mr. Zong Qingsheng, Mr. Leung Wai Lap, Philip, and Mr. Hu Yiguang. They are independent in the view of the Company.

Directors' and supervisors' service contracts

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

Directors' and supervisors' interests in contracts

Except for service contract, none of the directors or supervisors of the Company has direct or indirect material interests in any important contract entered into by the Company or any of its subsidiaries and JCEs during the year ended 31 December 2023.

Remunerations of directors and supervisors

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

Five highest-paid individuals

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

Employees

As at 31 December 2023, Dongfeng Motor Group had a total of 112,706 full-time employees. The number of employees in various divisions and their percentage of the total number of employees are as follows:

Division	No. of Employees	Percentage of Total
Manufacturing workers	65,475	58.07%
Engineering and technology	18,667	16.56%
Management	28,094	24.91%
Services	524	0.46%
Total	112,760	100.00%

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

Retirement benefits

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

Management contracts

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into with any person, firm or legal person during the year ended 31 December 2023.

Directors' and supervisors' interests in competing businesses

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

Compliance with non-competition agreement

The Company has received from Dongfeng Motor Corporation a written confirmation confirming that during the year ended 31 December 2023, it had complied with Non-competition Agreement signed with the Company.

Public float

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

IV. CONNECTED TRANSACTIONS

For the year ended 31 December 2023, the continuing connected transactions between Dongfeng Motor Group and Dongfeng Motor Corporation and its associates (as defined under the Listing Rules) were as follows (together with the highest annual caps exempted subject to the Listing Rules):

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

1. Trademarks Licensing

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

2. Social Insurance Funds

For the year ended 31 December 2023, Dongfeng Motor Group made payments to the following funds or schemes through the accounts of Dongfeng Motor Corporation according to the applicable laws and regulations in the PRC: (1) basic pension fund; (2) supplementary pension fund; (3) medical insurance; (4) unemployment insurance; and (5) housing provident fund (collectively called “Social Insurance Funds”).

3. Master Auto Parts Sales Agreement

On 4 January 2023, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a master agreement (the "Master Auto Parts Sales Agreement") in relation to sales of auto parts and other products, the principal terms of which are set out below.

Date:	4 January 2023
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Renewed Master Auto Parts Sales Agreement, the Company agreed to sell and procure its subsidiaries to sell auto parts, raw materials and other products (including, amongst others, fuel tank, exhaust pipes, mounting and other auto parts of commercial vehicles) to the DFM Group for producing products as required. During the term of the Renewed Master Auto Parts Sales Agreement, the parties and/or their respective subsidiaries may from time to time enter into definitive sale agreements setting out further particulars on the sale. The exact number of the auto parts and other products to be sold is based on the parties' production plans and/or the specific sale agreements.
Term:	Three years from 4 January 2023 to 31 December 2025 (both days inclusive)
Pricing:	The prices of the auto parts and other products charged by the Company will be determined in accordance with prevailing market prices that are comparable to the price offered to the Company by its other independent customers and are to be agreed between the parties.

The proposed annual caps for sales of auto parts to Dongfeng Motor Corporation and its subsidiaries for the year 2023 was approximately RMB1,500 million. As of 31 December 2023, the annual actual amount for Dongfeng Motor Corporation and its subsidiaries' purchase of auto parts was approximately RMB351 million.

4. Master Auto Parts Procurement Agreement

On 4 January 2023, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a master agreement (the “Master Auto Parts Procurement Agreement”) regarding the procurement of auto parts and other products for the Group, the principal terms of which are set out below.

Date:	4 January 2023
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Renewed Master Auto Parts Procurement Agreement, DFM agreed to provide and procure its subsidiaries to provide auto parts and other products (including, amongst others, event data recorders, electronic products and other customised auto parts) to the Group as required by the Group from time to time. During the term of the Renewed Master Auto Parts Procurement Agreement, the parties and/or their respective subsidiaries may from time to time enter into definitive procurement agreements setting out further particulars on the procurement. The exact number of the auto parts and other products to be purchased is based on the parties’ production plans and/or the specific procurement agreements.
Term:	Three years from 4 January 2023 to 31 December 2025 (both days inclusive)
Pricing:	The purchase prices to be payable by Dongfeng Motor Group under the Master Auto Parts Procurement Agreement are determined with reference to the market price of comparable products which are available on an arm’s length basis and on terms no less favourable than those provided by at least two independent suppliers for comparable products

The proposed annual caps for procurement of auto parts from Dongfeng Motor Corporation and its subsidiaries for the year 2023 was approximately RMB580 million. As of 31 December 2023, the annual actual amount of procurement of auto parts from Dongfeng Motor Corporation and its subsidiaries was approximately RMB106 million.

5. Master Logistics Services Agreement

On 4 January 2023, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a master agreement in relation to provision of logistics services (the "Master Logistics Services Agreement"), the principal terms of which are set out below.

Date:	4 January 2023
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Master Logistics Services Agreement, Dongfeng Motor Corporation agreed to provide and procure its subsidiaries to provide logistics services to the Group. During the term of the Master Logistics Services Agreement, Dongfeng Motor Group may from time to time enter into individual agreement(s) or sales orders with Dongfeng Motor Corporation and its subsidiaries in relation to provision of logistics services to the Group
Term:	Three years from 4 January 2023 to 31 December 2025 (both days inclusive)
Pricing:	The price under the Master Logistics Services Agreement will be agreed within the range of the government-guided price (if any) prescribed or approved by state or local price control department and where there is no government-guided price, at market price

The proposed annual caps for the logistics services provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group for the year 2023 is approximately RMB8,000 million. As of 31 December 2023, the annual actual amount for Logistics Service provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group was approximately RMB5,375 million.

6. Master Automobile Inspection Services Agreement

On 4 January 2023, Dongfeng Motor Group and Dongfeng Motor Corporation entered into the master technology consultancy and automobile inspection services agreement (the "Master Automobile Inspection Services Agreement"), the principal terms of which are set out below.

Date:	4 January 2023
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Master Automobile Inspection Services Agreement, Dongfeng Motor Group agrees to engage Dongfeng Motor Corporation and its subsidiaries for provision of technology consultancy and vehicle inspection services. During the term of the Master Automobile Inspection Services Agreement, Dongfeng Motor Group may from time to time enter into definitive written agreement(s) with Dongfeng Motor Corporation and its subsidiaries in relation to the provision of technology consultancy and vehicle inspection services to the Group, subject to the terms and conditions of and in compliance with the Master Automobile Inspection Services Agreement
Term:	Three years from 4 January 2023 to 31 December 2025 (both days inclusive)
Pricing:	The price will be determined with reference to the market prices for comparable services which are available on an arm's length basis and on terms no less favourable than those provided by at least two independent service providers for services of the same type and comparable quality. In determining the market prices, the marketing department of the Company will collect the relevant market information, review and compare the quotations obtained from at least two independent service providers for identical or comparable services, and prepare fee quotes for review by the business department of the Company. The business department will take into consideration the average transaction price of the target services in the preceding year and the competition status when reviewing the fee quotes. The business department of the Company will further submit the fee quotes to the management of the Company for review and approval.

The annual caps of payment by Dongfeng Motor Group to Dongfeng Motor Corporation and its subsidiaries for the provision of vehicle inspection services by Dongfeng Motor Corporation and its subsidiaries are approximately RMB1,000 million for the year 2023. As of 31 December 2023, the annual actual amount for vehicle inspection services provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group was approximately RMB572 million.

7. Financial Services Master Agreement

On 4 January 2023, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a financial services master agreement (the "Financial Services Master Agreement"), the principal terms of which are set out below.

Date:	4 January 2023
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Pursuant to the Financial Services Master Agreement, Dongfeng Motor Group agreed to provide and procure its subsidiaries to provide financial services to Dongfeng Motor Corporation and its subsidiaries. The parties may from time to time enter into individual financial services agreement in compliance with the principles set out in the Financial Services Master Agreement. Services to be provided by Dongfeng Motor Group to Dongfeng Motor Corporation and its subsidiaries include (i) treasury services, including budget management, settlement, fund allocation and depository; (ii) financing services, including lending, discount, acceptance and factoring; and (iii) financial services in relation to the automobile products of Dongfeng Motor Corporation, including consumer facilities, buyer facilities and leasing
Term:	Three years from 4 January 2023 to 31 December 2025 (both days inclusive)
Pricing:	Financial services to be provided under the Financial Services Master Agreement will be charged at (i) the government-prescribed prices approved by the state or local government; (ii) where there is no government prescribed price but where there is a government guidance price, the government-guidance prices; and (iii) where there is neither a government prescribed price nor a government-guidance price, the market prices; and/or (iv) at rates determined on an arm's length and reasonable basis and comply with the applicable policies and requirements stipulated by the relevant financial regulatory authorities from time to time and other applicable laws, rules and regulations of the PRC

The proposed annual cap for the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Corporation and its subsidiaries to the Company of the year 2023 was RMB1,500 million. As of 31 December 2023, the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Corporation and its subsidiaries to Dongfeng Motor Group were approximately RMB0 million.

8. Renewed DF Nissan Auto Finance Master Financial Services Agreement

On 4 January 2023, Dongfeng Motor Group entered into a renewed master financial services agreement (the “Renewed DF Nissan Auto Finance Master Financial Services Agreement”) with DF Nissan Auto Finance for the provision of financial services to DF Nissan Auto Finance, the principal terms of which are set out below.

Date:	4 January 2023
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Nissan Auto Finance Co., Ltd.
Objective:	Pursuant to the Renewed DF Nissan Auto Finance Master Financial Services Agreement, the Company agreed to purchase and DF Nissan Auto Finance agreed to provide financial services to the Company and its subsidiaries. The parties may from time to time enter into individual financial services agreement setting out the particulars of the services in compliance with the principles set out in the Renewed DF Nissan Auto Finance Master Financial Services Agreement. Services to be provided by DF Nissan Auto Finance and its subsidiaries to the Group include (i) accepting deposit placed by the Group; (ii) financial services in relation to the automobile products including consumer facilities and financial leasing.
Term:	Three years from 4 January 2023 to 31 December 2025 (both days inclusive)
Pricing:	Financial services to be provided under the Renewed DF Nissan Auto Finance Master Financial Services Agreement will be charged at (i) the government-prescribed prices approved by the state or local government; (ii) where there is no government-prescribed price but where there is a government-guidance price, the government-guidance prices; and (iii) where there is neither a government prescribed price nor a government-guidance price, the market prices; and/or (iv) rates determined with reference to rates set by the commercial banks on an arm’s length and reasonable basis and in compliance with the applicable policies and requirements stipulated by the relevant financial regulatory authorities from time to time and other applicable laws, rules and regulations of the PRC.

The maximum balance of Deposits maintained by Dongfeng Motor Group with Dongfeng Nissan Auto Finance Co., Ltd. shall not exceed RMB3,000 million on any given day for the year 2023. As of 31 December 2023, the outstanding amount of the deposits placed by Dongfeng Motor Group with Dongfeng Nissan Auto Finance Co., Ltd. was RMB0 million.

9. Master Lease Agreement

(1) On 4 January 2023, Dongfeng Motor Group and Dongfeng Motor Corporation entered into a master lease agreement (the "Renewed Master Lease Agreement"), the principal terms of which are set out below.

Date:	4 January 2023
Parties:	(1) Dongfeng Motor Group (excluding Dongfeng Motor Co., Ltd.) (2) Dongfeng Motor Corporation
Subject matter:	Pursuant to the Renewed Master Lease Agreement, DFM agreed to lease and procure its subsidiaries to lease the land use rights of a piece of land located in Hubei Province, the ownership of the buildings thereon and related machinery, transportation and office equipment (the "Assets") to the Company and its subsidiaries and the Company agreed to lease the Assets from DFM and its subsidiaries to meet the Group's production and operational needs.
Lease term:	Three years from 4 January 2023 to 31 December 2025 (both days inclusive); and before the lease term expires, the parties may negotiate to extend or renew the lease.
Rental:	The rental amount is determined with reference to the market rental of the Assets as appraised by an independent valuer jointly engaged by the parties to the Renewed Master Lease Agreement based on the market rental of comparable assets which are available on an arm's length basis and on terms no less favourable than those provided by at least two independent providers for assets of comparable quality, and the transaction prices between the Group and independent third parties for leases of similar assets in similar locations (if any). During the term of the Renewed Master Lease Agreement, rental payments shall be made semi-annually and within 10 days after half of or the whole calendar year (i.e. 30 June or 31 December). If the Company or its subsidiaries fail to meet their payment obligations under the Master Lease Agreement, it will pay to DFM or its subsidiaries a fine on a daily basis at the rate of 5% until the outstanding payment has been made.
Sublet:	Without written consent from Dongfeng Motor Corporation or its subsidiaries, Dongfeng Motor Group shall not sublet the land or assign any rights or obligations under the Master Land Lease. And the land shall be used according to the purpose as set out in the Master Land Lease

The annual cap of the net value of right-of-use assets arised from leasing by Dongfeng Motor Group from Dongfeng Motor Corporation was approximately RMB1,500 million in 2023. As of 31 December 2023, the net value of right-of-use assets arised from leasing by Dongfeng Motor Group (excluding Dongfeng Motor Co., Ltd.) to Dongfeng Motor Corporation was approximately RMB1,027 million.

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

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

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

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

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

As of 31 December 2023, the total net value of right-of-use assets arising from leasing by Dongfeng Motor Co., Ltd. to Dongfeng Motor Corporation was approximately RMB485 million.

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

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

On 22 December 2008, Dongfeng Motor Group was informed by Dongfeng Motor Corporation that Dongfeng Motor Corporation acquired 91.25% interest in Dongfeng Hongtai. As of 31 December 2023, Dongfeng Motor Corporation still owned 87.24% interests in Dongfeng Hongtai. Dongfeng Motor Corporation, being a substantial shareholder of Dongfeng Motor Group. Dongfeng Hongtai, having become a non-wholly-owned subsidiary of Dongfeng Motor Corporation, has also become a connected person and the associate of a connected person of the Company within the meaning of the Listing Rules. As a result, the ongoing transactions contemplated under the Mutual Supply Agreement between Dongfeng Motor Group and Dongfeng Hongtai have become continuing connected transactions of the Company.

As of 31 December 2023, the total consideration paid by Dongfeng Motor Group to Dongfeng Hongtai for purchases of vehicle and auto parts from Dongfeng Hongtai was RMB2,272 million and the total amount paid by Dongfeng Hongtai to Dongfeng Motor Group for purchases of vehicle and auto parts from Dongfeng Motor Group was RMB383 million.

11. Whole Vehicle Sales Agreement

Date:	4 January 2023
Parties:	Dongfeng Motor Group Dongfeng Nissan Financial Leasing Co., Ltd.
Term:	Three years from 4 January 2023 to 31 December 2025 (both days inclusive)
Objective:	Dongfeng Motor Group and its subsidiaries sell whole vehicles to Dongfeng Nissan Financial Leasing Co., Ltd. in accordance with the conditions and methods agreed in this agreement.
Pricing:	The prices of the whole vehicles are determined based on the market price, or/and on an arm's length and reasonable basis. DF Nissan Financial Leasing shall pay the price to the Company and its subsidiaries in the way agreed by both parties at the appointed time.

As of 31 December 2023, Nissan (China) Investment Co., Ltd. holds 50% equity of Dongfeng Motor Co., Ltd., which is a jointly controlled entity of Dongfeng Motor Group and is also regarded as a subsidiary of the Company. Dongfeng Nissan Financial Leasing Co., Ltd. is a subsidiary of Nissan (China) Investment Co., Ltd., and is the associate of the major shareholders of the subsidiary of Dongfeng Motor Group, and therefore constitutes a connected person at the subsidiary level of the Company in accordance with the Listing Rules. Therefore, the transactions involved in the Supply and Entrusted Loans Agreement between Dongfeng Motor Group and Dongfeng Nissan Financial Leasing is the continuing related party transactions of the Company.

In 2023, the annual caps for the sale of whole vehicles by Dongfeng Motor Group and its subsidiaries to Dongfeng Nissan Financial Leasing Co., Ltd. amounted to RMB1 billion. As of 31 December 2023, Dongfeng Nissan Financial Leasing Co., Ltd. purchased whole vehicles from Dongfeng Motor Group and its subsidiaries with the amount of RMB0 billion.

12. The purchase of whole vehicles and chassis

On 4 January 2023, Dongfeng Motor Group and Dongfeng Motor Group Co., Ltd. entered into a master agreement in relation to the purchase of the Group's complete vehicles and chassis (the "Complete Vehicle and Chassis Purchase Master Agreement"), the principal terms of which are set out below.

Date:	4 January 2023
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	Dongfeng Motor Group shall provide the Company and its subsidiaries with whole vehicles and chassis in accordance with the demand of the Group. The quantities of whole vehicles and chassis shall be determined based on the production plans of both parties and/or specific purchase agreements entered into by both parties.
Term:	Three years from 4 January 2023 to 31 December 2025 (both days inclusive)
Pricing:	The prices of the whole vehicles and chassis shall be determined based on the market price, and/or on an arm's length and reasonable basis. The Group shall pay the price to the Dongfeng Motor Group using the payment method agreed upon by both parties at the specific time. Under normal circumstances, the specific purchase agreement signed by the Group and the Dongfeng Motor Group shall specify the payment period (such as monthly payment or quarterly payment, etc.) in accordance with the principle of fairness and reasonableness and ordinary commercial practice. The terms of the specific purchase agreement shall not be inferior to those that the Company may receive from an independent third party.

In 2023, the annual caps for the Dongfeng Motor Group's purchase of whole vehicles and chassis from Dongfeng Motor Corporation amounted to RMB100 million. As of 31 December 2023, Dongfeng Motor Group purchased whole vehicles and chassis from Dongfeng Motor Corporation with the actual amount of RMB4.1223 million.

13. Provision of Entrusted Loans Agreement

Date:	1 February 2021
Parties:	Dongfeng Motor Group Dongfeng Nissan Financial Leasing Co., Ltd.
Term:	Three years from 1 February 2021 to 31 December 2023 (both days inclusive)
Objective:	Dongfeng Motor Group and its subsidiaries provide entrusted loans to Dongfeng Nissan Financial Leasing Co., Ltd. in accordance with the conditions and methods agreed in this agreement.
Pricing:	Entrusted loans shall be priced based on market rates (government-prescribed rate or government-guidance rate shall prevail if there is any), an arm's length and reasonable basis and in compliance with the applicable policies and requirements stipulated by the relevant financial regulatory authorities from time to time and other applicable laws, rules and policies of the PRC. For Dongfeng Motor Group, the terms of each specific entrusted loan agreement shall not be inferior to those received from an independent third party.

As of 31 December 2023, Nissan (China) Investment Co., Ltd. holds 50% equity of Dongfeng Motor Co., Ltd., which is a jointly controlled entity of Dongfeng Motor Group and is also regarded as a subsidiary of the Company. Dongfeng Nissan Financial Leasing Co., Ltd. is a subsidiary of Nissan (China) Investment Co., Ltd., and it is the associate of the major shareholders of the subsidiary of Dongfeng Motor Group, and therefore constitutes a connected person at the subsidiary level of the Company in accordance with the Listing Rules. Therefore, the transactions involved in the Supply and Entrusted Loans Agreement between Dongfeng Motor Group and Dongfeng Nissan Financial Leasing is the continuing related party transactions of the Company.

In 2023, the annual caps for the provision of entrusted loans by Dongfeng Motor Group and its subsidiaries to Dongfeng Nissan Financial Leasing Co., Ltd. amounted to RMB2,800 million. As of 31 December 2023, the total amount of entrusted loans provided by Dongfeng Motor Group and its subsidiaries to Dongfeng Nissan Financial Leasing Co., Ltd. was RMB0 million.

14. Whole Vehicle and Chassis Master Sales Agreement

On 4 January 2023, Dongfeng Motor Group entered into the master agreement on the sales of whole vehicles and chassis (the "Whole Vehicle and Chassis Master Sales Agreement") with Dongfeng Motor Corporation. The principal terms are set out below.

Date:	4 January 2023
Parties:	(1) Dongfeng Motor Group (2) Dongfeng Motor Corporation
Objective:	According to the Whole Vehicle and Chassis Master Sales Agreement, during the validity period of this agreement, Dongfeng Motor Group and its subsidiaries should provide Dongfeng Motor Corporation and its subsidiaries with whole vehicles and/or chassis in accordance with the conditions agreed in this agreement.
Term:	From 4 January 2023 to 31 December 2025 (both days inclusive)
Pricing:	The prices of the whole vehicles and/or chassis are determined based on the market price or/and on an arm's length and reasonable basis. The payment period (such as monthly payment or quarterly payment, etc.) shall be agreed on in the specific supply agreement in accordance with the principle of fairness and reasonableness and the ordinary commercial practice, and ensure that for Dongfeng Motor Group, the terms of the specific supply agreement shall not be inferior to those received from an independent third party.

In 2023, the proposed annual caps for the sales of whole vehicles and chassis to Dongfeng Motor Corporation and its subsidiaries amounted to approximately RMB1,500 million. As of 31 December 2023, the actual amount paid by Dongfeng Motor Corporation and its subsidiaries for purchasing whole vehicles and chassis was approximately RMB620 million.

15. For the year ended 31 December 2023, the continuing connected transactions relating to the joint ventures include:

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

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

As of 31 December 2023, each of Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroën Automobile Co., Ltd., Dongfeng Honda Automobile Co., Ltd, Dongfeng Honda Engine Co., Ltd. and Dongfeng Honda Auto Parts Co., Ltd. (including each of these companies' subsidiaries, joint ventures and associates) regularly purchased auto parts or production facilities from the joint venture partners of the Company in the manner described below and such purchases will continue for the duration of the joint venture term.

