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DONGFENG MOTOR GROUP COMPANY LIMITED*

東風汽車集團股份有限公司

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

2020 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of Dongfeng Motor Group Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group” or the “Dongfeng Motor Group”) for the year ended 31 December 2020 together with the comparative figures in 2019.

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

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | Year ended 31 December | |
|--|-------|------------------------|---------------------|
| | | 2020 RMB million | 2019 RMB million |
| Revenue | 4 | 107,964 | 101,087 |
| Cost of sales | | (92,304) | (87,596) |
| Gross profit | | 15,660 | 13,491 |
| Other income | 5 | 4,765 | 2,231 |
| Selling