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

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

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

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

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

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

As of 31 December 2023, the total consideration paid by the joint ventures (including their subsidiaries, joint ventures and associates) in respect of purchases of auto parts and production facilities from the joint venture partners (including their subsidiaries and associates) was RMB43,196 million.

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

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

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

Dongfeng Honda Auto Parts Co., Ltd. continued to sell auto parts to Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd. as at 31 December 2023.

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

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

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

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

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

As of 31 December 2023, GAC Honda Automobile Co., Ltd. continued to purchase from Dongfeng Honda Engine Co., Ltd. engines and auto parts needed by it at a total consideration of RMB118 million.

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

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

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

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

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

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

As of 31 December 2023, the total consideration paid by the joint ventures in respect of purchases of technology license and technical assistance stated above was RMB4,440 million.

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

I. OPERATING ENVIRONMENT

In 2023, China's economic performance improved, with the Gross Domestic Product (GDP) growth rate increasing by 5.2% year-on-year. The overall size of the economy scaled new heights, maintaining its status as the second-largest in the world.

In 2023, the domestic automotive market experienced significant changes, and the production and sales for the year were 30,160,900 units and 30,093,700 units, respectively, representing a year-on-year increase of 11.6% and 12.0%, and the recovering trend of the automobile market outperformed expectation, with production and sales volumes reaching new highs and remaining as the top one in the world.

The passenger vehicle market maintained growth, with sales of 26,062,800 units throughout the year, representing a year-on-year increase of 10.6%. Among which, the sales volume of SUV increased by 18.0% year on year, the sales volume of basic vehicles increased by 3.4% year on year, the sales volume of MPV increased by 17.7% year on year, and the sales volume of CUV (cross-over utility vehicle) decreased by 18.1% year on year.

Affected by stabilizing and improving macro economy and recovering demands of the consumer market, the commercial vehicles sales throughout the year were 4,030,900 units, representing a year-on-year increase of 22.1%. In terms of the production and sales of different models, the sales of buses represented a year-on-year increase of 20.6%, and the sales of trucks represented a year-on-year increase of 22.4%.

The new energy vehicle market maintained continuous and dynamic growth, the production and sales throughout the year were 9,587,000 units and 9,495,000 units, respectively, representing a year-on-year increase of 35.8% and 37.9%, and its market share reached approximately 31.6%, representing a year-on-year increase of 5.9 percentage points. Among which, the production and sales of new energy commercial vehicles accounted for 11.5% and 11.1% of production and sales of commercial vehicles, respectively, and the production and sales of new energy passenger vehicles accounted for 34.9% and 34.7% of production and sales of passenger vehicles, respectively.

II. OPERATION ANALYSIS

In 2023, with profound changes in China's automobile market, the sales of the industry reached 30,093,700 units, representing a year-on-year increase of 12.0%. In particular, new energy vehicles and outbound exports became the main growth engine for the industry, the market demand polarization accelerated, and the sales of non-luxury brands of joint ventures continued to decline. As the competition became more intensive brought about by "reducing price to secure more sales", the transaction price of passenger vehicles dropped by more than 10%. The Group was in the adjustment period of transformation and development. Despite challenges facing the overall operation, the Group forged ahead under pressure, with the production and sales resuming quarter by quarter and basically returning back to normal level in the fourth quarter. The strategic layout, transformation breakthrough, brand enhancement and other aspects continuously optimized, and at the same time, new positive changes emerged: the strategic layout comprising new energy brands, platform structure and products was fully completed; the performance generated from independent brand passenger vehicle business continued to improve; the sales volume of commercial vehicle business rebounded steadily, with a year-on-year increase of 10.3%; and the outbound exports grew rapidly, setting a record high.

The Group achieved sales volume of approximately 2,088,200 units during the period, representing a year-on-year decrease of approximately 15.3%, sales revenue of approximately RMB99,315 million, gross profit margin of 9.5% and loss attributable to shareholders of approximately RMB3,996 million. The sales volume of the Group's independent brand passenger vehicle business was approximately 347,400 units, representing a year-on-year decrease of 30.2%, the sales structure and revenue level continued to improve, and the gross profit margin of the Group's independent brand passenger vehicle business increased by 3.1 percentage points. Due to the impact of the significant squeeze on the viability of the non-luxury passenger vehicles of joint ventures market and the continuous decline of the market share, the Group's joint-venture business responded by adopting a flexible business policy and pricing strategy to proactively offset the impact of the continuous decline in the market share of the non-luxury passenger vehicles of joint ventures, the sales volume of the joint venture business for the period was approximately 1,397,400 units, representing a year-on-year decrease of approximately 15.6%.

Due to the effect of stabilizing and improving macro economy, recovering demands of the consumer market and the impetus from various favorable policies, the commercial vehicle market bottomed out and rebounded and achieved restorative growth. The sales volume of the Group's commercial vehicle business was approximately 343,400 units, representing a year-on-year increase of approximately 10.3%. The Group's commercial vehicle business has the core independent research and development capability of the entire product chain, and the engine brand "Dragon Engine" of commercial vehicles leads the industry in terms of technical performance.

The Group actively promoted its new energy strategy and brand enhancement, with sales of new energy vehicles reaching approximately 348,000 units in the period, representing year-on-year growth, and the new energy vehicle sales as a proportion of the Group's sales increasing by 2.7 percentage points. The sales of the high-end brand, VOYAH, exceeded 50,000 units, representing a year-on-year increase of 159.1%, with a transaction price of more than RMB250,000; the sales of the new model M-Hero 917 exceeded 1,000 units, with a transaction price of more than RMB700,000; and the sales of eGT reached 75,000 units.

III. FINANCIAL ANALYSIS

1. Revenue

The revenue of the Group for 2023 was approximately RMB99,315 million, representing an increase of approximately RMB6,652 million, or approximately 7.2%, as compared with approximately RMB92,663 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 Passenger Vehicle Company, and VOYAH Automobile Technology Co., Ltd.

	2023 Sales Revenue *RMB million*	2022 Sales Revenue *RMB million*
Passenger vehicles	**42,543**	46,732
Commercial vehicles	**49,538**	38,665
Financing service	**6,151**	6,438
Corporate and others	**1,603**	1,222
Elimination	**(520)**	(394)
Total	**99,315**	92,663

1.1 Passenger Vehicle Business

The sales revenue of passenger vehicles of the Group for 2023 decreased by approximately RMB4,189 million, or approximately 8.96%, to approximately RMB42,543 million from approximately RMB46,732 million for the corresponding period of last year. The decrease in revenue was mainly from the passenger vehicles business of Dongfeng Passenger Vehicle Company and Dongfeng Liuzhou Motor Co., Ltd.

1.2 Commercial Vehicle Business

In 2023, due to the effect of stabilizing and improving macro economy, recovering demands of the consumer market and the impetus from various favorable policies, the commercial vehicle market bottomed out and rebounded and achieved restorative growth. The sales revenue of commercial vehicle business of the Group for the period was approximately RMB49,538 million, representing an increase of approximately RMB10,873 million or approximately 28.1% from approximately RMB38,665 million for the corresponding period of last year. The increase in revenue was mainly from the commercial vehicle business of Dongfeng Commercial Vehicle Co., Ltd. and Dongfeng Automobile Co., Ltd.

1.3 Auto Financing Service Business

In 2023, the Group optimized the layout of the financing service to provide customers with customized financial service for the whole journey covering purchase, utilization and changes of vehicles.

Affected by the decline in loan scale and loan interest rate, the revenue from financing service of the Group for the period decreased slightly compared with the corresponding period of last year.

The revenue from financing service of the Group for 2023 decreased by approximately RMB287 million, or approximately 4.5%, to approximately RMB6,151 million from approximately RMB6,438 million in the corresponding period of last year.

2. Cost of Sales and Gross Profit

The total cost of sales of the Group for 2023 was approximately RMB89,849 million, representing an increase of approximately RMB6,013 million, or approximately 7.2%, as compared with approximately RMB83,836 million of the corresponding period of last year.

In 2023, with intensifying competition in the automobile industry, the Group continued to improve its marketing capability and profitability to cope with the fierce competition of "reducing price to secure more sales" in the automobile market. The total gross profit for the period was RMB9,466 million, representing an increase of RMB639 million, or approximately 7.2%, as compared with RMB8,827 million of the corresponding period of last year. The gross profit margin for the period was 9.5%, which was basically the same as that of the corresponding period of last year. The change of gross profit in this period was mainly due to the increase in gross profit of the Group's independent brand passenger vehicles (Aeolus series) and new energy business (VOYAH series) compared with the corresponding period of last year, while that of the commercial vehicle business slightly declined due to the intensifying industrial competition and impacts of the sales structure.

3. Other Income

The total other income of the Group for 2023 amounted to approximately RMB4,143 million, representing a decrease of approximately RMB1,888 million compared with approximately RMB6,031 million of the corresponding period of last year.

The decrease in other income was mainly due to the investment gain from the disposal of Seres shares amounting to RMB1,945 million last year, while the investment gain from disposal of stocks was RMB79 million during this period.

4. Selling and Distribution Expenses

The selling and distribution expenses of the Group for 2023 increased by approximately RMB1,652 million to approximately RMB8,221 million from approximately RMB6,569 million of the corresponding period of last year.

The increase in selling and distribution expenses was mainly due to: i). an increase in marketing expenses for the launch of new models such as VOYAH PASSION, DREAMER and FREE; ii). an increase in market development expenses in line with import and export business as the Group actively expanded overseas markets; iii) an increase in marketing expenses of the Group compared with the corresponding period of last year with the launch of the new models in 2023.

5. Administrative Expenses

The administrative expenses of the Group for 2023 increased by approximately RMB183 million to approximately RMB5,309 million from approximately RMB5,126 million of the corresponding period of last year.

The increase in administrative expenses was mainly due to the increase in staff salaries corresponding to the increase in new energy vehicle business and outbound export business of the Group.

6. Impairment Losses on Financial Assets

The impairment losses on financial assets of the Group for 2023 decreased by approximately RMB134 million to approximately RMB1,075 million from approximately RMB1,209 million in the corresponding period last year.

The changes in impairment losses on financial assets were mainly due to the decline in loan scale base number in line with the decrease in sales volume in the period.

7. Other Expenses

The other expenses of the Group for 2023 amounted to approximately RMB5,601 million, representing an increase of approximately RMB314 million as compared with approximately RMB5,287 million of the corresponding period of last year.

The change in net of other expenses in the current period was mainly due to: 1. The Group attaches great importance to the development trend of new energy, digitalization and intelligence in the automotive field, and continues to invest in research and development in strategic areas and key core technologies, hence research and development expenses continue to increase, an increase of about RMB177 million yuan over the same period; 2. an increase in assets impairment loss as compared with the corresponding period.

8. Finance Expenses

The finance expenses of the Group for 2023 amounted to approximately RMB1,108 million, representing an increase of approximately RMB79 million as compared with approximately RMB1,029 million of the corresponding period of last year.

The change in finance expenses in current period was mainly due to: 1. the year-on-year decrease in interest expenses on borrowings; 2. Euro bonds were affected by exchange rate fluctuations, and foreign exchange losses increased compared with the same period.

9. Share of Profits and Losses of Joint Ventures

Affected by the declining market share of non-luxury vehicles of joint ventures year by year, share of profits and losses of joint ventures of the Group for 2023 decreased by approximately RMB11,371 million to approximately RMB513 million, from approximately RMB11,884 million of the corresponding period of last year. The change for the period was mainly due to: 1. a decrease of approximately RMB4,188 million in respect of Dongfeng Motor Co., Ltd. over the corresponding period; 2. a decrease of approximately RMB4,694 million in respect of Dongfeng Honda Automobile Co., Ltd. over the corresponding period; 3. a decrease of approximately RMB1,224 million in respect of Dongfeng Honda Engine Co., Ltd. over the corresponding period.

10. Share of Profits and Losses of Associates

Share of profits and losses of associates of the Group for 2023 amounted to approximately RMB807 million, representing a decrease of approximately RMB55 million as compared with that of approximately RMB862 million of the corresponding period of last year. The main reason for the change is the decrease in investment income of Dongfeng Nissan Auto Finance Co., Ltd.

11. Income Tax Expense

The income tax expense of the Group for 2023 increased by approximately RMB1,357 million to approximately RMB428 million from approximately RMB-929 million in the corresponding period of last year. This was mainly due to the prudent revaluation of deferred tax assets to be recognized by some of the Group's subsidiaries.

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

The loss attributable to the equity holders of the Group for 2023 was approximately RMB3,996 million, representing a decrease of approximately RMB14,261 million as compared with that of approximately profit of RMB10,265 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 -4.0%, representing a decrease of approximately 15.1 percentage points as compared with approximately 11.1% 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 -2.6%.

13. Total Assets

Total assets of the Group as at the end of 2023 amounted to approximately RMB330,678 million, representing an increase of approximately RMB642 million, or 0.2%, as compared with RMB330,036 million as at the end of last year. This was mainly due to: 1. an increase of RMB14,281 billion in cash and cash equivalents, pledged bank balances and time deposits and financial assets at fair value through profit or loss; 2. an increase of RMB6,373 million in property, plant and equipment, investment properties and intangible assets; 3. an increase of RMB4,464 million in bills receivable and financial assets at fair value through other comprehensive income; 4. a decrease of RMB12,813 million in prepayments, deposits and other receivables; 5. a decrease of RMB9,587 million in amount due from joint ventures; 6. a decrease of RMB1,843 million in trade receivables.

14. Total Liabilities

Total liabilities of the Group as at the end of 2023 amounted to approximately RMB171,069 million, representing an increase of approximately RMB6,569 million, or 4.0%, as compared with approximately RMB164,500 million as at the end of last year. The increase was mainly due to: 1. an increase of RMB6,831 million in interest-bearing borrowings; 2. an increase of RMB8,596 million in trade payables; 3. an increase of RMB6,453 million in bills payable; 4. an increase of RMB508 million in contract liabilities; 5. a decrease of RMB15,521 million in amount due to jointly controlled entity; 6. a decrease of RMB301 million in government grants.

15. Total Equity

Total equity as at the end of 2023 of the Group amounted to approximately RMB159,609 million, representing a decrease of RMB5,927 million or 3.6% as compared with RMB165,536 million as at the end of last year, of which, equity attributable to equity holders of the Company amounted to RMB152,787 million, representing a decrease of RMB3,065 million as compared with RMB155,852 million as at the end of last year; non-controlling interests amounted to RMB6,822 million, representing a decrease of RMB2,862 million as compared with RMB9,684 million as at the end of last year.

16. Liquidity and Sources of Capital

Net inflow of cash and cash equivalents in 2023 of the Group was RMB7,055 million, representing a decrease of RMB9,006 million over 2022. This includes a net cash inflow from operating activities of RMB8,553 million, a net cash inflow from investing activities of RMB129 million and a net cash outflow from financing activities of RMB1,627 million.

Net cash inflow from operating activities amounted to RMB8,553 million. The amount mainly consisted of: 1. a decrease in cash flow of RMB7,705 million from loss before taxation and share of profits and losses of joint ventures and associates; 2. an increase in cash flow of RMB5,210 million from depreciation and amortization; 3. a decrease in cash flow of RMB1,819 million from impairment on trade and other receivables and other non-current assets, provision against inventories and impairment of items of property, plant and equipment; 4. a decrease in cash flow of RMB1,528 million due to an increase in inventories; 5. an increase in cash flow of RMB4,646 million due to a decrease in amount receivable from joint ventures; 6. an increase in cash flow of RMB11,870 million due to an increase in trade and bills payables, contract liabilities and other payables and accruals; 7. an increase in cash flow of RMB13,623 million from loans, receivables and cash deposits received from financing services; 8. a decrease in cash flow of RMB15,521 million due to a decrease in amount payable to joint ventures; 9. a decrease in cash flow of RMB1,715 million from income tax expense.

Net cash inflow from investing activities amounted to RMB129 million. The amount mainly consisted of: 1. an increase in cash flow of RMB7,700 million due to the receipt of dividend; 2. a decrease in cash flow of RMB11,859 million due to the expenses from purchase and disposal of fixed assets and intangible assets; 3. an increase in cash flow of RMB8,284 million due to the disposal of investment in Stellantis; 4. a decrease in cash flow of RMB4,100 million from non-pledged time deposits with original maturity over three months.

Net cash outflow from financing activities amounted to RMB1,627 million. The amount mainly consisted of: 1. a cash inflow of RMB25,711 million resulting from the increase in bank borrowings; 2. a cash outflow of RMB23,236 million resulting from the repayment of bank borrowings and redeeming bonds; 3. a payment of dividends of RMB2,560 million; 4. a payment for share repurchase of RMB963 million.

As a result of the above, the Group's cash and cash equivalents (excluding non-pledged time deposits with original maturity of three months or more when acquired) amounted to RMB72,395 million as at 31 December 2023, representing an increase of RMB7,151 million as compared with RMB65,244 million as at the end of the previous period. Cash and bank balances (including non-pledged time deposits with original maturity of three months or more when acquired) amounted to RMB79,297 million, representing an increase of RMB11,251 million as compared with approximately RMB68,046 million as at the end of the previous period.

17. Major Financial Figures Based on Proportionate Consolidation

Based on proportionate consolidation, the revenue of the Group for 2023 was approximately RMB199,816 million, representing a decrease of approximately RMB18,101 million, or approximately 8.31%, as compared with approximately RMB217,917 million of the corresponding period of last year. Loss before income tax was approximately RMB5,760 million, representing a decrease of approximately RMB18,367 million, or approximately 145.69%, as compared with approximately profit before income tax of RMB12,607 million of the corresponding period of last year. Total assets were approximately RMB382,324 million, representing an increase of RMB12,201 million, or approximately 3.30%, as compared with approximately RMB370,123 million as at the end of last year.

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

DIRECTORS

Yang Qing, Executive Director, Chairman and President

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

You Zheng, Executive Director and Vice President

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

Zong Qingsheng, Independent Non-Executive Director

Mr. Zong Qingsheng, born in 1959, currently serves as an independent non-executive director of the Company, and is a senior international business engineer. Mr. Zong graduated from Nanjing University in January 1982 with a Bachelor's degree in Chinese Language and Literature, and studied Business Administration at the HEC (Hautes Etudes Commerciales) Paris from August 2006 to October 2007 with a Master's degree. Mr. Zong has successively served as a cadre, chief officer and deputy director of the Ministry of Foreign Economic Relations of the People's Republic of China, personnel bureau and personnel education department of Ministry of Foreign Economic Trade of the People's Republic of China from February 1982 to May 1992; the director of the organization division and the director of the labour and salary division of the personnel education and labour department of the Ministry of Foreign Economic Cooperation of the People's Republic of China from May 1992 to July 1995; the director of the president's office of China National Metals and Minerals Import and Export Corporation (中國五金礦產進出口總公司) from August 1995 to March 1999; the general manager of Minmetals Investment & Development Co. Ltd. (五礦投資發展有限責任公司) from March 1999 to March 2002, the general manager, assistant to the president of the investment management department, general manager of the human resources department of China Minmetals Corporation (中國五礦集團公司), whose Chinese name was later renamed as "中國五礦集團有限公司" from March 2002 to November 2019, and secretary of the board of directors of China Minmetals Corporation from November 2016 to January 2020. Mr. Zong served as an external director of China Reform Holdings Corporation Ltd. from October 2020 to March 2024, and has been an independent non-executive director of the Company since September 2020.

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

Mr. Leung Wai Lap, Philip, born in 1959, is currently an independent non-executive director of the Company. Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants. He graduated from the Hong Kong Polytechnic in 1982, joined Ernst & Young in the same year, became a partner in 1994, and retired from the firm in June 2020. From 1994 to 2019, Mr. Leung served a variety of management positions in Ernst & Young, including Managing Partner of Greater China Markets and Managing Partner of Eastern China Region. He currently serves as independent non-executive directors of Dingdong (Cayman) Limited, Zhejiang E-Commerce Bank Co., Ltd., Shanghai Chemical Industry Park Industrial Gases Co., Ltd and China World Trade Center Co., Ltd. Mr. Leung has extensive experience in corporate restructuring and initial public offerings.

Hu Yiguang, Independent Non-Executive Director

Mr. Hu Yiguang, born in 1971, currently serves as an independent non-executive director of the Company, he graduated from the school of Law of Renmin University of China and obtained a master's degree in civil law in June 1997. He is currently a senior partner and managing partner of Beijing Lifang & Partners Law Firm. He served as the legal adviser to the National Railway Administration (國家鐵路局), the Ministry of Human Resources and Social Security of the People's Republic of China, the former Ministry of Railways of the People's Republic of China, China Minsheng Bank Co., Ltd. (中國民生銀行股份有限公司), China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司), China National Commercial Foreign Trade Corporation (中國商業對外貿易總公司) and other government departments as well as large-scale state-owned enterprises, providing them with daily and special legal services. Mr. Hu also serves as an independent director of China Three Gorges Renewables (Group) Co., Ltd. and an independent director of Sinosteel Group Co., Ltd. and Genertec Group Kunming Machine Tool Co., Ltd (通用技術集團昆明機床股份有限公司).

SUPERVISORS

He Wei, Chairman of the Supervisory Committee

Mr. He Wei, born in 1963, he is currently Chairman of the Supervisory Committee of the Company. Mr. He took part in the work in 1982. From 2002 to 2004, he studied in-service in the Business Administration major of the School of Management of Huazhong University of Science and Technology and obtained a master's degree in Business Administration for senior managers. He has successively served as the director and Deputy Secretary of the Youth League Committee of the Second Automobile Equipment Factory, the secretary of the Secretary Office, deputy-level secretary and general-level Secretary of the Party Committee Office of the Second Automobile Equipment Factory, the director, deputy secretary and secretary of the Youth League Committee of Dongfeng Motor Corporation, the secretary of the Party committee and Discipline Inspection Committee of Dongfeng Motor Fastener Co., Ltd., the general manager of Dongfeng Motor Fastener Co., Ltd., and the deputy general manager of Dongfeng Motor parts business department, deputy secretary of the Party committee, Secretary of the Discipline Inspection Commission, Chairman of the labor union, Secretary of the Party committee, deputy general manager, Secretary of the Discipline Inspection Commission, Chairman of the labor union of the parts business department of Dongfeng Motor Co., Ltd., director of Dongfeng Motor Office (Party Committee Office), director of Dongfeng Motor military products business platform, and director of Dongfeng Motor personnel (cadre) department.

Jin Jun, Employee Supervisor

Mr. Jin Jun, born in 1967. He is current the employee supervisor of the Company. Mr. Jin obtained a bachelor of engineering degree in machinery manufacturing, technology equipment and automation from Xi'an Jiaotong University. He subsequently took an automotive engineering course at Wuhan University of Technology through on-the-job learning, and obtained a master's degree in engineering. He is a senior engineer. From 1988 to 2002, Mr. Jin served as an equipment technician in the repair workshop of Xinjiang Automobile Factory (新疆汽車廠), deputy head of the chief engineer office, deputy division manager and division manager at the design division, manager of Dongte Company (東特公司), and manager of Urumqi Dongfeng Special Vehicle Co., Ltd. (烏魯木齊市東風特種汽車公司). From 2002 to 2018, Mr. Jin served as deputy secretary of the Party Committee and secretary of the Disciplinary Inspection Committee, chairman of the Labor Union and general manager of Dongfeng Xinjiang Automobile Co., Ltd. (東風新疆汽車有限公司). From 2018 to 2019, Mr. Jin served as the director of the Xinjiang Factory of Dongfeng Commercial Vehicle (Xinjiang) Co., Ltd. (東風商用車新疆有限公司). From 2019 to April 2021, Mr. Jin served as deputy general manager of the personnel (cadres) department, deputy general manager of the human resources department, and deputy head (in charge of work) of the work department of the Party Committee of the Company. Since April 2021, Mr. Jin has served as the head of the work department of the Party Committee and the head of the corporate culture department of the Company.

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

Bao Hongxiang, Supervisor

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

SENIOR MANAGEMENT

Feng Changjun, Vice President

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

Li Jun, Secretary to the Board

Mr. Li Jun, born in 1969, is a senior economist and is currently the secretary of the Board of the Company. From November 2003 to March 2009, Mr. Li was the Deputy Director of the Management Department and the Director of the General Affairs Department of the Passenger Car Company of Dongfeng Motor Co., Ltd., the Director of the General Manager's Office, the Deputy Head of the Operation and Management Department and the Director of the General Manager's Office of Dongfeng Nissan Passenger Vehicle Company of Dongfeng Motor Co., Ltd. from March 2009 to February 2014, the General Manager of Shenzhen DFS Industrial Group Co., Ltd. from February 2014 to October 2018. From October 2018 to August 2020, he served as Executive Vice President and Deputy Party Secretary, Executive Vice President and Party Secretary of Dongfeng Peugeot Citroën Automobile Co., Ltd., Deputy Director of the Office of the Company (Party Committee Board) from August 2020. Since April 2022, he has been serving as the Secretary to the Board of the Company.

Liao Xianzhi, Joint Company Secretary

Mr. Liao Xianzhi, born in 1973, and currently is the Joint Secretary of Company, the Authorized Representative, the Securities Affairs Representative and Authorized Person of the Electronic Submission System. He joined the Group since 1997, and has been engaged in accounting, financial management, operation management positions and management positions. He has more than 26 years of experience in the daily operations and financial management of the Group.

Yuen Wing Yan, Winnie, Joint Company Secretary

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

HEADS OF DEPARTMENTS

The deputy general manager of Strategic Planning Department and the Technical Development Department of the Company is Mr. Lv Haitao and Mr. Zhang Yanjun

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

The general manager of the Strategic Planning Department of the Company is Mr. Zhang Jun

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

The head of the Governance Department (the office of deepening reform and promoting of the Company) is Mr. Guo Tao

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 Department of the Company is Mr. Zhou Changling

The head of the Legal and 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 director of the Supervisory Department of the Company (Discipline Inspection Committee) 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 Secretary for the Communist Youth League of the Company is Mr. Ge Zhe

Report of the Supervisory Committee

Dear shareholders,

In 2023, the Supervisory Committee has carried out its supervisory and other duties in accordance with the Company's Articles of Association to ensure the sound, stable and sustainable development of the Company as well as to safeguard the legal interests of all shareholders. It has performed effective supervision, through the inspection of relevant documents and information of the Company, financial reports, and attending meetings of the Board of Directors and the shareholders' general meetings, on the operation status, financial positions, connected transactions and internal control of the Company. The Supervisory Committee expressed the following independent opinion of such matters of the Company during the reporting period:

I. PERFORMANCE OF THE SUPERVISORY COMMITTEE

In 2023, the Supervisory Committee held two meetings, both of which were held in the form of on-site meetings. The number of attended supervisors formed quorums of the meetings as stipulated by the Company Law.

In 2023, the Supervisory Committee has reviewed and approved: the 2022 report of the Supervisory Committee of the Company; the 2022 financial report of the Company, which was audited by PricewaterhouseCoopers Zhong Tian LLP and the 2022 auditor's report of the Company, which was audited by PricewaterhouseCoopers and reviewed and approved by the Audit and Risk Management Committee; the 2022 annual report and preliminary results announcement of the Company; the 2022 profit distribution and payment of dividend proposal of the Company; the 2023 supervisor remuneration scheme of the Company; the 2023 interim report and results announcement of the Company; the 2023 interim dividend distribution proposal of the Company.

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

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

After the supervision on the directors and senior management of the Company, the Supervisory Committee is of the view that the Board of Directors was in compliance with the Company Law, the Securities Law, the Listing Rules of the Stock Exchange of Hong Kong, the Articles of Association of the Company and other relevant laws, rules and regulations and all Directors diligently performed their duties in 2023. The Supervisory Committee also considers that through scientific and democratic decision making of the Board of Directors, the internal management and internal control system of the Company have been further improved and a better internal control mechanism was established. The major decision of the Company was reasonable and procedures of decision-making were in compliance with laws and valid. The Directors and the senior management of the Company complied with the laws, regulations, the Article of Association of the Company and the resolutions passed at the Shareholders' General Meeting and Board Meeting during their performance of duty. They were devoted to performing their duties diligently and precisely and performed their duties cautiously and aggressively.

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

The members of the Supervisory Committee have attended all meetings of the Board during the reporting period, examined the financial system, financial position and internal audit of the Company and reviewed the 2022 annual financial report and 2023 interim financial report of the Company. The Supervisory Committee considers that the financial statements of the Company were prepared in accordance with the Listing Rules, Company Ordinance and International Accounting Principles and Standards. The financial system of the Company was sound and the management measures and internal control system were effective and could ensure the smooth operation and production of the Company. The Supervisory Committee also considers that the 2023 annual financial report gives a full, true and fair view of the operating results and financial position of the Company for the year and that the unqualified opinion in the financial report issued by PricewaterhouseCoopers, the auditors of the Company, are objective and fair.

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

In 2023, in the face of the severe and complex situation of accelerated differentiation in market demand, in-depth evolution of the competitive landscape and increasing multiple challenges, the Company adhered to take transformation and development as the main line, actively cultivated and strengthened strategic emerging industries, promoted the construction of core competencies, maintained operational stability, and consolidated the foundation for development, which the Supervisory Committee acknowledged. In 2024, the Supervisory Committee will strictly follow the relevant provisions, such as the Company Law, Securities Law and the Articles of Association of the Company and carry out supervision on the performance and conduct of the Board of Directors and senior management in accordance with laws. The Supervisory Committee will also supervise the Company to refine the corporate governance structure based on the requirements of modern enterprise system, in order to enhance the corporate governance level. In addition, the Supervisory Committee will carry out supervision and perform their duties diligently and attend meetings of the Board of Directors according to the law, so as to ensure the decision-making procedures of material matters of the Company to be in compliance with laws and protect the interests of our shareholders. Besides, the Supervisory Committee will continue to enhance its supervision and inspection on the Company through supervising on the financial situation of the Company and maintaining the communication with the internal audit department and external audit institution, etc., facilitate the Company to enhance its internal control to prevent operational risk, and further protect the interests of the Company and our shareholders, in order to consolidate its solid foundation for steady and sustainable development.

By Order of the Supervisory Committee
He We
Chairman of the Supervisory Committee

Wuhan, the PRC
28 March 2024

Corporate Governance Report

I. OVERVIEW OF CORPORATE GOVERNANCE

The Company has been in compliance with the Company Law of the People's Republic of China (the "Company Law"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Corporate Governance Code of Appendix C1 of the Listing Rules, in order to improve its corporate value and bring good return to shareholders. Under the principles of integrity, transparency, openness and efficiency for corporate governance, the Company is dedicated to maintaining a high level of corporate governance so as to ensure its sustainable development in the long run.

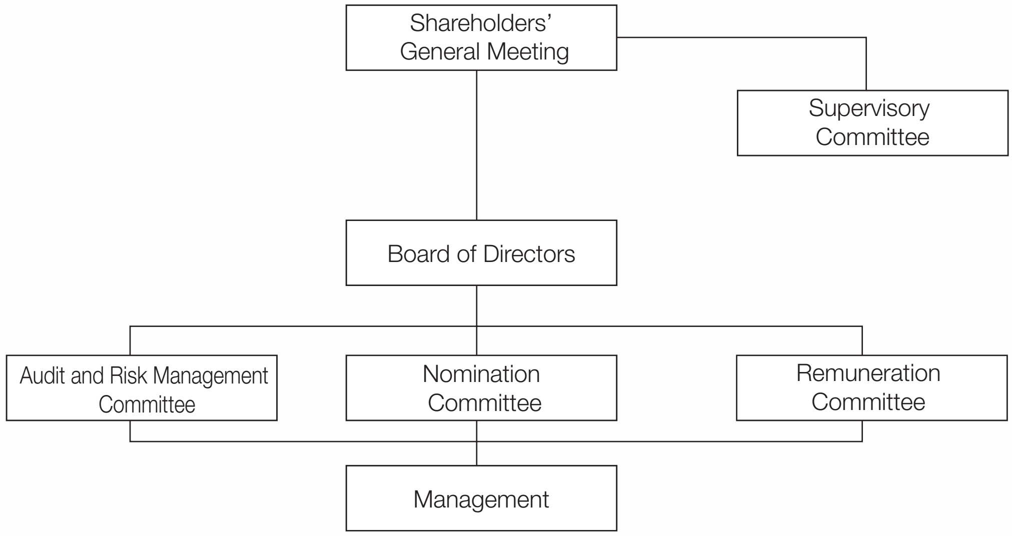
The Board of Directors has reviewed the corporate governance practices of the Company and adopted a number of improved practices, details of which are set out in this report. During the financial year ended 31 December 2023, the Company has fully complied with all the provisions of the Code, except for Rule B.2.2 of the Corporate Governance Code (the "Code") (version as at 31 December 2023) as set out in Appendix C1 of the Listing Rules.

The current term of the Board of Directors of the Company was elected on 25 September 2020 and the term of office of the current Board of Directors shall expire on 24 September 2023 and shall retire by rotation in accordance with Article B.2.2 of the Code, which provides that every Director shall be subject to retirement by rotation at least once every three years. Due to the fact that the entire Board of Directors is involved and many factors have to be considered to ensure the smooth continuation of the senior management of the Company, the Company has not been able to complete the program of the change of the Board of Directors as scheduled. Currently, the program for the renewal of the Board of Directors of the Company is in progress and will be submitted to the shareholders' meeting for consideration in due course.

II. STRUCTURE OF CORPORATE GOVERNANCE

1. General Structure of Corporate Governance

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



2. Shareholders and Shareholders' General Meeting

(1) Shareholders

As at 31 December 2023, Dongfeng Motor Corporation, the controlling shareholder of the Company, held approximately 72.6% equity interest in the Company both directly and indirectly. The remaining approximately 27.4% equity interest in the Company was held by public shareholders.

Information of other shareholders and persons who are entitled to exercise 5% or more (class of shares classified into domestic shares and H shares) of the voting power at shareholders' general meeting during the reporting period is set out on page 16 in this annual report.

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

(2) Rights of Shareholders

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

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

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

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

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

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

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

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

(3) Communication with Shareholders/Investor Relations

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

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

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

The Company provides information about the Group to shareholders and investors and answers shareholders' questions mainly through the publication of notices, announcements and circulars on the websites of the Company and the Stock Exchange, the dispatch of interim reports, annual reports and circulars to shareholders, as well as results presentations, investor surveys, routine mailings and telephone enquiries. The Company holds general meetings in compliance with the Listing Rules to ensure communication and interaction with shareholders.

The Board reviews the investor relations policy annually and makes any changes it considers necessary to ensure that the policy is effective and that the legitimate interests of shareholders and investors are adequately protected. The Board has reviewed the implementation and effectiveness of the Company's investor relations policy. Having considered the implementation of diversified communication channels, the Board is satisfied that an effective investor relations policy has been properly implemented for the year ended 31 December 2023.

(4) Shareholders' General Meetings

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

During the reporting year, the Company convened one annual general meeting, one domestic share class meeting, one H share class meeting and one extraordinary general meeting. The date, time and venue of the general meetings and the poll results in respect of the resolutions proposed at the general meetings are as follows.

The 2022 Annual General Meeting was held at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, the People's Republic of China, at 9:00 a.m. on Tuesday, 20 June 2023. The matters considered at the meeting and the percentages of voters for and against the relevant resolutions are as follows:

Resolutions	For	Percentages (%)	Against	Percentages (%)
I. As more than half (1/2) of the votes from the shareholders who attended and voted at the annual general meeting were cast in favour of the following resolutions, the resolutions were duly passed as ordinary resolutions:				
1. To consider and approve the report of the Board of Directors (the "Board") of the Company for the year ended 31 December 2022.	7,114,470,883	99.61%	27,637,393	0.39%
2. To consider and approve the report of the Supervisory Committee of the Company for the year ended 31 December 2022.	7,125,396,276	99.77%	16,712,000	0.23%
3. To consider and approve the independent auditor's report and audited financial statements of the Company for the year ended 31 December 2022.	7,080,315,016	99.13%	61,793,260	0.87%
4. To consider and approve the profit distribution proposal of the Company for the year ended 31 December 2022 and to authorise the Board to deal with issues in relation to the Company's distribution of final dividend for the year 2022.	7,142,108,276	100%	0	0%
5. To consider and approve the authorisation to the Board to deal with all issues in relation to the Company's distribution of interim dividend for the year 2023 in its absolute discretion (including, but not limited to determine whether to distribute interim dividend for the year 2023).	7,142,108,276	100%	0	0%
6. To consider and approve the appointments of Ernst & Young as the international auditor of the Company for the year 2023, and Ernst & Young Hua Ming LLP as the domestic auditor of the Company for the year 2023 to hold office until the conclusion of annual general meeting for the year 2023, and to authorize the Board to determine their remunerations.	7,112,109,324	99.58%	29,998,952	0.42%

Resolutions	For	Percentages (%)	Against	Percentages (%)
7. To consider and approve the remuneration of the directors and the supervisors of the Company determined by the Board for the year 2023.	7,130,397,750	99.84%	11,710,526	0.16%
8. To consider and approve the amendments to the *Rules of Procedure of the General Meeting* of the Company.	5,784,636,162	80.99%	1,357,472,114	19.01%
9. To consider and approve the amendments to the *Rules of Procedure of the Meeting of Board of Directors* of the Company.	7,132,830,276	99.87%	9,278,000	0.13%
II. As more than two-thirds (2/3) of the votes from the shareholders who attended and voted at the annual general meeting were cast in favour of the each of the following resolutions, respectively, the resolutions were duly passed as special resolutions:				
10. To consider and approve the amendments to the *Articles of Association* of the Company.	7,142,108,276	100%	0	0%
11. To grant a general mandate to the Board to issue, allot and deal with additional shares of the Company not exceeding 20% of each of the total number of Domestic Shares and H Shares in issue.	5,955,317,569	83.38%	1,186,790,707	16.62%
12. To consider and, if thought fit, to approve the general mandate for the Board, and the persons authorised by the Board to repurchase the Company's H shares.	7,113,331,323	99.6%	28,776,953	0.40%

The 2023 First Domestic Share Class Meeting was held at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, at 9:30 a.m. on Tuesday, 20 June 2023. The matters considered at the meeting and the percentages of voters for and against the relevant resolution are as follows:

Resolution	For	Percentages *(%)*	Against	Percentages *(%)*
As the number of votes cast in favour of the following resolution exceeded two-thirds of the voting rights of the shareholders attending at the First Domestic Share Class Meeting in 2023 and who were entitled to vote on the resolution, the following resolution was passed as special resolution:				
1. To consider and, if thought fit, to approve the general mandate for the Board of Directors and the persons authorized by the Board of Directors to repurchase the Company's H shares.	5,760,388,000	100%	0	0%

The 2023 First H Share Class Meeting was held at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, at 10:00 a.m. on Tuesday, 20 June 2023. The matters considered at the meeting and the percentages of voters for and against the relevant resolution is as follows:

Resolution	For	Percentages *(%)*	Against	Percentages *(%)*
As the number of votes cast in favour of each of the following resolutions exceeded two-thirds of the voting rights of the shareholders attending at the 2023 First H Share Class Meeting and who were entitled to vote on the resolution, the following resolution was approved as special resolution:				
1. To consider and, if thought fit, to approve the general mandate for the board of Directors and the persons authorized by the Board of Directors to repurchase the Company's H shares.	965,962,725	70.21%	409,819,551	29.79%

The 2023 Extraordinary General Meeting was held at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, at 9:00 a.m. on Thursday, 9 March 2023. The matters considered at the meeting and the percentages of voters for and against the relevant resolutions are as follows:

Resolution	For	Percentages *(%)*	Against	Percentages *(%)*
As the number of votes cast in favour of the following resolutions exceeded half of the voting rights of the shareholders attending at the 2023 Extraordinary General Meeting and who were entitled to vote on the resolution, the following resolution was approved as ordinary resolution:				
1. To consider and approve the Renewed Master Logistic Services Agreement and the transactions contemplated thereunder (including the Annual caps).	1,369,392,018	100%	0	0%

All resolutions submitted to shareholders at the 2022 annual general meeting, the first domestic share class meeting in 2023, the first H-share class meeting in 2023 and the extraordinary general meeting in 2023 were approved. Shareholders were not subject to any restrictions when voting on the resolutions at the 2022 annual general meeting, the first domestic share class meeting in 2023, the first H-share class meeting in 2023 and the extraordinary general meeting in 2023.

Computershare Hong Kong Investor Services Limited, the Company's share registry, has entrusted Mr. Tang Yining, a lawyer of Computershare Hong Kong Investor Services Limited, to be the scrutineer of votes counting at the 2022 annual general meeting, the first domestic share class meeting in 2023 and the first H-share class meeting in 2023; and Lawyer Tong Hao to be the scrutineer of votes counting at the extraordinary general meeting in 2023. The voting results were not only announced at the meetings, but also published on the websites of the Company and HKEX on the day when the meetings were held.

(5) Shareholders' Calendar

The following table sets out the tentative key dates for shareholders for the financial year ending 31 December 2024. The dates are subject to changes in situation. Shareholders should refer to our announcements issued from time to time.

2024 Shareholders' Calendar

Date	Events
28 March	Announcement of final results for the year ended 31 December 2023
Late April	Upload of the 2023 annual report on the websites of the Company and the Hong Kong Stock Exchange
Late April	Dispatch of the 2023 annual report to shareholders
21 June	2023 Annual General Meeting
28 August	Announcement of interim results and interim dividends for the six months ending 30 June 2024, if any
Mid-October	Payment of interim dividends for the six months ending 30 June 2024, if any

3. Directors and Board of Directors

(1) Directors

1) Composition and Term of Office of Directors

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

The current Board of Directors is the 5th Board of Directors since the Company was established, and members of the 4th Board of Directors were changed on 25 September 2020. Currently, the 5th Board of Directors consists of five directors, including executive directors Mr. Yang Qing (who became the chairman on 2 November 2023) and Mr. You Zheng, and independent non-executive directors Mr. Zong Qingsheng, Mr. Leung Wai Lap, Philip and Mr. Hu Yiguang. During the reporting year, Mr. Huang Wei, a non-executive director, and Mr. Zhu Yanfeng, an executive director, resigned on 17 May 2023 and 2 November 2023, respectively. The term of office of the 5th Board of Directors last till 24 September 2023. Before members of the new session are appointed, the above directors will still faithfully perform their duties as directors. In addition, all the independent non-executive directors are independent and not related to the Company or any of its major shareholders, with the term of office not exceeding nine years.

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

There are no financial, business, family or other material relationships among members of the Board of Directors of the Company. The Company has purchased liability insurance for all directors and senior management. Members of the Board of Directors of the Company have different industry backgrounds, having expertise and extensive experience in areas of corporate management, financial accounting, laws and investment. The Board of Directors has formulated the Board Diversification Policy and reviews its composition at least once a year. Brief biographies of each of the directors are set out on pages 49 to 50 in this annual report.

2) *Chairman and President*

The Chairman and President of the Company are acted by different persons with a clear division of duties. In particular, the Chairman is responsible for supervising the daily operation of the Board of Directors, examining the execution of the Board resolutions and other duties, while the President is responsible for the daily operation management of the Company and implementing the resolutions of the Board of Directors under the Chairman's leadership. Details of the senior management of the Company are set out on pages 52 to 53 in this annual report.

3) *Independent non-executive directors*

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

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

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

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

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

4) *Non-executive director*

Mr. Huang Wei, a non-executive director of the Company, resigned on 17 May 2023.

5) *Board independence mechanism*

The Company adopts a number of approaches and methods to ensure that the Board has access to independent advice and recommendations. For instance, pursuant to Code Provisions C.5.6 and C.5.9 of Appendix C1 of the Listing Rules, the Board and its members are provided with sufficient information and have separate and independent access to the Company's senior management to make informed decisions. In particular, all members of the Board have the right to obtain timely information about the Group (including but not limited to management accounts, results of operations and statistics, audit results and other industry and market related information and forecasts), to seek the assistance of the Company Secretary and professional advice, if any, at the Company's expense. In addition, the Company's Audit and Risk Management Committee is entitled to liaise and discuss annually with the Company's external auditors in discharging its duties and Board members are encouraged to seek the views of other members, employees, other stakeholders and investors (through investor relations channels) where appropriate to ensure that a full range of perspectives are taken into account in the decision-making process.

The Board reviews the implementation and effectiveness of the approach and methodology annually. The Board is satisfied that it has effective and adequate formal or informal channels, which ensure that independent advice and recommendations are reached at Board level.

6) *Training and Continuous Professional Development*

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

During the reporting year, all directors regularly reviewed the Dongfeng investment monthly report, financial report, automobile market research report and other information to understand the industry development, current operation, financial condition and relevant information of the Company.

The records are as follows:

Directors	**Information Reviewed**
Executive directors	
Mr. Zhu Yanfeng *(Resigned on 2 November 2023)*	120th issue
Mr. Yang Qing	133rd issue
Mr. You Zheng	133rd issue
Non-executive director	
Mr. Huang Wei *(Resigned on 17 May 2023)*	55th issue
Independent non-executive directors	
Mr. Zong Qingsheng	133rd issue
Mr. Leung Wai Lap, Philip	133rd issue
Mr. Hu Yiguang	133rd issue

7) *Securities Transactions by Directors*

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix C3 to the Listing Rules to regulate the directors' securities transactions. During the reporting year, none of the directors had any other interest in the shares of the Company.

All directors have confirmed, following enquiry by the Company that they fully complied with the Model Code during 2023.

8) *Remuneration of Directors*

The fifth session of the Remuneration Committee of the Company is responsible for giving suggestion on the remuneration of individual executive directors and senior management. Other than the independent non-executive directors of the Company who received remuneration of directors, all other directors did not receive any remuneration of directors from the Company. The executive directors receive remuneration in their capacities of employers of the Company; non-executive directors receive corresponding remuneration from the Company; the remuneration of the independent non-executive directors is determined with reference to the average market level and the actual condition of the Company.

During the reporting year, the Company paid remuneration of RMB100,000 (before tax) to the independent non-executive director of the fifth session of the Board of Directors, namely Mr. Zong Qingsheng; Mr. Hu Yiguang was paid remuneration of RMB173,368.44 (before tax); Mr. Leung Wai Lap, Philip was paid remuneration of RMB177,368.44 (before tax).

9) *Board Diversity Policy*

On 27 March 2019, the Company passed the Board diversity policy at the Board meeting. This Board diversity policy aims to set out the approach adopted for achieving the diversity of the Board of the Company. The Nomination Committee will review annually the structure, size and composition of the Board and advise on any changes proposed to be made to the Board to correspond with the Company's corporate strategy.

In reviewing and assessing the Board composition and nomination of directors, a number of factors has to be considered for Board diversity, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and industry and regional experience. The Company aims at maintaining an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. The Nomination Committee will discuss and agree on the measurable objectives for achieving the Board diversity and make recommendations to the Board.

In compliance with Rule 13.92 of the Listing Rules, the Company is considering adding new female directors to the Board by 31 December 2024 through various channels such as engaging human resources agencies to identify potential successors to the Board and increasing gender diversity (where applicable) in the coming years, with an emphasis on gender as one of the factors to be taken into account by the Company in achieving diversity on the Board. The Company is committed to promoting gender diversity on the Board and in the workforce as a whole.

As at the date of this report, the number of female employees of the Group accounted for approximately 18.22% of the total number of employees. The Board considers that the Group's workforce is now progressively diversifying in terms of gender. The Group's recruitment strategy is to recruit the right people for the right positions and to achieve diversity among all staff, including senior management, in terms of gender, age, culture, and educational background, professional experience, skills and knowledge.

If necessary, the Board of Directors may adopt and/or revise diverse factors and measurable objectives at any time to meet the business needs of the Company and the succession plan for the Board of Directors.

(2) The Board

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

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

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

- to appoint or remove the president of the Company, to appoint or remove the vice president and the finance director of the Company based on the nominations of the president, and to decide on their remuneration;
- to decide on the establishment of the branch organizations of the Company;
- to set up the basic management system of the Company, including the financial management and human resources management systems;
- to formulate proposals for any amendment of the Articles of Association;
- to submit the proposals for application of bankruptcy of the Company;
- to determine the external guarantees of the Company under the authorisation of general meetings;
- except for the matters that the Company Law and the Articles of Association require to be resolved by the shareholders in general meeting, to decide on other important and administrative matters of the Company and to execute other important agreements;
- to exercise such other authorities as conferred at general meetings and the Articles of Association.

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

1) *The Board Meeting*

The Board shall convene at least four meetings every year at an interval of approximately once a quarter. During the reporting year, the Board held 7 meetings, including four regular meetings and three extraordinary board meetings. The attendance of Directors in person was set out below (Directors failed to attend had appointed their proxies):

Directors	The Board	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive directors					
Mr. Zhu Yanfeng *(Resigned on 2 November 2023)*	2/6(33.33%)			1/4(25%)	1/2(50%)
Mr. Yang Qing	7/7(100%)		1/1(100%)		2/2(100%)
Mr. You Zheng	7/7(100%)				2/2(100%)
Non-executive director					
Mr. Huang Wei *(Resigned on 17 May 2023)*	2/2(100%)				1/1(100%)
Independent non-executive directors					
Mr. Zong Qingsheng	7/7(100%)	3/3(100%)	1/1(100%)	4/4(100%)	2/2(100%)
Mr. Leung Wai Lap, Philip	6/7(85.71%)	3/3(100%)		4/4(100%)	2/2(100%)
Mr. Hu Yiguang	7/7(100%)	3/3(100%)	1/1(100%)		2/2(100%)

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

2) *Committees under the Board*

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

Members of the Audit and Risk Management Committee

All of the members of the Audit and Risk Management Committee are independent non-executive directors, including Mr. Leung Wai Lap, Philip (the convenor), Mr. Zong Qingsheng and Mr. Hu Yiguang.

Major duties

- to advise the Board of Directors on the appointment, re-appointment and dismissal of the external auditors, including the remuneration and terms of employment for the external auditors, and handle any issues related to the auditors' resignation or dismissal;

- to review the Company's financial reports, review the Company's accounting policies and changes, review other financial reports that need to be reviewed and approved by the Board of Directors, and present opinions to the Board of Directors. Members of the Committee should contact the Board of Directors and senior management, meet with the Company's external auditors at least twice a year, and pay attention to major or unusual matters reflected in financial reports and accounts, as well as relevant matters raised by the Company's finance personnel and audit personnel and external auditors. Before submitting the financial report to the Board of Directors, the Committee should review the following matters: any changes to accounting policies or practices, contents that require important judgments, major adjustments arising from audit, assumptions about ongoing operation and any qualified opinions, compliance with accounting standards, compliance with the *Listing Rules* and legal provisions on financial reporting;

- to examine and oversee whether the external auditors are independent and objective and whether the audit procedure is effective in accordance with applicable standards; discuss the nature and scope of audit and relevant reporting responsibilities with the auditors before the audit work begins;

- to act as the main representative between the Company and external auditors, and oversee the relationship between the two;

- to formulate policies on the provision of non-audit services by external auditors and implement the policies;

- to examine the *Audit Statement Letter* sent by the external auditors to the management, and the major questions raised by the external auditors to the management on accounting records, financial accounts or the monitoring system, as well as the management's response, so as to ensure that the Board of Directors responds to the relevant questions raised in the *Audit Statement Letter* sent by the external auditor to the management in a timely manner;

- to assess and determine the nature and degree of risks that the Company is willing to accept when pursuing its strategic objectives, and report and give suggestions to the Board of Directors;

- to examine the Company's financial monitoring, risk management and internal control systems, and discuss the risk management and internal control systems with the management, to ensure that the management has fulfilled its responsibilities and established effective systems. The discussion should cover whether the Company has enough resources and qualified and experienced employees in the areas of accounting and financial reporting, and whether the training courses for employees and relevant budgets are sufficient;

- to review the Company's annual report on risk management and internal control, and provide opinions to the Board of Directors;

- to take the initiative or be appointed by the Board of Directors to study the important investigation results related to risk management and internal control and the management's response to the investigation results;

- to coordinate the communication and work of internal and external auditors;

- to ensure sufficient resources provided to and appropriate standing for the internal auditing department within the Company, and review and monitor the efficiency of the internal auditing department;

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

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

- to report to the Board of Directors on matters related to the *Corporate Governance Code* in Appendix C1 of the *Listing Rules*;

- other duties as authorized by the Board.

The major works in 2023

The Audit and Risk Management Committee held four meetings in 2023 and the attendance of its members was set out in this report.

The major works of the Audit and Risk Management Committee in 2023 includes:

- to review the annual financial position report of the Company for 2022

- to review the proposal on the qualification approval and annual plan for monetary financial derivative businesses

- to review the revision to the *Rules of Procedure for the Audit and Risk Management Committee* of the Company

- to review the Company's interim financial report for 2023

Members of the Remuneration Committee

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

Major duties

- to make recommendations to the Board of Directors on the overall remuneration policy and structure for directors and senior management, and on the establishment of formal and transparent procedures for formulating the remuneration policy;

- to formulate the remuneration proposal of Directors, Supervisors and senior management and medium and long-term incentive schemes and submit it to the Board for approval, and conduct performance appraisal for senior management;

- to make recommendations to the Board of Directors on the remuneration of some executive directors and senior managers, including non-monetary benefits, pension rights and compensation amounts (including compensation for loss of positions or termination of appointment);

- to review and approve the compensation (if any) payable to the Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and is also fair and reasonable and not excessive for the Company;

- to review and approve compensation arrangements (if any) relating to the dismissal or removal of the Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and compensation payment is reasonable and appropriate;

- to ensure that no Director or any of his/her associates are involved in determining his/her own remuneration. The remuneration of a non-executive director who is a member of the Remuneration Committee shall be determined by other committee members;

- to comply with any new requirements on the duties and authorities of the Remuneration Committee under the *Listing Rules* ;

- to review and approve the remuneration proposals of the management in accordance with the corporate policies and objectives set by the Board of Directors;

- to consider the remuneration paid and the time and responsibilities required by similar companies and the employment conditions for other positions within the Group;

- to make recommendations to the Board of Directors on the remuneration of non-executive directors;

- to review and/or approve the matters related to the share scheme mentioned in Chapter 17 of the *Listing Rules*;

- other duties authorised by the Board.

The major works in 2023

The Remuneration Committee held one meetings in 2023 and the attendance of its members was set out in this report.

The major works of the Remuneration Committee in 2023 included:

- reviewing the Remuneration Scheme of the Directors of the Company.

Members of the Nomination Committee

The members of the Nomination Committee are mainly independent non-executive directors, including Mr. Zong Qingsheng (the convenor), Mr. Zhu Yanfeng (resigned on 2 November 2023), Mr. Yang Qing (appointed on 2 November 2023) and Mr. Leung Wai Lap, Philip.

Major duties

- to advise the Board on the composition of the Board based on the operation, asset scale and equity structure of the Company;
- to advise the Board on the selection criteria and procedures of Directors;
- to identify and select qualified candidates to be nominated as Directors;
- to review the qualifications of Director candidates and make recommendations to the Board;
- to offer recommendations on the composition of other professional committees under the Board;

- to assess the independence of independent non-executive directors (if the Board of Directors plans to propose a resolution to select a person as an independent non-executive director at the shareholders' meeting, ensure that the circular letter and/or explanatory letter to shareholders passed by the shareholders' meeting set out (i) the process used to find the person, the reasons why the Board of Directors thinks that the person should be selected and the reasons why the person is independent; (ii) if the designated independent non-executive director will be the director of the 7th (or more) listed company, the reasons why the Board of Directors thinks that the person can still devote enough time to fulfilling the responsibilities as a non-executive director; (3) the views, perspectives, expertise and experience that the person can bring to the Board of Directors; and (4) how the person can promote the diversity of Board members);

- If an independent non-executive director has been in office for more than nine years, the Board of Directors shall discuss whether it should continue the appointment, including the reasons why it thinks the director is still independent and should be re-elected;

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

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

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

- relevant requirements specified in the latest revision to the *Listing Rules* about the responsibilities and powers of the Nomination Committee, if any, shall apply;

- to report to the Board of Directors on matters related to the *Corporate Governance Code* in Appendix C1 of the *Listing Rules*.

- other duties as authorized by the Board.

The major works in 2023

The Nomination Committee held four meetings in 2023 and the attendance of its members was set out in this report.

The major works of the Nomination Committee in 2023 included:

- assessing the independence of the independent non-executive directors of the Company;
- to review the revision to the *Rules of Procedure for the Nomination Committee* of the Company;
- to review the proposals on the adjustment of the Company's senior management members;
- to review the proposals on the adjustment of the Company's secretaries, authorized representatives, securities affairs representatives and electronic submission system authorisers;
- to review the proposals on the adjustment of the Company's chairman and members of special committees.

4. Supervisors and the Supervisory Committee

(I) Supervisors

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

The current Supervisory Committee is the fifth session of Supervisory Committee since the establishment of the Company and currently comprises three Supervisors, namely Mr. He Wei (the Chairman of the Supervision Committee), Mr. Jin Jun (Employee Supervisor) and Mr. Bao Hongxiang (Independent Supervisor).

(II) Supervisory Committee

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

Supervisor	The Supervisory Committee	The regular meeting of the Board	Shareholders' General Meeting
Chairman of the Supervision Committee			
Mr. He Wei	2/2(100%)	7/7(100%)	2/2(100%)
Independent Supervisor			
Mr. Bao Hongxiang	2/2(100%)	7/7(100%)	2/2(100%)
Employee Supervisor			
Mr. Jin Jun	2/2(100%)	7/7(100%)	2/2(100%)

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

The Supervisory Committee reviewed the annual and interim financial reports and relevant information of the Company. Upon the audit, the certified public accountant has issued unqualified auditors' reports on the 2022 annual financial report and 2023 interim financial report of the Company, confirmed that the consolidated financial statements give an objective, true and fair view of the financial position and the financial performance of the Company.

5. Accountability and Auditing

(I) Financial Reporting

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

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

(II) Auditor and Remuneration

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

PricewaterhouseCoopers LLP ("PwC") retired as auditors of the Company at the conclusion of the annual general meeting of the Company held on 20 June 2023 (the "2022 AGM"). Following the retirement of PwC at the 2022 AGM, Ernst & Young was appointed as the Company's new auditor.

During the reporting year, the Company appointed Ernst & Young as the Company's international auditor in 2023 and Ernst & Young Hua Ming LLP as the Company's domestic auditor in 2023, both of which were engaged in interim report review and annual report audit until the end of the 2023 annual general meeting. Authorized by the general meeting, the Board of Directors determined that the combined remuneration of the presiding auditors is RMB7.473 million (including tax).

The Audit and Risk Management Committee has discussed and evaluated the professional qualification and the audit works of Ernst & Young and Ernst & Young Hua Ming LLP for 2023.

(III) Risk Management and Internal Control

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

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

Under the philosophy of “central planning, division of responsibilities, prioritisation and comprehensive implementation”, the Company has established a risk management and internal control system involving the Board, the Audit and Risk Management Committee and other relevant units and branches with clear division of duties.

The Audit and Risk Management Committee of the Board was established to supervise the financial reporting procedures, internal control and risk management of the Company. The Audit and Risk Management Committee receives annual reports on the annual review of risk management and work on management and control, development and operation of internal control system as well as internal audit from the Company and provides guidance and supervision to the Company.

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

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

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

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

6. Company Secretaries

Mr. Yin Yaoliang (resigned on 28 August 2023), Mr. Liao Xianzhi (appointed on 28 August 2023) are the joint company secretaries of the Company, and the Company has also appointed Ms. Yuen Wing Yan, Winnie from Tricor Services Limited as the external joint company secretary of the Company; the main contact person in the Company is Mr. Liao Xianzhi.

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

7. Other Stakeholders

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

8. Strengthening of Corporate Governance

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

9. Constitutional Documents

During the Reporting Period, the Company has amended its Articles of Association. Details of the amendments are set out in the circular dated 29 May 2023 to shareholders. The latest version of the Company's Articles of Association is also available on the websites of the Hong Kong Stock Exchange and the Company.

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

OPINION

We have audited the consolidated financial statements of Dongfeng Motor Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 93 to 226, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated statement of cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Warranty provisions	
As of 31 December 2023, the balance of warranty provisions for passenger vehicles and commercial vehicles sold in the consolidated statement of financial position of the Group amounted to RMB2,921 million. Provisions for warranties granted by the Group for the passenger vehicles and commercial vehicles sold are recognized based on sales volume and estimated unit cost of repairs and replacements. Considering the magnitude of the balance of warranty provisions and the significant involvement of management's judgement and assumptions applied in estimating unit cost in respect of future warranty claims, warranty provisions were identified as a key audit matter. Details of the warranty provisions are disclosed in Note 3 "SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES", Note 6"PROFIT BEFORE INCOME TAX", and Note 32 "PROVISIONS" to the consolidated financial statements.	We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Group's accounting for warranty provisions. Our audit procedures performed on warranty provisions of the Group included, among others: • assessing management's warranty provision methodology using our knowledge of the Group, the experience of passenger and commercial vehicles industry, and with reference to the terms of the warranty manuals and relevant documents; • comparing the volume of the respective vehicle models used in warranty provision calculation to the sales records; • comparing management's estimation on the warranty cost per unit with the historical actual claims incurred; • discussing with management and performing analysis on actual claims during the year and after year-end to identify any indicators of significant quality defect, significant changes of labour and parts costs, and significant changes of expected occurrence of repair or replacement that would significantly affect the estimates of the year-end warranty provisions; • testing the mathematical accuracy of calculations therein by re-performing the calculations; • assessing the adequacy of the disclosure of warranty provisions made in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter (Continued)

Impairment assessment of property, plant and equipment and intangible assets

The Group recorded a total impairment provision of RMB318 million against property, plant and equipment ("PP&E") and intangible assets to the consolidated income statement of the Group for the year ended 31 December 2023, and the total carrying amount of PP&E and intangible assets of the Group amounted to RMB34,952 million as of 31 December 2023.

Due to the fierce competition in the domestic automobile market, the total sales volume had declined and the Group incurred loss, there existed impairment indicators for certain PP&E and intangible assets.

Management uses the value in use of the cash-generating units ("CGUs") to which the PP&E and intangible assets belong to determine the recoverable amount. Estimating the value in use requires the Group to estimate the future cash flows from the cash-generating unit and to choose suitable discount rates to calculate the present value of those projected cash flows. The assumptions used by management to estimate the value in use may be affected by unexpected changes in future market or economic conditions. Accordingly, impairment assessment of PP&E and intangible assets was identified as a key audit matter.

Details of the impairment provision are disclosed in Note 3 "SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES", Note 6 "PROFIT BEFORE INCOME TAX", Note14 "PROPERTY, PLANT AND EQUIPMENT", and Note 16" INTANGIBLE ASSETS" to the consolidated financial statements.

How our audit addressed the key audit matter (Continued)

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Group's impairment assessment of property, plant and equipment and intangible assets.

Our audit procedures included, among others:

- understanding how management monitors independent cash inflows and operation performance to evaluate the appropriateness of management's grouping of PP&E and intangible assets with the relevant CGUs;
- assessing the valuation methodology used by management to determine the value in use with the assistance of our valuation specialists by reference to the industry practice;
- evaluating the significant assumptions relating to discount rates and long-term growth rates by benchmarking market data and comparable companies with the support of our valuation specialists;
- comparing the significant assumption relating to projected sales growth rates used by management to current industry and economic trends, the Group's approved budget and business plan, and other relevant factors;
- evaluating management's reliability of projected cash flows through review of actual outcomes against estimates made in prior periods;
- performing sensitivity analyses for discount rates applied and projected sales growth rates adopted to evaluate the changes in the value in use of the cash-generating unit that would result from changes in the assumptions;
- assessing the adequacy of the disclosures made in the financial statements regarding impairment assessment of PP&E and intangible assets.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

Management is responsible for the other information. The other information comprises the 2023 annual results announcement (but does not include the full set of the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the 2023 annual report, which is expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cheung Ng.

Ernst & Young
Certified Public Accountants

Hong Kong
28 March 2024

Consolidated Income Statement

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 RMB million	2022 RMB million
Revenue	4	**99,315**	92,663
Cost of sales		**(89,849)**	(83,836)
Gross profit		**9,466**	8,827
Other income	5	**4,143**	6,031
Selling and distribution expenses		**(8,221)**	(6,569)
Administrative expenses		**(5,309)**	(5,126)
Net impairment losses on financial assets	10	**(1,075)**	(1,209)
Other expenses		**(5,601)**	(5,287)
Finance expenses	7	**(1,108)**	(1,029)
Share of profits and losses of:			
Joint ventures	19	**513**	11,884
Associates	20	**807**	862
PROFIT/(LOSS) BEFORE INCOME TAX	6	**(6,385)**	8,384
Income tax credit/(expense)	11	**(428)**	929
PROFIT/(LOSS) FOR THE YEAR		**(6,813)**	9,313
Profit attributable to:			
Equity holders of the Company		**(3,996)**	10,265
Non-controlling interests		**(2,817)**	(952)
		(6,813)	9,313
Earnings/(Loss) per share attributable to ordinary equity holders of the Company:	13		
Basic for the year		**(46.94) cents**	119.14 cents
Diluted for the year		**(46.94) cents**	119.14 cents

The notes on pages 104 to 226 form an integral part of the consolidated financial information.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Year ended 31 December	
	2023	2022
	RMB million	*RMB million*
PROFIT/(LOSS) FOR THE YEAR	**(6,813)**	9,313
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss		
Share of other comprehensive income of investments accounted for using the equity method	**2**	(24)
Remeasurements of post-employment benefit obligations	**36**	12
Changes in the fair value of financial assets at fair value through other comprehensive income	**5,888**	(2,450)
	5,926	(2,462)
Items that may be reclassified to profit or loss		
Currency translation differences	**14**	(16)
Income tax effect		
Item that will not be reclassified subsequently to profit or loss	**(1,478)**	606
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**4,462**	(1,872)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(2,351)**	7,441
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**448**	8,391
Non-controlling interests	**(2,799)**	(950)
	(2,351)	7,441

The notes on pages 104 to 226 form an integral part of the consolidated financial information.

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	31 December 2023 RMB million	2022 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	14	**24,477**	21,672
Right-of-use assets	15	**4,751**	4,799
Investment properties		**4,344**	2,698
Intangible assets	16	**10,475**	8,553
Goodwill	17	**3,155**	3,155
Investments in joint ventures	19	**38,814**	40,880
Investments in associates	20	**16,612**	15,714
Financial assets at fair value through other comprehensive income	27	**8,997**	10,384
Other non-current assets	21	**35,363**	34,350
Deferred tax assets	11	**5,082**	4,827
Total non-current assets		**152,070**	147,032
Current assets			
Inventories	22	**14,234**	13,132
Trade receivables	23	**8,555**	10,398
Bills receivable	24	**7,304**	5,311
Prepayments, deposits and other receivables	25	**37,963**	50,776
Financial assets at fair value through other comprehensive income	27	**9,248**	6,777
Due from joint ventures	26	**1,280**	10,867
Financial assets at fair value through profit or loss	29	**16,568**	15,743
Pledged bank balances and time deposits		**4,159**	1,954
Cash and cash in bank	28	**79,297**	68,046
Total current assets		**178,608**	183,004
TOTAL ASSETS		**330,678**	330,036

The notes on pages 104 to 226 form an integral part of the consolidated financial information.

Consolidated Statement of Financial Position (Continued)

As at 31 December 2023

	Notes	31 December 2023 RMB million	2022 RMB million
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	30	**8,302**	8,616
Reserves		**26,905**	25,082
Treasury shares		**(78)**	(93)
Retained profits		**117,658**	122,247
		152,787	155,852
Non-controlling interests		**6,822**	9,684
TOTAL EQUITY		**159,609**	165,536
Non-current liabilities			
Interest-bearing borrowings	31	**28,280**	24,344
Lease liabilities	15	**1,807**	1,928
Other long term liabilities		**2,189**	2,285
Government grants	33	**2,198**	2,499
Deferred tax liabilities	11	**1,691**	1,621
Provisions	32	**1,942**	1,754
Total non-current liabilities		**38,107**	34,431

The notes on pages 104 to 226 form an integral part of the consolidated financial information.

	Notes	31 December 2023 RMB million	31 December 2022 RMB million
Current liabilities			
Trade payables	34	**27,164**	18,568
Lease liabilities	15	**315**	300
Bills payable	35	**29,292**	22,839
Other payables and accruals	36	**17,883**	18,168
Contract liabilities		**4,318**	3,810
Due to joint ventures	26	**20,513**	36,034
Interest-bearing borrowings	31	**30,977**	28,082
Income tax payable		**1,488**	1,139
Provisions	32	**1,012**	1,129
Total current liabilities		**132,962**	130,069
TOTAL LIABILITIES		**171,069**	164,500
TOTAL EQUITY AND LIABILITIES		**330,678**	330,036

The notes on pages 104 to 226 form an integral part of the consolidated financial information.

Director *Director*

Consolidated Statement of Changes In Equity

For the year ended 31 December 2023

	Attributable to equity holders of the Company							
	Issued capital	Capital reserve	Treasury shares	Statutory Reserves	Retained profits	Total	Non-controlling interests	Total equity
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Year ended 31 December 2023								
As at 31 December 2022 and 1 January 2023	8,616	5,359*	(93)	19,723*	122,247	155,852	9,684	165,536
Loss for the year	–	–	–	–	(3,996)	(3,996)	(2,817)	(6,813)
Other comprehensive income for the year	–	4,444	–	–	–	4,444	18	4,462
Total comprehensive loss for the year	–	4,444	–	–	(3,996)	448	(2,799)	(2,351)
Repurchase of shares	–	–	(963)	–	–	(963)	–	(963)
Cancellation of shares	(314)	(664)	978	–	–	–	–	–
Final 2022 dividend declared and paid	–	–	–	–	(2,560)	(2,560)	–	(2,560)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	(50)	(50)
Transactions with non-controlling interests holder	–	(7)	–	(14)	–	(21)	(21)	(42)
Share-based payment	–	31	–	–	–	31	8	39
Transfer from capital reserve upon on disposal of equity investments at fair value through other comprehensive income	–	(1,967)	–	–	1,967	–	–	–
As at 31 December 2023	8,302	7,196	(78)	19,709*	117,658	152,787	6,822	159,609

* These reserve accounts comprise the consolidated reserves of RMB26,905 million (2022: RMB25,082 million) in the consolidated statement of financial position.

The notes on pages 104 to 226 form an integral part of the consolidated financial information.

Consolidated Statement of Changes In Equity (Continued)

For the year ended 31 December 2023

	Attributable to equity holders of the Company							
	Issued capital *RMB million*	Capital reserve *RMB million*	Treasury shares *RMB million*	Statutory Reserves *RMB million*	Retained profits *RMB million*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
Year ended 31 December 2022								
As at 1 January 2022	8,616	5,513*	–	18,391*	114,909	147,429	4,749	152,178
Profit for the year	–	–	–	–	10,265	10,265	(952)	9,313
Other comprehensive income for the year	–	(1,874)	–	–	–	(1,874)	2	(1,872)
Total comprehensive income for the year	–	(1,874)	–	–	10,265	8,391	(950)	7,441
Transfer to reserves	–	–	–	1,332	(1,332)	–	–	
Repurchase of treasury shares	–	–	(93)	–	–	(93)	–	(93)
Share of capital reserve of investments accounted for using the equity method	–	48	–	–	–	48	–	48
Final 2021 and interim 2022 dividend declared and paid	–	–	–	–	(2,585)	(2,585)	(13)	(2.598)
Transactions with non-controlling interest holder	–	2,652	–	–	–	2,652	1,061	3,713
Business combination under common control	–	(89)	–	–	–	(89)	–	(89)
Business combinations not under common control	–	–	–	–	–	–	4,837	4,837
Others	–	(891)	–	–	990	99	–	99
As at 31 December 2022	8,616	5,359*	(93)	19,723*	122,247	155,852	9,684	165,536

The notes on pages 104 to 226 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 RMB million	2022 RMB million
Cash flows from operating activities			
Profit/(loss) before income tax		**(6,385)**	8,384
Adjustments for:			
Share of profits and losses of joint ventures and associates		**(1,320)**	(12,746)
Gain on disposal of items of property, plant and equipment and intangible assets, net	6	**(178)**	(319)
Gain on disposal of long-term investments	5	**(129)**	(1,945)
Loss on changes in fair value of financial assets at fair value through profit or loss		**4**	397
Depreciation of right-of-use assets	6	**431**	353
Write-down of inventories to net realisable value	6	**426**	189
Impairment losses on financial assets	6	**1,075**	1,209
Impairment losses on investment property		**–**	12
Exchange (gain)/loss, net	7	**337**	(187)
Depreciation of property, plant and equipment	6	**3,214**	2,816
Depreciation of Investment properties	6	**99**	78
Impairment of items of property, plant and equipment	6	**198**	82
Impairment of intangible assets	6	**120**	75
Amortisation of intangible assets	6	**1,466**	1,194
Interest expenses of lease liabilities	7	**111**	115
Finance expenses	7	**660**	914
Interest income	5	**(746)**	(746)
Government grants	33	**(377)**	(368)
		(994)	(493)

The notes on pages 104 to 226 form an integral part of the consolidated financial information.

	Notes	Year ended 31 December 2023 RMB million	2022 RMB million
(Increase)/decrease in trade and bills receivables and prepayments,deposits and other receivables		**(1,733)**	867
Increase in inventories		**(1,528)**	(1,022)
Decrease in amounts due from joint ventures		**4,646**	348
Increase/(decrease) in trade and bills payables, contract liabilities and other payables and accruals		**11,870**	(12,612)
Decrease in loans and receivables from financing services		**9,604**	19,306
Increase in cash deposits received from financing services		**4,019**	3,339
Decrease/(increase) in a mandatory reserve with the People's Bank of China		**383**	(487)
Decrease in amounts due to joint ventures		**(15,521)**	(763)
Increase in provisions		**224**	207
Cash from operations		**10,970**	8,690
Interest paid		**(702)**	(516)
Income tax paid		**(1,715)**	(1,612)
Net cash flows from operating activities		**8,553**	6,562

The notes on pages 104 to 226 form an integral part of the consolidated financial information.

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 RMB million	2022 RMB million
Cash flows from investing activities			
Purchases of items of property, plant and equipment, investment property and other long term assets		**(9,699)**	(4,168)
Increase in Right-of-use assets		**(41)**	(272)
Purchases of intangible assets		**(2,981)**	(3,884)
Purchases of other equity instruments		**–**	(98)
Investments in joint ventures and associates		**(190)**	(481)
Proceeds from disposal of items of property, plant and equipment and intangible assets, investment property		**862**	981
Proceeds from sale of financial assets at fair value through other comprehensive income		**7,271**	5,247
Proceeds from sale of subsidiaries and associates		**79**	938
Dividends from joint ventures and associates		**7,700**	14,152
Dividends from financial assets at fair value through other comprehensive income		**1,013**	719
Government grants received		**76**	372
Interest received		**746**	799
Increase in pledged bank balances and time deposits and financial assets at fair value through profit or loss		**39**	132
Increase in non-pledged time deposits with original maturity of three months or more when acquired	28	**(4,100)**	(1,563)
Cash decreased relating to acquisition of subsidiaries		**–**	(3,802)
Cash paid relating to other investing activities		**(646)**	(703)
Net cash flows from investing activities		**129**	8,369

The notes on pages 104 to 226 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 RMB million	2022 RMB million
Cash flows from financing activities			
Proceeds from borrowings		**25,711**	18,146
Repayment of borrowings		**(23,236)**	(17,706)
Capital contribution from non-controlling shareholders		**–**	3,713
Repurchase of shares		**(963)**	(93)
Dividends paid to non-controlling shareholders		**(50)**	(24)
Dividends paid to the equity holders of the Company		**(2,560)**	(2,585)
Other payments related to financing activities		**(529)**	(321)
Net cash (used in)/from financing activities		**(1,627)**	1,130
Net increase in cash and cash equivalents		**7,055**	16,061
Effects of exchange rate changes on cash and cash equivalents		**96**	153
Cash and cash equivalents at beginning of year		**65,244**	49,030
Cash and cash equivalents at end of year	28	**72,395**	65,244

The notes on pages 104 to 226 form an integral part of the consolidated financial information.

1. GENERAL 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, the PRC.

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

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

2.1 BASIS OF PREPARATION

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2.3 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Since the Group's approach and policy align with the amendments, and as the related deferred tax balances qualified for offsetting under IAS 12, the amendments had no material impact on the overall deferred tax balances presented in the consolidated statement of financial position.

(d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect.

The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")[1]
Amendments to IAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[1]
Amendments to IAS 21	Lack of Exchangeability[2]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

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

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

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

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

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

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

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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

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

Business combination under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated income statement includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its equity investments and certain financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

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

Or

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

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

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investment properties

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

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

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

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

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

Intangible assets (other than goodwill)

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

Patents and licenses

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

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (Continued)

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products commencing from the date when the products are put into commercial production.

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

Customer relationships

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

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (FVOCI) (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the income statement.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the income statement. Dividends are recognised as other income in the income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the income statement when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The Group assesses on a forward looking basis the expected credit losses and the impairment methodology applied depends on whether there has been a significant increase in credit risk.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings, trade and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the income statement.

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Borrowing costs

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

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

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

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition comprises direct materials, direct labour and an appropriate proportion of overheads and are accounted for as follows:

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

Net realisable value is based on the estimated selling price, less any estimated costs of completion and the estimated costs necessary to make the sale.

Trade and other receivables

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

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

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

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

Provisions

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

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sale of goods

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

Vehicles are often sold with volume rebates. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(b) Rendering of services

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

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers, etc., that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax

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

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

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

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

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

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

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

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

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

Government grants

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

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits

(i) Retirement benefits

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

(ii) Medical benefits

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

(iii) Cash housing subsidies

Cash housing subsidies related to present services of employees are recognized in the income statement when incurred. Further details of the housing subsidy plans are set out in note 6(c) below.

(iv) Termination and early retirement benefits

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

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Dividends

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

Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

(iii) Group companies

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

(i) Warranty provisions

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

(ii) Deferred tax assets

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

(iii) Impairment assessment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(iv) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(v) Impairment of financial assets

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

(vi) Measurement of expected credit loss

The Group calculates expected credit losses through default risk exposure and expected credit loss rate, and determines the expected credit loss rate based on default probability and default loss rate. In determining the expected credit loss rate, the Group uses data such as internal historical credit loss experience, etc., and adjusts historical data based on current conditions and forward-looking information. When considering forward-looking information, the indicators used by the Group include the risk of economic downturn, the expected increase in unemployment rate, external market environment, technological environment and changes in customer situations. The Group regularly monitors and reviews assumptions related to the calculation of expected credit losses. In 2023, there was no significant change in the above estimation techniques and key assumptions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(vii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

If the management revises the gross profit rate adopted in calculation of future cash flows of the cash-generating units and the revised gross profit rate is lower than the gross profit rate currently adopted, the Group may need to recognize an impairment loss of goodwill.

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

(viii) Impairment of inventory

Inventories are stated at the lower of cost and net realizable value at the end of each reporting period. If cost is higher than net realisable value, impairment against inventories is recognized and charged in profit or loss during the current period. The net realisable value is the estimated selling price in the current course of business, less applicable costs, variable selling expenses and tax charges. Recognition of net realisable value requires judgment and estimates. If the previous estimate results is different from updated estimates, the difference will affect the carrying amount of inventories in the period in which the estimate is revised

(ix) Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.3 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

4. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2023, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2023

	Commercial vehicles *RMB million*	Passenger vehicles *RMB million*	Financing service *RMB million*	Corporate and others *RMB million*	Elimination *RMB million*	Total *RMB million*
Segment revenue						
Sales to external customers	49,419	42,384	6,046	1,466	–	99,315
Intersegment sales	119	159	105	137	(520)	–
	49,538	42,543	6,151	1,603	(520)	99,315
Results						
Segment results	(4,107)	(6,565)	1,944	(675)	2,060	(7,343)
Interest income	522	253	–	2,136	(2,165)	746
Finance expenses	(81)	(23)	–	(1,145)	141	(1,108)
Share of profits and losses of:						
Joint ventures	245	268	–	–	–	513
Associates	(29)	(32)	808	60	–	807
Loss before income tax						(6,385)
Income tax expense						(428)
Loss for the year						(6,813)

The Group derives revenue from the transfer of goods are mainly recognized at a point in time, and from financing services are mainly recognized over time when the services are rendered

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2023 (Continued)

	Commercial vehicles *RMB million*	Passenger vehicles *RMB million*	Financing service *RMB million*	Corporate and others *RMB million*	Elimination *RMB million*	Total *RMB million*
Other segment information						
Capital expenditure:						
– Property, plant and equipment	1,945	5,963	208	1,583	–	9,699
– Intangible assets	788	2,140	43	10	–	2,981
– Right-of-use assets and other non-current assets	–	41	–	–	–	41
Depreciation of property, plant and equipment	1,157	1,529	15	513	–	3,214
Amortization of intangible assets	717	563	27	159	–	1,466
Depreciation of right-of-use assets	127	283	7	14	–	431
Provision against inventories	257	158	–	11	–	426
Impairment losses of financial assets	244	(86)	962	(45)	–	1,075
Impairment losses of property, plant and equipment and intangible assets	166	130	–	22	–	318
Warranty provisions	214	423	–	13	–	650

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022

	Commercial vehicles *RMB million*	Passenger vehicles *RMB million*	Financing service *RMB million*	Corporate and others *RMB million*	Elimination *RMB million*	Total *RMB million*
Segment revenue						
Sales to external customers	38,644	46,444	6,403	1,172	–	92,663
Intersegment sales	21	288	35	50	(394)	–
	38,665	46,732	6,438	1,222	(394)	92,663
Results						
Segment results	(2,866)	(6,437)	1,884	1,236	2,104	(4,079)
Interest income	579	277	–	2,027	(2,137)	746
Finance expenses	(203)	13	–	(881)	42	(1,029)
Share of profits and losses of:						
Joint ventures	541	11,190	87	66	–	11,884
Associates	41	104	1,000	(283)	–	862
Profit before income tax						8,384
Income tax expense						929
Profit for the year						9,313

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022

	Commercial vehicles *RMB million*	Passenger vehicles *RMB million*	Financing service *RMB million*	Corporate and others *RMB million*	Elimination *RMB million*	Total *RMB million*
Other segment information						
Capital expenditure:						
– Property, plant and equipment	839	2,144	317	868	–	4,168
– Intangible assets	662	3,117	39	66	–	3,884
– Right-of-use assets and other non-current assets	9	257	–	6	–	272
Depreciation of property, plant and equipment	988	1,092	13	723	–	2,816
Amortization of intangible assets	736	233	14	211	–	1,194
Depreciation of right-of-use assets	110	237	1	5	–	353
Provision against inventories	207	(19)	–	1	–	189
Impairment losses of financial assets	300	146	993	(230)	–	1,209
Impairment losses of property, plant and equipment and intangible assets	6	121	–	30	–	157
Warranty provisions	230	499	–	5	–	734

5. OTHER INCOME

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

	2023	2022
	RMB million	*RMB million*
Net income from disposal of other materials	**102**	68
Government grants and subsidies	**1,163**	960
Dividends	**1,013**	719
Interest income	**746**	746
Management dispatch fee received from joint ventures	**211**	220
Gain on disposal of long-term investments	**129**	1,945
Others	**779**	1,373
	4,143	6,031

The Company disposed of 2.16 million shares of Seres Group Co.,Ltd ("Seres") in 2023, generating cash inflow of RMB82.63 million and a dispoal gain of RMB79.39 million (In 2022, the gain on disposal of Seres shares was 1,945 million).

6. PROFIT BEFORE INCOME TAX

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

	Notes	**2023** **RMB million**	2022 RMB million
Cost of inventories recognized		**80,733**	77,546
Interest expense for financing services (included in cost of sales)		**648**	697
Provision against inventories		**426**	189
Depreciation of property, plant and equipment	14	**3,214**	2,816
Amortization of intangible assets	16	**1,466**	1,194
Depreciation of right-of-use assets	15	**431**	353
Depreciation of Investment properties		**99**	78
Auditors' remuneration*		**18**	21
Net impairment losses on financial assets	10	**1,075**	1,209
Staff costs (excluding directors' and supervisors' remuneration *(Note 8)*):			
– Wages and salaries		**8,983**	8,332
– Pension scheme costs	(a)	**949**	835
– Medical benefit costs	(b)	**584**	504
– Cash housing subsidy costs	(c)	**2**	–
		10,518	9,671
Included in other expenses:			
Gains on disposal of items of property, plant and equipment and intangible assets		**(178)**	(319)
Impairment of items of property, plant and equipment	14	**198**	82
Impairment of intangible assets	16	**120**	75
Impairment of investment property		**–**	12
Warranty provisions	32	**650**	734
Research costs		**4,571**	4,393
Royalty fee		**26**	22
Other exchange losses, net		**(33)**	(187)

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

6. PROFIT BEFORE INCOME TAX (CONTINUED)

(a) Retirement benefits

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

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

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

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

(b) Medical benefits

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

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

6. PROFIT BEFORE INCOME TAX (CONTINUED)

(b) Medical benefits (Continued)

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

(c) Cash housing subsidies

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

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

(d) Termination and early retirement benefits

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

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

7. FINANCE EXPENSES

	2023 RMB million	2022 RMB million
Interest expenses on bank loans and other borrowings	660	795
Interest expenses on lease liabilities *(Note 15)*	111	115
Net exchange losses of financing activities	337	119
Finance expenses	1,108	1,029

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of the directors' and supervisors' remuneration for the year, disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622), Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules, are as follows:

	Directors		Supervisors	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Fees	450	486	–	–
Other emoluments:			–	–
– Salaries	625	972	754	747
– Discretionary bonuses	1,804	4,659	1,769	2,679
– Estimated money value of other benefits	167	248	136	126
– Employer's contribution to a retirement benefit scheme	199	298	154	148
Total charged to the income statement	3,245	6,663	2,813	3,700

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

For the year ended 31 December 2023:

Name	Fees *RMB'000*	Salary *RMB'000*	Discretionary bonuses *RMB'000*	Estimated money value of other benefits *RMB'000*	Employer's contribution to a retirement benefit scheme *RMB'000*	Total *RMB'000*
Executive directors:						
Zhu Yanfeng (retired on 2 November 2023)	–	60	480	16	19	575
Yang Qing	–	240	655	68	77	1,040
You Zheng	–	259	499	67	84	909
	–	559	1,634	151	180	2,524
Non-executive directors:						
Huang Wei (resigned on 17 May 2023)	–	66	74	16	19	175
	–	66	74	16	19	175
Independent non-executive directors:						
Leung Wai Lap, Philip	177	–	–	–	–	177
Zong Qingsheng	100	–	–	–	–	100
Hu Yiguang	173	–	–	–	–	173
	450	–	–	–	–	450
	450	625	1,708	167	199	3,149
Supervisors:						
He Wei (Supervisor Chairman)	–	430	1,042	68	77	1,617
Jin Jun	–	324	727	68	77	1,196
	–	754	1,769	136	154	2,813

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

For the year ended 31 December 2022:

Name	Fees *RMB'000*	Salary *RMB'000*	Discretionary bonuses *RMB'000*	Estimated money value of other benefits *RMB'000*	Employer's contribution to a retirement benefit scheme *RMB'000*	Total *RMB'000*
Executive directors:						
Zhu Yanfeng	–	234	1,207	63	74	1,578
Yang Qing	–	234	1,070	64	74	1,442
You Zheng	–	250	1,294	60	76	1,680
	–	718	3,571	187	224	4,700
Non-executive directors:						
Huang Wei	–	254	1,088	61	74	1,477
	–	254	1,088	61	74	1,477
Independent non-executive directors:						
Leung Wai Lap, Philip	184	–	–	–	–	184
Zong Qingsheng	120	–	–	–	–	120
Hu Yiguang	182	–	–	–	–	182
	486	–	–	–	–	486
	486	972	4,659	248	298	6,663
Supervisors:						
He Wei (Supervisor Chairman)	–	429	1,716	63	74	2,282
Jin Jun	–	318	963	63	74	1,418
	–	747	2,679	126	148	3,700

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

No retirement benefits or termination benefits were paid to directors or supervisors during the year ended 31 December 2023. No considerations were provided to third parties for making available directors' services (2022: same).

During the year, no loans, quasi-loans or other dealings were entered into by the Company in favor of directors or supervisors (2022: same).

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include directors (2022: nil directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the five (2022: five) highest paid employees who are neither a director nor a supervisor of the Company are as follows:

	2023	2022
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,115**	3,120
Bonuses	**7,858**	10,572
Pension scheme contributions	**858**	992
	11,831	14,684

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

	Number of employees	
	2023	2022
RMB2,000,001–RMB2,500,000	**4**	–
RMB2,500,001–RMB3,000,000	**–**	3
RMB3,000,001–RMB3,500,000	**1**	2
RMB3,500,001–RMB4,000,000	**–**	–
	5	5

10. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2023	2022
	RMB million	*RMB million*
(Reversal of impairment)/impairment losses of trade receivables	**(164)**	96
Impairment losses of other receivables	**105**	105
Impairment losses of loans and receivables from financing services	**1,053**	993
Others	**81**	15
	1,075	1,209

11. INCOME TAX EXPENSE AND DEFERRED INCOME TAX

	2023	2022
	RMB million	*RMB million*
Current income tax	**1,435**	965
Deferred income tax	**(1,007)**	(1,894)
Income tax expense/(credit) for the year	**428**	(929)

(a) Corporate income tax

Under the PRC Corporate Income Tax Law and the respective regulations, the corporate income tax for the Company and its subsidiaries is calculated at a statutory rates 25% or a preferential rate of 15% where applicable, on their estimated assessable profits for the year based on the existing legislations, interpretations and practices in respect thereof.

(b) Hong Kong profits tax

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

(c) Deferred income tax

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

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

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

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

	2023 *RMB million*	2022 *RMB million*
(Loss)/profit before income tax	(6,385)	8,384
At the PRC statutory corporate income tax rate of 25% (2022: 25%)	(1,596)	2,096
Tax concessions and lower tax rates for specific provinces or locations	497	246
Share of profits and losses of joint ventures and associates	(319)	(3,256)
Expenses not deductible for corporate income tax	26	35
Tax losses not recognized	1,922	854
Others	(102)	(904)
Income tax expense/(credit) at the Group's effective income tax rate	428	(929)

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

The Group's deferred tax is analyzed as follows:

	Consolidated statement of financial position As at 31 December		Consolidated income statement and statement of comprehensive income Year ended 31 December	
	2023	2022	**2023**	2022
	RMB million	*RMB million*	***RMB million***	*RMB million*
Deferred tax assets:				
Assets impairment	**1,859**	1,550	**(309)**	(55)
Accrued expenses	**681**	588	**(93)**	(120)
Warranty provisions	**217**	282	**65**	(68)
Wages payable	**90**	126	**36**	(22)
Tax losses deductible for carry-forwards in subsequent years	**1,477**	1,486	**9**	(1,204)
Interest received in advance	**467**	455	**(12)**	269
Others	**291**	340	**49**	(126)
Gross deferred tax assets	**5,082**	4,827	**(255)**	(1,326)
Deferred tax liabilities:				
Fair value adjustments arising from acquisition of subsidiaries	**(321)**	(218)	**103**	(54)
Reallocation subsidy received from government	**(39)**	(47)	**(8)**	(8)
Changes in the fair value of financial assets at fair value through other comprehensive income	**(555)**	154	**709**	(567)
Fair value gain on equity investment	**(776)**	(1,510)	**(78)**	(545)
Gross deferred tax liabilities	**(1,691)**	(1,621)	**726**	(1,174)
Represented by:				
Deferred tax credited to consolidated income statement			**(1,007)**	(1,894)
Deferred tax credited to consolidated other comprehensive income			**1,478**	(606)
			471	(2,500)

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

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

	31 December	
	2023	2022
	RMB million	*RMB million*
Deferred tax assets：		
Deferred tax assets to be recovered over 12 months	**2,748**	2,424
Deferred tax assets to be recovered within 12 months	**2,334**	2,403
	5,082	4,827
Deferred tax liabilities：		
Deferred tax liabilities to be settled over 12 months	**(77)**	(10)
Deferred tax liabilities to be settled within 12 months	**(1,614)**	(1,611)
	(1,691)	(1,621)
	3,391	3,206

12. DIVIDEND

	2023	2022
	RMB million	*RMB million*
Proposed final – Nil (2022: RMB0.30 per ordinary share)	**–**	2,577

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2023 (year ended 31 December 2022: 2,577 million).

Resolution for distribution of a final dividend of RMB2,560 million (RMB0.3 per share) based on the annual net profit for 2022 attributable to shareholders was approved by the shareholders of the Company at the annual general meeting held on 20 June 2023, and was paid in August 2023 to shareholders.

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

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

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

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

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

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

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

13. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

The calculation of basic (loss)/earnings per share is based on:

	2023	2022
	RMB million	*RMB million*
Earnings:		
(Loss)/profit for the year attributable to ordinary equity holders of the Company	(3,996)	10,265
	Number of shares	
	million	*million*
Shares:		
Weighted average number of ordinary shares in issue during the year	8,513	8,616
(Loss)/Earnings per share	(46.94) cents	119.14 cents

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

14. PROPERTY, PLANT AND EQUIPMENT

	Note	Buildings RMB million	Equipment RMB million	Construction in progress RMB million	Total RMB million
At 31 December 2022 and 1 January 2023:					
Cost		10,093	30,202	2,923	43,218
Accumulated depreciation and impairment		(3,344)	(18,201)	(1)	(21,546)
Net carrying amount		6,749	12,001	2,922	21,672
At 1 January 2023, net of accumulated depreciation and impairment		6,749	12,001	2,922	21,672
Additions		770	5,140	803	6,713
Disposals		(185)	(168)	–	(353)
Transfer to investment properties		(143)	–	–	(143)
Impairment	(a)	(25)	(169)	(4)	(198)
Depreciation during the year		(360)	(2,854)	–	(3,214)
At 31 December 2023, net of accumulated depreciation and impairment		6,806	13,950	3,721	24,477
At 31 December 2023:					
Cost		10,535	35,174	3,726	49,435
Accumulated depreciation and impairment		(3,729)	(21,224)	(5)	(24,958)
Net carrying amount		6,806	13,950	3,721	24,477

(a) Due to the fierce competition in the domestic automobile market, the sales volume and profit of the Group have declined, certain property, plant and equipment had impairment indicators. As a result, the Group recorded a total impairment provision charge of RMB198 million (2022:RMB82 million) against PP&E assets to the consolidated income statement of the Group for the year.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Buildings RMB million	Equipment RMB million	Construction in progress RMB million	Total RMB million
At 31 December 2021 and 1 January 2022:					
Cost		9,075	25,264	1,895	36,234
Accumulated depreciation and impairment		(2,885)	(14,487)	(11)	(17,383)
Net carrying amount		6,190	10,777	1,884	18,851
At 1 January 2022, net of accumulated depreciation and impairment		6,190	10,777	1,884	18,851
Additions		245	1,306	3,626	5,177
Acquisition of subsidiaries		1,096	1,001	95	2,192
Disposals		(275)	(536)	–	(811)
Disposal of subsidiaries		(135)	(112)	(49)	(296)
Reclassification		379	2,170	(2,549)	–
Other transfer		(459)	–	(84)	(543)
Impairment	(a)	(4)	(77)	(1)	(82)
Depreciation during the year		(288)	(2,528)	–	(2,816)
At 31 December 2022, net of accumulated depreciation and impairment		6,749	12,001	2,922	21,672
At 31 December 2022:					
Cost		10,093	30,202	2,923	43,218
Accumulated depreciation and impairment		(3,344)	(18,201)	(1)	(21,546)
Net carrying amount		6,749	12,001	2,922	21,672

15. LEASES

	2023	2022
	RMB million	*RMB million*
Leasehold land and land use rights*	**4,108**	4,183
Buildings	**635**	613
Equipment and vehicles	**8**	3
Total right-of-use assets	**4,751**	4,799
Current lease liabilities	**315**	300
Non-current lease liabilities	**1,807**	1,928
Total lease liabilities	**2,122**	2,228

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

15. LEASES (CONTINUED)

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

The income statement shows the following amounts relating to leases:

	2023	2022
	RMB million	*RMB million*
Leasehold land and land use rights	168	145
Buildings	259	207
Equipment and vehicles	4	1
Total depreciation of right-of-use assets *(Note 6)*	431	353
Interest expense *(Note 7)*	111	115
Expense relating to short-term leases	234	179
Expense relating to leases of low-value assets	72	55

The total cash outflow for leases in 2023 was RMB721 million (2022: RMB555 million).

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

	2023	2022
	RMB million	*RMB million*
Lease liabilities:		
– DMC, its subsidiaries, associates and joint ventures	1,423	1,570

16. INTANGIBLE ASSETS

	Patents and licenses *RMB million*	Customer relationships *RMB million*	Research and development costs *RMB million*	Others *RMB million*	Total *RMB million*
For the year ended 31 December 2023					
Cost:					
At 1 January 2023	7,759	1,388	3,815	2,263	15,225
Additions	474	–	2,837	400	3,711
Reclassification	2,892	–	(2,900)	8	–
Disposals	(25)	–	(178)	(37)	(240)
At 31 December 2023	11,100	1,388	3,574	2,634	18,696
Accumulated amortization:					
At 1 January 2023	3,904	749	–	1,387	6,040
Amortization	1,158	84	–	224	1,466
Disposals	(4)	–	–	(33)	(37)
At 31 December 2023	5,058	833	–	1,578	7,469
Impairment:					
At 1 January 2023	618	–	–	14	632
Additions	119	–	–	1	120
At 31 December 2023	737	–	–	15	752
Net carrying amount:					
At 1 January 2023	3,237	639	3,815	862	8,553
At 31 December 2023	5,305	555	3,574	1,041	10,475

Due to the fierce competition in the domestic automobile market, the sales volume and profit of the Group have declined, certain intangible assets had impairment indicators. As a result, the Group recorded a total impairment provision charge of RMB120 million (2022: RMB75 million) against intangible assets to the consolidated income statement of the Group for the year.

16. INTANGIBLE ASSETS

	Patents and licenses *RMB million*	Customer relationships *RMB million*	Research and development costs *RMB million*	Others *RMB million*	Total *RMB million*
For the year ended 31 December 2022					
Cost:					
At 1 January 2022	6,431	1,336	1,665	1,955	11,387
Additions	12	–	3,685	272	3,969
Acquisition of subsidiaries	258	52	–	113	423
Reclassification	1,371	–	(1,371)	–	–
Disposal of subsidiaries	(313)	–	(164)	(77)	(554)
At 31 December 2022	7,759	1,388	3,815	2,263	15,225
Accumulated amortization:					
At 1 January 2022	3,106	669	–	1,211	4,986
Amortization	908	80	–	206	1,194
Disposal of subsidiary	(110)	–	–	(30)	(140)
At 31 December 2022	3,904	749	–	1,387	6,040
Impairment:					
At 1 January 2022	545	–	–	12	557
Additions	73	–	–	2	75
At 31 December 2022	618	–	–	14	632
Net carrying amount:					
At 1 January 2022	2,780	667	1,665	732	5,844
At 31 December 2022	3,237	639	3,815	862	8,553

17. GOODWILL

	31 December	
	2023	2022
	RMB million	*RMB million*
Cost:		
At 1 January	**3,169**	1,747
Additions	**–**	1,634
Disposal	**–**	(212)
At 31 December	**3,169**	3,169
Impairment:		
At 1 January and at 31 December	**14**	14
Net carrying amount:		
At 1 January	**3,155**	1,733
At 31 December	**3,155**	3,155

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

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

	2023
Long-term growth rate	**2.3%**
Projected sales growth rates	**-7.3%-44%**
Discount rate after tax	**14%-15%**

18. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2023 were as follows:

Name	Place of establishment and business	Paid-up and registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Dongfeng Commercial Vehicles Co., Ltd. ("DFCV")	PRC	RMB9,200,000,000	55.00	–	Manufacturing and sales of commercial vehicles
Dongfeng Liuzhou Motor Co., Ltd. ("Dongfeng Liuqi")	PRC	RMB1,224,700,000	75.00	–	Manufacturing and sale of automobiles, automotive parts and components
Dongfeng Motor Finance Co., Ltd.	PRC	RMB9,000,000,000	100.00	–	Provision of finance services
China Dongfeng Motor Industry Import and Export Co., Ltd.	PRC	RMB200,000,000	95.00	–	Marketing and sale of automobiles
Dongfeng Changxing Technology Co., Ltd.	PRC	RMB3,456,816,200	99.02	–	Manufacturing and sale of electric vehicles, parts and components
Zhixin Technology Co., Ltd.	PRC	RMB2,667,430,000	93.31	–	Manufacturing and sale of electric vehicles, parts and components
Dongfeng Special Commercial Vehicle Co., Ltd.	PRC	RMB343,314,200	75.08	–	Manufacturing and sale of special commercial vehicles, parts and components
Dongfeng Peugeot Citroën Automobile Sales Co., Ltd. ("DPCS")	PRC	RMB100,000,000	50.00	–	Marketing and sale of automobiles
Dongfeng Motor Investment (Wuhan) Co., Ltd.	PRC	RMB10,000,000	100.00	–	Provide investment and advisory services
Dongfeng Nengdi (Hangzhou) Motor Co., Ltd.	PRC	RMB359,900,700	59.72	40.28	Manufacture and sale of automotive parts and components
Dongfeng Automobile Trade Co., Ltd.	PRC	RMB220,000,000	100.00	–	Marketing and sale of automobiles

18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company as at 31 December 2023 were as follows (continued):

Name	Place of establishment and business	Paid-up and registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Dongfeng Motor (Wuhan) Co., Ltd. (originally "Dongfeng Renault Automotive Co., Ltd.")	PRC	RMB4,706,303,400	100.00	–	Manufacturing and sale of automobiles, automotive parts and components
Dongfeng Zhuolian Automobile Service Co., Ltd.	PRC	RMB161,000,000	100.00	–	Sales of auto parts, car maintenance and repair services, etc
VOYAH Automobile Technology Company Ltd.	PRC	RMB3,085,444,090	78.88	–	Automotive technology development and service, production and sales of automobiles and auto parts, etc
Dongfeng USharing Technology Co.,Ltd.	PRC	RMB1,000,000,000	70.00	–	Manufacture and sale of auto parts
DongFeng Automobile Co., Ltd.	PRC	RMB2,000,000,000	55.00	–	Manufacturing and sales of commercial vehicles
Dongfeng Auto Finance Co.,Ltd.	PRC	RMB4,000,000,000	100.00	–	Provision of finance services
Nandou Liuxing System Integration Co., Ltd.	PRC	RMB100,000,000	75.87	–	Automotive information technology development and system integration
Dongfeng Passenger Vehicle Sales Co., Ltd.	PRC	RMB1,800,000,000	100.00	–	Production and sales of new energy vehicles and auto parts
Mengshi Automobile Sales Service Co., Ltd.	PRC	RMB100,000,000	100.00	–	Manufacturing and sale of automobiles, automotive parts and components

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

18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarized financial information on subsidiaries with non-controlling interests:

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

Summarized statement of financial position

	31 December 2023					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
DFCV	26,339	11,214	37,553	26,545	2,181	28,726
Dongfeng Liuqi	10,785	5,180	15,965	10,381	517	10,898
DPCS	1,005	41	1,046	9,333	119	9,452

	31 December 2022					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
DFCV	20,521	12,617	33,138	18,626	2,392	21,018
Dongfeng Liuqi	12,669	4,636	17,305	10,476	712	11,188
DPCS	1,112	1	1,113	8,078	186	8,264

18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Summarized statement of comprehensive income

	For the year ended 31 December 2023			
	Revenue *RMB million*	Loss for the year *RMB million*	Total comprehensive loss for the year *RMB million*	Net cash flows from/(used in) operating activities *RMB million*
DFCV	**27,326**	**(3,287)**	**(3,251)**	**4,265**
Dongfeng Liuqi	**14,304**	**(1,040)**	**(1,049)**	**(574)**
DPCS	**6,523**	**(1,256)**	**(1,256)**	**(118)**

	For the year ended 31 December 2022			
	Revenue *RMB million*	Profit/(Loss) for the year *RMB million*	Total comprehensive loss/(profit) for the year *RMB million*	Net cash flows from/(used in) operating activities *RMB million*
DFCV	22,266	(1,175)	(1,183)	(3,474)
Dongfeng Liuqi	16,813	(622)	(608)	(5,122)
DPCS	9,723	(305)	(305)	22

19. INVESTMENTS IN JOINT VENTURES

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

	31 December	
	2023	2022
	RMB million	*RMB million*
Joint ventures, at carrying value	**38,814**	40,880

The movements in investments in joint ventures are as follows:

	2023	2022
	RMB million	*RMB million*
At 1 January	**40,880**	41,986
New Investments	**3**	1,755
Share of profits	**513**	11,884
Other comprehensive income	**2**	(24)
Other changes in equity	**3**	23
Decreased this year	**–**	(1,309)
Dividends from joint ventures	**(2,587)**	(13,435)
At 31 December	**38,814**	40,880

19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Particulars of the principal joint ventures of the Group as at 31 December 2023 were as follows:

Name	Place of establishment and business	Paid-up Registered capital	Percentage of equity interest attributable to the Company	Principal activities
Dongfeng Motor Co., Ltd. ("DFL")	PRC	RMB16,700,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Peugeot Citroën Automobile Co., Ltd. ("DPCA")	PRC	RMB7,000,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Automobile Co., Ltd. ("DHAC")	PRC	USD1,448,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Engine Co., Ltd.	PRC	USD121,583,517	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Auto Parts Co., Ltd.	PRC	USD62,500,000	44.00	Manufacture and sale of automotive parts and components
eGT New Energy Automotive Co., Ltd.	PRC	RMB140,000,000	50.00	Manufacture and sale of automotive parts and components

19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The financial information of material joint ventures

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

(i) Statement of financial position of material joint ventures

	DFL		DPCA		DHAC	
	31 December		31 December		31 December	
	2023	2022	**2023**	2022	**2023**	2022
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB Million***	*RMB million*
Cash and cash in bank	**44,040**	24,273	**440**	1,698	**11,893**	16,953
Other current assets	**28,317**	47,651	**8,661**	9,520	**24,415**	21,937
Total current assets	**72,357**	71,924	**9,101**	11,218	**36,308**	38,890
Total non-current assets	**40,943**	40,646	**6,982**	8,310	**18,043**	14,245
Total assets	**113,300**	112,570	**16,083**	19,528	**54,351**	53,135
Current financial liabilities (excluding trade payables)	**(1,585)**	(1,272)	**(4,459)**	(4,322)	**–**	–
Other current liabilities (including trade payables)	**(51,936)**	(46,026)	**(4,770)**	(7,456)	**(35,895)**	(34,949)
Provisions	**(876)**	(1,091)	**(102)**	(112)	**(318)**	(390)
Total current liabilities	**(53,521)**	(47,298)	**(9,229)**	(11,778)	**(35,895)**	(34,949)
Non-current financial liabilities(excluding account payable)	**(176)**	(375)	**(37)**	(240)	**–**	–
Other non-current liabilities (including account payable)	**(8,679)**	(11,045)	**(2,561)**	(2,000)	**(1,807)**	(1,768)
Provisions	**(1,406)**	(1,402)	**(410)**	(645)	**(394)**	(393)
Total non-current liabilities	**(8,855)**	(11,420)	**(2,598)**	(2,240)	**(1,807)**	(1,768)
Total liabilities	**(62,376)**	(58,718)	**(11,827)**	(14,018)	**(37,702)**	(36,717)
Non-controlling interests	**(5,657)**	(6,729)	**–**	–	**–**	–
Net assets	**45,267**	47,123	**4,256**	5,510	**16,649**	16,418

19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The financial information of material joint ventures (Continued)

(ii) Statement of comprehensive income of material joint ventures

	DFL		DPCA		DHAC	
	2023	2022	**2023**	2022	**2023**	2022
	RMB million	*RMB million*	***RMB Million***	*RMB million*	***RMB million***	*RMB million*
Revenue	**90,140**	127,172	**8,371**	13,684	**88,457**	100,267
Depreciation and amortization	**(4,645)**	(5,427)	**(1,136)**	(1,189)	**(1,503)**	(1,503)
Interest income	**1,084**	1,722	**11**	9	**116**	405
Interest expenses	**(178)**	(148)	**(206)**	(259)	**–**	–
Profit/(loss) before income tax	**597**	14,710	**(1,253)**	(305)	**1,675**	13,562
Income tax expenses	**(202)**	(3,913)	**–**	–	**349**	(2,910)
Profit/(loss) after tax	**394**	10,797	**(1,253)**	(305)	**1,326**	10,652
Non-controlling interests	**(309)**	(1,034)	**–**	–	**–**	–
Other comprehensive income	**53**	(46)	**–**	–	**–**	–
Total comprehensive income	**447**	10,751	**(1,253)**	(305)	**1,326**	10,652
Dividend received	**1,667**	7,371	**–**	–	**522**	4,351

19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Reconciliation of financial information

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

	DFL		DPCA		DHAC	
	2023	2022	**2023**	2022	**2023**	2022
	RMB million	*RMB Million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Opening net assets at 1 January	**47,123**	52,106	**5,510**	5,815	**16,418**	14,468
Profit after tax	**394**	10,797	**(1,253)**	(305)	**1,326**	10,652
Other comprehensive income	**53**	(46)	**–**	–	**–**	–
Dividend	**(3,334)**	(14,742)	**–**	–	**(1,044)**	(8,702)
Non-controlling interests	**(262)**	(1,034)	**–**	–	**–**	–
Other equity movement	**–**	42	**–**	–	**(51)**	–
Closing net assets at 31 December	**43,974**	47,123	**4,257**	5,510	**16,649**	16,418
Interest in joint ventures (50%)	**21,987**	23,561	**2,128**	2,755	**8,324**	8,209
Goodwill	**–**	–	**–**	–	**–**	–
Carrying amount of investments in material joint ventures	**21,987**	23,561	**2,128**	2,755	**8,324**	8,209

19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Reconciliation of financial information (Continued)

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

	2023 RMB million	2022 RMB million
Share of joint ventures' results		
Profit after tax	469	1,829
Other comprehensive income	2	(1)
Total comprehensive income	471	1,828
Aggregate carrying amount of the Group's investments in the joint ventures	6,375	6,355

20. INVESTMENTS IN ASSOCIATES

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

	31 December	
	2023	2022
	RMB million	*RMB million*
Associates, at carrying value	**16,612**	15,714

Particulars of the principal associates as at 31 December 2023 were as follows:

Name	**Place of establishment and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Dongfeng Nissan Auto Finance Co., Ltd. #	PRC	49.50%	Provision of finance services
Nanjing Linghang Equity Investment Partnership	PRC	16.84%	Equity investment
Nanjing Linghang Equity Investment Management Co., Ltd	PRC	15.00%	Equity investment

\# Sino-foreign equity joint venture

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

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

	2023	2022
	RMB million	*RMB million*
Associates-Share of profits	**807**	862

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

The movements in investments in associates are as follows:

	Note	2023 RMB million	2022 RMB million
1 January		15,714	14,528
Increase in investment		188	1,037
Share of profits		807	862
Other changes in equity		–	(18)
Decreased this year		–	(509)
Classified as financial assets at fair value through other comprehensive income		–	–
Dividends from associates		(97)	(85)
Others		–	(101)
31 December		16,612	15,714

21. OTHER NON-CURRENT ASSETS

		31 December	
	Note	2023 RMB million	2022 RMB million
Loans and receivables from financing services	25(a)	29,275	28,215
Mandatory reserve deposits with the People's Bank of China (the "PBOC")		4,624	5,006
Others		1,464	1,129
		35,363	34,350

22. INVENTORIES

	31 December	
	2023	*2022*
	RMB million	RMB million
Raw materials	**2,128**	3,256
Work in progress	**1,008**	934
Finished goods	**11,098**	8,942
	14,234	13,132

23. TRADE RECEIVABLES

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

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

	31 December	
	2023	*2022*
	RMB million	RMB million
Within three months	**2,566**	4,839
More than three months but within one year	**2,453**	2,483
More than one year	**3,536**	3,076
	8,555	10,398

23. TRADE RECEIVABLES (CONTINUED)

Fair values of trade receivables

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

Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. In the current year, a release in the allowance by RMB164 million was resulted. Note 41(c) provides details about the calculation of the allowance.

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

	31 December	
	2023	*2022*
	RMB million	RMB million
Non-controlling shareholders of a subsidiary and their subsidiaries	**101**	114
DMC, its subsidiaries, associates and joint ventures	**70**	66
Associates	**5**	–
	176	180

24. BILLS RECEIVABLE

The bills receivables of the Group are as follows:

	31 December	
	2023	2022
	RMB million	*RMB million*
Bank acceptance	**7,272**	4,922
Trade acceptance	**32**	389
	7,304	5,311

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		31 December	
		2023	2022
	Note	***RMB million***	*RMB million*
Prepayments		**1,700**	1,784
Deposits and other receivables		**5,402**	3,655
Loans and receivables from financing services	(a)	**30,861**	45,337
		37,963	50,776

Fair values of other receivables

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

Impairment and risk exposure

The Group applies the general approach under IFRS 9, which use three stage classification approach based on the different degree of credit risk to determine the use of 12-month expected credit losses or lifetime expected credit loss to calculate the loss allowance for bills receivable, deposits and other receivables, restricted fixed term deposits within one year and loans and receivables from financing service. Note 41(c) provides for details about the calculation of the impairment and risk exposure.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES(CONTINUED)

Impairment and risk exposure (Continued)

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

	31 December	
	2023	2022
	RMB million	*RMB million*
Gross loans and receivables from financing services	**62,420**	76,982
Less: impairment allowances	**(2,284)**	(3,430)
	60,136	73,552
Less: current portion	**(30,861)**	(45,337)
Non-current portion	**29,275**	28,215

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

	31 December	
	2023	2022
	RMB million	*RMB million*
DMC, its subsidiaries, associates and joint ventures	**88**	993
Non-controlling shareholders of a subsidiary and their subsidiaries	**85**	171
	173	1,164

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

26. BALANCES WITH JOINT VENTURES

		31 December	
		2023	2022
	Notes	***RMB million***	*RMB million*
Due from joint ventures			
Dividends receivable from joint ventures		**573**	5,514
Others	(a)	**510**	4,012
Interest-bearing loans to joint ventures		**–**	915
Trade receivables	41(c)	**197**	426
		1,280	10,867
Less: Current portion		**(1,280)**	(10,867)
Non-Current portion		**–**	–
Due to joint ventures			
Cash deposits in DFF	(b)	**13,220**	26,874
Others	(a)	**7,293**	9,160
		20,513	36,034
Less: Current portion		**(20,513)**	(36,034)
Non-Current portion		**–**	–

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

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

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December	
	2023	2022
	RMB million	*RMB million*
Non-current:		
Listed equity investments at fair value through other comprehensive income		
– Stellantis N.V. ("Stellantis") *(i)*	**8,182**	9,774
– Faurecia	**623**	407
Unlisted equity investments at fair value through other comprehensive income	**192**	203
	8,997	10,384
Current:		
Unlisted debt instruments at fair value through other comprehensive income	**9,248**	6,777
	18,245	17,161

(i) In 2023, the Group disposed of 50 million shares of Stellantis. As of 31 December 2023, the Group held 49,223,907 shares in Stellantis.

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

	31 December	
	2023	2022
	RMB million	*RMB million*
Cash and bank balances	**58,912**	53,391
Time deposits	**24,544**	16,609
	83,456	70,000
Less: Pledged bank balances and time deposits mainly as collaterals for issuance of bank acceptance bills	**(4,159)**	(1,954)
Cash and cash in bank as stated in the consolidated statement of financial position	**79,297**	68,046
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(6,902)**	(2,802)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**72,395**	65,244

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December	
	2023	2022
	RMB million	*RMB million*
Current		
Structural deposits	**14,899**	14,058
Equity securities	**1,669**	1,685
	16,568	15,743

30. SHARE CAPITAL

	31 December	
	2023	2022
	RMB million	*RMB million*
Registered, issued and fully paid:		
– 5,760,388,000 (2022: 5,760,388,000) Domestic Shares of RMB1.00 each	**5,760**	5,760
– 2,541,864,000 (2022: 2,855,732,000) H shares of RMB1.00 each	**2,542**	2,856
	8,302	8,616

	31 December			
	2022			**2023**
	RMB million	**Increase**	**Decrease**	***RMB million***
Treasury Shares	93	**963**	**(978)**	**78**

On 20 June 2023, the Company held the shareholder meeting and passed the proposal of the Repurchase of the Company's Outstanding Shares, and agreed that the Company to repurchase H shares, with the cumulative number of repurchased shares not exceeding 10% of the total share capital of the issued H shares, and repurchased shares will be cancelled. Up to 31 December 2023, the Company has repurchased a total of 336 million shares, accounting for 3.90% of the total share capital of the Company, among which 314 million shares had been cancelled. As of 31 December 2023, 22 million repurchased shares was record as treasury shares.

31. INTEREST-BEARING BORROWINGS

	31 December					
	2023			2022		
	Effective interest rate *(%)*	Maturity	*RMB million*	Effective interest rate *(%)*	Maturity	*RMB million*
Current						
Bank loans – secured	–	–	–	4.6	2023	25
Bank loans – unsecured	2.1–4.85	2024	2,638	2.1–4.85	2023	4,708
Guaranteed notes	0.425	2024	5,697	1.606	2023	742
Unsecured notes	–	–	–	3.05–4.21	2023	4,000
Asset-Backed Security	2.60	2024	16	–	–	–
Other loans – unsecured	1.75–2.25	2024	22,626	1.75–2.25	2023	18,607
			30,977			28,082
Non-Current						
Bank loans –unsecured	2.20–2.90	2025–2028	26,280	2.1–2.95	2023–2025	16,440
Guaranteed notes	–	–	–	0.425	2024	5,380
Asset-Backed Security	–	–	–	2.60	2024	524
Unsecured notes	3.00	2025	2,000	3.00	2025	2,000
			28,280			24,344
			59,257			52,426

Other loans mainly represented cash deposits placed by DMC, its subsidiaries, associates and joint ventures amounting to RMB16,979 million (2022: RMB10,901 million) and other unrelated third parties in DFF, a subsidiary of the Group which is involved in the provision of financing services. These loans bear interest at the prevailing market rate published by the PBOC.

31. INTEREST-BEARING BORROWINGS (CONTINUED)

The Guaranteed notes were issued in the aggregate principal amount of EUR725 million on 20 October 2021 and were registered in the denomination of EUR100,000 each and to be expired in 3 years. The notes bore interest from 19 October 2021 at a rate of 0.425% per annum. Interest on the notes was payable annually on 19 October each year. The notes had been listed on the Hong Kong Exchanges and Clearing Market.

The Guaranteed 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 bore interest from 23 October 2018 at a rate of 1.606% per annum. Interest on the notes is payable annually on 23 October each year. The notes have been listed on the Irish Stock Exchange. The notes had been fully repaid in October 2023.

The Unsecured 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 bore interest from 27 February 2020 at a rate of 3.05% per annum. Interest on the notes is payable annually on 27 February each year. The notes have been listed on the Shanghai Stock Exchange. The notes had been fully repaid in February 2023.

The Unsecured 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 bore interest from 6 December 2018 at a rate of 4.21% per annum. Interest on the notes is payable annually on 6 December each year. The notes have been listed on the Shanghai Stock Exchange. The notes had been fully repaid in December 2023.

The Asset-Backed Security (ABS) with fixed interest rates were publicly issued in amount of RMB1,127 million on 22 April 2022, The ABS bore interest from 22 April 2022 at a rate of 2.60%. Interest on the securities is payable monthly on 22th. As of 31 December, 2023, the outstanding principle of the ABS is RMB16 million.

The Unsecured notes were public issued in amount of RMB2,000 million on 14 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 a rate of 3.00% per annum. Interest on the notes is payable annually on 15 March each year. The notes are listing on the Shanghai Stock Exchange.

31. INTEREST-BEARING BORROWINGS (CONTINUED)

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

	31 December	
	2023	2022
	RMB million	*RMB million*
Bank loans repayable:		
Within one year or on demand	**2,638**	4,733
One year to two years	**9,040**	5,095
Two years to three years	**14,252**	11,345
Over three years	**2,988**	–
	28,918	21,173
Notes repayable and ABS:		
Within one year or on demand	**5,713**	4,742
One year to two years	**2,000**	5,904
Two years to three years	**–**	2,000
	7,713	12,646
Other loans repayable:		
Within one year or on demand	**22,626**	18,607
	59,257	52,426

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

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

	31 December	
	2023	2022
	RMB million	*RMB million*
RMB	**53,560**	47,046
EUR	**5,697**	5,380
	59,257	52,426

32. PROVISIONS

	31 December	
	2023	2022
	RMB million	*RMB million*
Non-current	**1,942**	1,754
Current	**1,012**	1,129
	2,954	2,883

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

	Environmental restoration costs	**Warranty provisions**	**Total**
	RMB million	*RMB million*	*RMB million*
At 1 January 2022	35	2,277	2,312
Changes within the scope of merger	–	371	371
Provisions during the year	–	734	734
Utilized	(4)	(530)	(534)
At 31 December 2022	31	2,852	2,883
Provisions during the year	**10**	**650**	**660**
Utilized	**(8)**	**(581)**	**(589)**
At 31 December 2023	**33**	**2,921**	**2,954**

32. PROVISIONS (CONTINUED)

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

(a) Environmental restoration costs

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

(b) Warranty provisions

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

33. GOVERNMENT GRANTS

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

	RMB million
At 1 January 2022	2,496
Received during the year	372
Recognised as other income during the year	(368)
Changes within the scope of the merger	(1)
At 31 December 2022 and 1 January 2023	2,499
Received during the year	**76**
Recognised as other income during the year	**(377)**
At 31 December 2023	**2,198**

34. TRADE PAYABLES

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

	31 December	
	2023	2022
	RMB million	*RMB million*
Within three months	**24,342**	17,043
More than three months but within one year	**1,892**	773
More than one year	**930**	752
	27,164	18,568

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

	31 December	
	2023	2022
	RMB million	*RMB million*
DMC, its subsidiaries, associates and joint ventures	**892**	691
Associates	**181**	144
	1,073	835

35. BILLS PAYABLE

The maturity profile of the bills payable is as follows:

	31 December	
	2023	2022
	RMB million	*RMB million*
Within one year	**29,292**	22,839

36. OTHER PAYABLES AND ACCRUALS

	31 December	
	2023	2022
	RMB million	*RMB million*
Advances from customers	**36**	21
Accrued salaries, wages and benefits	**2,536**	3,111
Other payables	**15,311**	15,036
	17,883	18,168

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

	31 December	
	2023	2022
	RMB million	*RMB million*
DMC, its subsidiaries, associates and joint ventures	**474**	332
Associates	**38**	18
	512	350

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

37. NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	31 December 2023 RMB million	31 December 2022 RMB million
Cash and cash in bank	**79,297**	68,046
Borrowings – repayable within one year (including overdraft)	**(30,977)**	(28,082)
Borrowings – repayable after one year	**(28,280)**	(24,344)
Lease liability	**(2,122)**	(2,228)
Net debt	**17,918**	13,392

	Cash RMB million	Borrowings – repayable within one year RMB million	Borrowings – repayable after one year RMB million	Lease liability RMB million	Total RMB million
Net debt as at 1 January 2022	50,270	(28,220)	(16,652)	(2,482)	2,916
Cash flows	23,207	7,657	(11,437)	321	19,748
Changes within the scope of the merger	(5,431)	(2,780)	(525)	25	(8,711)
Foreign exchange adjustments	–	49	(168)	–	(119)
Other non-cash movements	–	(4,788)	4,438	(92)	(442)
Net debt as at 1 January 2023	**68,046**	**(28,082)**	**(24,344)**	**(2,228)**	**13,392**
Cash flows	**11,155**	**4,777**	**(11,271)**	**421**	**5,082**
Foreign exchange adjustments	**96**	**–**	**(337)**	**–**	**(241)**
Other non-cash movements	**–**	**(7,672)**	**7,672**	**(315)**	**(315)**
Net debt as at 31 December 2023	**79,297**	**(30,977)**	**(28,280)**	**(2,122)**	**17,918**

38. COMMITMENTS

Capital commitments

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

	31 December	
	2023	2022
	RMB million	*RMB million*
Contracted, but not provided for:		
– Property, plant and equipment	**653**	901

39. RELATED PARTY TRANSACTIONS

During the year, in addition to those disclosed elsewhere in these financial statements, the Group had the following significant transactions with its related parties:

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

		2023	2022
	Note	***RMB million***	*RMB million*
Purchases of automotive parts/raw materials from :	(i)		
– Joint ventures		**5,399**	8,437
– Subsidiaries' joint ventures		**4,760**	1,947
– DMC, its subsidiaries, associates and joint ventures		**1,152**	835
– Associates		**647**	525
		11,958	11,744

39. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2023 RMB million	2022 RMB million
Purchases of automotive from：	(i)		
– Joint ventures		**8,449**	13,383
– DMC, its subsidiaries, associates and joint ventures		**7**	4
– Non-controlling shareholders of subsidiaries and their fellow subsidiaries		**4**	2
– Associates		**2**	–
		8,462	13,389
Purchases of items of property, plant and equipment and intangible assets from:	(i)		
– Joint ventures		**1,043**	969
– DMC, its subsidiaries, associates and joint ventures		**289**	540
– Associates		**4**	–
– Non-controlling shareholders of subsidiaries and their fellow subsidiaries		**78**	–
		1,414	1,509
Purchases of services from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**1,317**	1,417
– Joint ventures		**590**	897
– Associates		**23**	30
– Non-controlling shareholders of a subsidiary and their subsidiaries		**3**	7
		1,933	2,351

39. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2023 RMB million	2022 RMB million
Sales of automotive parts/raw materials to:	(i)		
– Joint ventures		**2,658**	2,709
– DMC, its subsidiaries, associates and joint ventures		**79**	300
– Associates		**110**	116
– Subsidiaries' joint ventures		**213**	43
– Non-controlling shareholders of a subsidiary and their subsidiaries		**2**	–
		3,062	3,168
Sales of automobiles to :	(i)		
– Joint ventures		**251**	311
– DMC, its subsidiaries, associates and joint ventures		**50**	82
– Non-controlling shareholders of a subsidiary and their subsidiaries		**22**	59
– Associates		**33**	–
		356	452
Provisions of services to:	(i)		
– Joint ventures		**230**	297
– DMC, its subsidiaries, associates and joint ventures		**59**	55
– Associates		**11**	–
		300	352

39. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2023 *RMB million*	2022 *RMB million*
Interest expenses for financing services paid to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**235**	212
– Joint ventures		**230**	360
– Non-controlling shareholders of a subsidiary and their subsidiaries		**3**	7
– Subsidiaries' joint ventures		**1**	1
		469	580
Interest expenses of lease liabilities paid to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**67**	81
Interest incomes from:	(i)		
– Joint ventures		**70**	50
– DMC, its subsidiaries, associates and joint ventures		**31**	23
		101	73

39. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2023 RMB million	2022 RMB million
Fee and commission incomes from:	(i)		
– Joint ventures		**7**	8
– DMC, its subsidiaries, associates and joint ventures		**–**	2
		7	10
Dispatch Fee from joint ventures:	(i)	**230**	220

Note：

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

(b) Outstanding balances with related parties:

(i) Details of the Group's balances with its related parties as at the end of the reporting period are disclosed in notes 15, 23, 25, 31, 34 and 36 to the financial statements.

(ii) Details of the Group's balances with joint ventures as at the end of the reporting period are disclosed in note 26 to the financial statements.

39. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2023 RMB '000	2022 RMB '000
Short term employee benefits	6,058	9,920
Post-employment benefits	353	444
Total compensation paid to key management personnel	6,411	10,363

Further details of the directors' emoluments are included in note 8 to the financial statements.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period were as follows:

Financial assets

	31 December	
	2023 RMB million	2022 RMB million
Financial assets at amortised cost		
Other non-current assets	33,899	33,221
Trade receivables	8,555	10,398
Bills receivable	7,304	5,311
Financial assets included in prepayments, deposits and other receivables	32,726	46,479
Due from joint ventures	973	10,441
Pledged bank balances and time deposits	4,159	1,954
Cash and cash in bank	79,297	68,046
Financial assets at fair value through other comprehensive income		
Equity securities included in financial assets at fair value through other comprehensive income	8,998	10,384
Bills receivable included in financial assets at fair value through other comprehensive income	9,248	6,777
Financial assets at fair value through profit or loss	16,568	15,743
	201,727	208,754

40. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

	31 December	
	2023	2022
	RMB million	*RMB million*
Liabilities at amortised cost		
Trade payables	**27,164**	18,568
Bills payable	**29,292**	22,839
Financial liabilities included in other payables and accruals	**14,893**	14,720
Due to joint ventures	**20,338**	35,634
Interest-bearing borrowings	**59,257**	52,426
Other long term liabilities	**2,189**	2,285
Lease liabilities	**2,122**	2,228
	155,255	148,700

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, other interest-bearing loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. The directors review and agree policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's interest rate risk mainly arises from long-term interest-bearing borrowings including long-term borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate borrowings. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

As at 31 December 2023, the Group's euro-denominated floating rate long-term interest-bearing borrowings is nil (as at 31 December 2022：euro-denominated floating rate contract, the amount is RMB24,700 million).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

The businesses of the Group are principally located in the PRC. While most of the sales of the Group are conducted in RMB, certain of the Group's borrowings were denominated in other currency such as Euro (EUR).

As at 31 December 2023 and 31 December 2022, the carrying amounts in RMB equivalent of the Group's financial assets and financial liabilities denominated in foreign currencies are summarised below:

	31 December	
	2023	2022
	RMB million	*RMB million*
Cash and cash in bank	**9,347**	1,486
Trade receivables	**832**	865
Trade payables	**(271)**	(61)
Interest-bearing borrowings	**(5,763)**	(5,380)
	4,145	(3,090)

Fluctuations in the exchange rates of RMB against the foreign currency can affect the Group's results of operations.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the EUR and RMB exchange rates, with all other variables held constant, of the Group's post profit (due to changes in the fair values of monetary assets and liabilities).

	Increase/(decrease) in post tax profit	
	2023	2022
	RMB million	*RMB million*
If RMB strengthens against EUR by 5%	**(108)**	116
If RMB weakens against EUR by 5%	**108**	(116)

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

The cash and bank balances and time deposits of the Group are mainly deposited with state-owned banks in the PRC, such as Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation.

The Group has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not have a significant exposure to any individual customer.

The Group's financing services are primarily focused on supporting the sale of the commercial and passenger vehicles of the Group. As a consequence of these activities, the Group is exposed to credit risk, which is monitored and managed based on defined standards, guidelines and procedures. The Group mitigates credit risk by credit protection provided by guarantors and by loan collateral such as vehicles. Scoring systems are applied for the assessment of the default risk of individual customers. All loans and receivables from financing services are reviewed for objective evidence of impairment and classified based on a five-tier classification system.

The carrying amount of each financial asset included in these financial statements represents the maximum exposure of the Group to credit risk in relation to its financial assets. The Group has no other financial assets carrying significant exposure to credit risk and has no significant concentration of credit risk.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Trade receivables

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. If there is objective evidence of impairment exists individually for financial assets that are individually significant, impairment loss is recognized in the consolidated income statement. The carrying amount of trade receivables individually measured is RMB6,052 million (2022: RMB7,121 million) and the loss allowance for these trade receivables is RMB1,711 million(2022: RMB2,060 million).

Excluding those account receivables that are individually assessed for impairment, as at 31 December 2023, the loss allowance determined for trade receivables grouped for assessment based on their shared credit risk characteristics as follows:

	Less than 1 year *RMB million*	1-2 years *RMB million*	2-3 years *RMB million*	More than 3 years *RMB million*	Total *RMB million*
31 December 2023					
Expected loss rate	0.58%	9.20%	73.00%	100.00%	9.35%
Gross carrying amount – trade receivables	3,037	1,243	248	141	4,669
Gross carrying amount – trade receivables in due from joint ventures	196	1	–	–	197
Loss allowance – trade receivables	19	114	181	141	455

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Trade receivables (continued)

The loss allowance as at 31 December 2022 was determined as follows for trade receivables:

	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
31 December 2022					
Expected loss rate	0.58%	13.00%	74.04%	100.00%	4.48%
Gross carrying amount – trade receivables	5,123	275	45	165	5,607
Gross carrying amount – trade receivables in due from joint ventures	403	20	3	–	426
Loss allowance – trade receivables	32	38	35	165	270

The closing loss allowances for trade receivables as at 31 December 2023 was reconciled to the opening loss allowances as follows:

	Trade receivables	
	2023	2022
	RMB million	*RMB million*
At 1 January	**2,326**	1,612
Changes within the scope of merger	**–**	736
Increase/(decrease) in loss allowance recognized in profit or loss during the year	**(161)**	96
Receivables written off during the year as uncollectible	**(3)**	(118)
At 31 December	**2,162**	2,326

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables included in prepayments, deposits and other receivables, mandatory reserve deposits with the PBOC, fixed term deposits included in other non-current assets, pledged bank balances and time deposits, cash and cash in bank, bills receivable and other receivables included in due from joint ventures.

The loss allowance for other receivables as at 31 December 2023 was reconciled to the closing loss allowance on 31 December 2022 as follows:

	Other receivables included in prepayments, deposits and other receivables and other receivables included in due from joint ventures *RMB million*
Closing loss allowance as at 31 December 2022	320
Increase in the allowance recognised in profit or loss during the period	156
Receivables written off during the year as uncollectible	(14)
Closing loss allowance as at 31 December 2023	462

(i) Impairment on mandatory reserve deposits with the PBOC, fixed term deposits, pledged bank balances and time deposits, and cash and cash in bank is measured as 12-month expected credit losses. These financial assets above are acquired from large banks with principal and interests guaranteed, and the expected credit losses is immaterial.

(ii) Impairment on bills receivable is measured as 12-month expected credit losses. The bills receivable are bank acceptance notes for which the repayments are guaranteed by large banks, and the expected credit losses is immaterial.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services

The Group applies ECL model for impairment assessment. No significant credit risk is conscious for the reporting period. For loans and receivables from financing services, the Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive information, especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic
- conditions that are expected to cause a significant change to the counter party's ability to meet its obligations
- actual or expected significant changes in the operating results of the counter party
- significant increases in credit risk on other financial instruments of the same counter party
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behavior of the counter party, including changes in the payment status of borrower in the group and changes in the operating results of the counter party

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services(Continued)

To manage risk arising from loans and receivables from financing services, standardised credit management procedures are performed. For pre-approval investigation, the Group optimises the review process by using big data technology through its platform and system, including credit analysis, assessment of collectability of borrowers, monitoring the cash flow status, possibility of misconduct and fraudulent activities. In terms of credit examining management, specific policies and procedures are established to assess loans offering. For subsequent monitoring, the Group monitors the cash flow and operation status of each borrower. Once the loan was issued, all borrowers would be assessed by fraud examination model to prevent fraudulent behaviors. In post-loan supervision, the Group establishes risk monitoring alert system through periodical monitoring. The estimation of credit exposure for risk management purposes is complex and requires use of models as the exposure varies with changes in markets conditions, expected cash flows and passage of time.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). This is consistent with the general approach used for the purposes of measuring ECL under IFRS 9.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services(Continued)

(i) ECL model for loans and receivables from financing service, as summarised below:

- The loans and receivables from financing service that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.

- The Group measures the loss allowance for the loans and receivables from financing service at an amount equal to the lifetime ECL if the credit risk of that financial instrument has increased significantly since initial recognition, but is not yet deemed to be credit-impaired.

- If the financial instrument is credit-impaired (as defined below), it is then moved to "Stage 3". The expected credit loss is measured on lifetime basis.

- In Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance) and the effective interest rate. If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount and the effective interest rate.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services (Continued)

(i) ECL model for loans and receivables from financing service, as summarised below: (Continued)

The impairment of loans and receivables from financing service was provided based on the "three-stages" model by referring to the changes in credit quality since initial recognition.

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

(1) Significant increase in credit risk (SICR)

The Group considers loans and receivables from financing service to have experienced a significant increase in credit risk when backstop criteria have been met. A backstop criteria is applied and the loans and receivables from financing service have experienced a significant increase in credit risk if the borrower's contractual payments are past due 30 days.

(2) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, when the borrower's contractual payments are more than 90 days past due. This has been applied to all loans and receivables from financing service held by the Group.

(3) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services(Continued)

(i) ECL model for loans and receivables from financing service, as summarised below: (Continued)

(4) Forward-looking information incorporated in the ECL models

The calculation of ECL incorporate forward-looking information. The Group has performed historical analysis and identified the retail index of social consumer goods as the key economic variables impacting credit risk and the expected credit losses.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

(ii) Provision for impairment

The provision for impairment recognized in the period is impacted by a variety of factors, as described below:

- Additional provisions for new financial instruments recognized, as well as releases for loans and receivables from financing service derecognised in the period;

- Loans and receivables from financing service derecognized and write-offs of provision related to assets that were written off during the period

The following tables explain the changes in the provision for impairment of loan receivables between the beginning and the end of the year:

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services(Continued)

(ii) Provision for impairment (Continued)

	Stage 1 12-month ECL *RMB million*	Stage 2 Lifetime ECL *RMB million*	Stage 3 Lifetime ECL *RMB million*	TOTAL *RMB million*
Carrying amount of loans and receivables from financing service of 31 December 2023	60,400	1,217	803	62,420
Provision for impairment of loans and receivables from financing service of 1 January 2023	1,385	1,262	783	3,430
Net transfers out from stage 1	(191)	–	–	(191)
Net transfers into stage 2	–	132	–	132
Net transfers into stage 3	–	–	59	59
Net increase/decrease during the year	101	(700)	1,561	962
Write-offs	–	–	(2,108)	(2,108)
Changes within the scope of the merger	–	–	–	–
Provision for impairment of loans and receivables from financing service of 31 December 2023	1,295	694	295	2,284
Net value of loans and receivables from financing service of 31 December 2023	59,105	523	508	60,136

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Loans and receivables from financing services(Continued)

(ii) Provision for impairment (Continued)

	Stage 1 12-month ECL *RMB million*	Stage 2 Lifetime ECL *RMB million*	Stage 3 Lifetime ECL *RMB million*	TOTAL *RMB million*
Carrying amount of loans and receivables from financing service of 31 December 2022	60,938	14,665	1,379	76,982
Provision for impairment of loans and receivables from financing service of 1 January 2022	1,733	383	622	2,738
Net transfers out from stage 1	(445)	–	–	(445)
Net transfers into stage 2	–	146	–	146
Net transfers into stage 3	–	–	299	299
Net increase/decrease during the year	(135)	715	413	993
Write-offs	–	–	(586)	(586)
Changes within the scope of the merger	232	18	35	285
Provision for impairment of loans and receivables from financing service of 31 December 2022	1,385	1,262	783	3,430
Net value of loans and receivables from financing service of 31 December 2022	59,553	13,403	596	73,552

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

(iii) Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

The Group may write-off financial assets that are still subject to enforcement activity.

(iv) Modification

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. The Group considers the impact from such modification is not significant.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, and other available sources of financing.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2023				
	Within one year or on demand *RMB million*	In the second year *RMB million*	In the third to fifth years *RMB million*	Beyond five years *RMB million*	Total *RMB million*
Interest-bearing borrowings	31,903	11,725	17,523	–	61,151
Trade payables	27,164	–	–	–	27,164
Bills payable	29,292	–	–	–	29,292
Other payables	13,619	–	–	–	13,619
Due to joint ventures	20,338	–	–	–	20,338
Lease liabilities	315	301	562	2,306	3,484
Other long term liabilities	–	36	103	–	139
	122,631	12,062	18,188	2,306	155,187

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows (Continued):

	31 December 2022				
	Within one year or on demand	In the second year	In the third to fifth years	Beyond five years	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Interest-bearing borrowings	28,367	9,853	13,592	–	51,812
Trade payables	18,568	–	–	–	18,568
Bills payable	22,839	–	–	–	22,839
Other payables	15,984	1,383	105	90	17,562
Due to joint ventures	35,634	–	–	–	35,634
Lease liabilities	–	483	723	2,079	3,285
	121,392	11,719	14,420	2,169	149,700

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

The Group monitors capital using an asset-liability ratio, which is total liabilities divided by total assets. The asset-liability ratio as at the end of the reporting period was as follows:

	31 December	
	2023	2022
	RMB million	*RMB million*
Total assets	**330,678**	330,036
Total liabilities	**171,069**	164,500
Asset-liability ratio	**51.73%**	49.84%

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

As at 31 December 2023		**Level 1**	**Level 2**	**Level 3**	**Total**
	Notes	***RMB million***	***RMB million***	***RMB million***	***RMB million***
Financial assets					
Financial assets at FVPL					
Structural deposits	29	–	–	14,899	14,899
Equity securities	29	1,176	–	493	1,669
Financial assets at fair value through other comprehensive income (FVOCI)					
Bills receivable	27	–	–	9,248	9,248
Equity securities	27	8,805	–	192	8,997
Total financial assets		9,981	–	24,832	34,813

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value estimation (Continued)

As at 31 December 2022	*Notes*	Level 1 *RMB million*	Level 2 *RMB million*	Level 3 *RMB million*	Total *RMB million*
Financial assets					
Financial assets at FVPL					
Structural deposits	29	–	–	14,057	14,057
Equity securities	29	1,210	–	475	1,685
Financial assets at fair value through other comprehensive income (FVOCI)					
Bills receivable	27	–	–	6,777	6,777
Equity securities	27	10,181	–	203	10,384
Total financial assets		11,391	–	21,512	32,903

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Specific valuation techniques used to value financial instruments include discounted cash flow model and similar company model in the market. The inputs of the valuation techniques mainly include risk-free interest rate, benchmark interest rate, currency rate, liquidity premium, EBITDA factor and etc.

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2023	2022
	RMB million	*RMB million*
ASSETS		
Non-current assets		
Property, plant and equipment	**5,948**	5,562
Right-of-use assets	**323**	338
Investments properties	**4,217**	2,481
Intangible assets	**3,204**	2,137
Investments in subsidiaries	**40,824**	33,912
Investments in joint ventures	**12,361**	12,361
Investments in associates	**7,314**	7,139
Financial assets at fair value through other comprehensive income	**48**	48
Long term receivable	**48**	315
Total non-current assets	**74,287**	64,293
Current assets		
Inventories	**963**	948
Trade receivables	**856**	2,233
Bills receivable	**866**	943
Prepayments, deposits and other receivables	**5,001**	4,892
Due from joint ventures	**823**	5,858
Pledged bank balances	**8**	–
Financial assets at fair value through profit or loss	**1,669**	1,685
Cash and cash in bank	**61,381**	65,231
Total current assets	**71,567**	81,790
TOTAL ASSETS	**145,854**	146,083
EQUITY AND LIABILITIES		
Equity		
Issued capital	**8,302**	8,616
Reserves	**14,102**	14,765
Retained profits	**75,848**	76,201
Treasury shares	**(78)**	(93)
TOTAL EQUITY	**98,174**	99,489

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (Continued)

	As at 31 December	
	2023	2022
	RMB million	*RMB million*
Non-current liabilities		
Interest-bearing borrowings	**26,866**	19,540
Lease liabilities	**67**	72
Other non-current liabilities	**4**	4
Provisions	**615**	686
Government grants	**1,493**	1,696
Total non-current liabilities	**29,045**	21,998
Current liabilities		
Trade payables	**4,403**	5,590
Lease liabilities	**7**	7
Bills payable	**1,478**	1,939
Other payables and accruals	**3,165**	5,105
Contract liabilities	**610**	249
Due to joint ventures	**392**	700
Interest-bearing borrowings	**8,376**	10,646
Income tax payable	**–**	211
Provisions	**204**	149
Total current liabilities	**18,635**	24,596
TOTAL LIABILITIES	**47,680**	46,594
TOTAL EQUITY AND LIABILITIES	**145,854**	146,083

The balance sheet of the Company was approved by the Board of Directors on 28 March 2024 and was signed on its behalf.

Yang Qing	**You Zheng**
Director	*Director*

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company

	Capital reserve *RMB million*	Treasury shares *RMB million*	Statutory reserves *RMB million*	Retained profits *RMB million*	Total *RMB million*
As at 1 January 2022	4,761	–	8,906	66,478	80,145
Total comprehensive income for the year	1	–	–	13,362	13,363
Transfer to reserve	–	–	1,054	(1,054)	–
Repurchase of treasury shares	–	(93)	–	–	(93)
Share of capital reserve of investments accounted for using the equity method	(46)	–	–	–	(46)
Final 2021 and interim 2022 dividend declared and paid	–	–	–	(2,585)	(2,585)
other	89	–	–	–	89
As at 31 December 2022	4,805	(93)	9,960	76,201	90,873
As at 1 January 2023	**4,805**	**(93)**	**9,960**	**76,201**	**90,873**
Total comprehensive income for the year	**–**	**–**	**–**	**2,207**	**2,207**
Repurchase of treasury shares	**–**	**(963)**	**–**	**–**	**(963)**
Cancellation of shares	**(664)**	**978**	**–**	**–**	**314**
Final 2022 dividend declared and paid	**–**	**–**	**–**	**(2,560)**	**(2,560)**
As at 31 December 2023	**4,141**	**(78)**	**9,960**	**75,848**	**89,871**

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company (Continued)

(a) Statutory reserves

In accordance with the PRC Company Law, the Company, its subsidiaries and associates established in the PRC are required to allocate 10% of their profits after tax (determined under the PRC Generally Accepted Accounting Principles (PRC GAAP)) to their respective statutory surplus reserves (the "SSR"). No allocation to the SSR is required after the balance of such reserve reaches 50% of the registered capital of the respective companies. Subject to certain restrictions set out in the PRC Company Law, part of the SSR may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital of the respective companies.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises and the memorandum and articles of association of the relevant companies, the Group's Sino-foreign joint ventures are also required to make appropriations of certain of their profits after tax thereof to their enterprise expansion funds and reserve funds, which are restricted as to use.

(b) Distributable reserves

As set out in note 12, for dividend distribution purposes, the Company's distributable profit is based on the lower of the net profit after tax as determined under PRC GAAP and IFRSs following its restructuring into a joint stock limited liability company on 12 October 2004. The amounts that the Company's subsidiaries and joint ventures can legally distribute by way of dividend are determined by reference to their profits as reflected in their financial statements prepared in accordance with PRC GAAP. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

In accordance with the PRC Company Law, the net profits after transfers to the SSR can be distributed as dividends by the companies comprising the Group as set out above.

Under the relevant laws and regulatory requirements, the net profits of the Group's Sino-foreign joint ventures after transfers to the enterprise expansion fund and the reserve funds can be distributed as dividends by the Group's Sino-foreign joint ventures.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2024.

Five Year Financial Summary

For the year ended 31 December 2023

	2023	2022	2021	2020	2019
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
			(Restated)		
Result					
Revenue	**99,315**	92,663	113,168	108,441	101,087
Cost of sales	**(89,849)**	(83,836)	(98,929)	(92,629)	(87,596)
Gross profit	**9,466**	8,827	14,239	15,812	13,491
Other income	**4,143**	6,031	5,080	4,801	2,231
Selling and distribution expenses	**(8,221)**	(6,569)	(5,757)	(5,043)	(4,349)
Administrative expenses	**(5,309)**	(5,126)	(5,224)	(4,594)	(5,076)
Net impairment losses on financial assets	**(1,075)**	(1,209)	(1,908)	(1,362)	(1,163)
Other expenses	**(5,601)**	(5,287)	(6,999)	(8,676)	(5,500)
Finance costs	**(1,108)**	(1,029)	(269)	(1,206)	(575)
Share of profits and losses of:					
Joint ventures	**513**	11,884	11,800	9,495	11,633
Associates	**807**	862	1,804	2,960	3,913
PROFIT BEFORE TAX	**(6,385)**	8,384	12,766	12,187	14,605
Income tax expense	**(428)**	929	(1,383)	(1,620)	(1,759)
PROFIT FOR THE YEAR	**(6,813)**	9,313	11,383	10,567	12,846
Profit attributable to:					
Equity holders of the parent	**(3,996)**	10,265	11,393	10,758	12,858
Non-controlling interests	**(2,817)**	(952)	(10)	(191)	(12)
	(6,813)	9,313	11,383	10,567	12,846

	2023	2022	2021	2020	2019
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
			(Restated)		
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**330,678**	330,036	320,073	317,309	272,000
Total liabilities	**-171,069**	-164,500	-167,895	-176,072	-138,032
Non-controlling interests	**-6,822**	-9,684	-4,749	-5,334	-6,187
	152,787	155,852	147,429	135,903	127,781

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.
"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
"Dongfeng Motor Group" or "Group"	the Company and its subsidiaries, the Dongfeng Joint Venture Companies and the irrespective subsidiaries and associates.
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC
"Joint Venture Company"	A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"PRC" or "China"	the People's Republic of China. Except where the context requires, geographical references in this annual report to the PRC or China exclude Hong Kong, Macau or Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Parent Group"	Dongfeng Motor Corporation and its subsidiaries (excluding the Group)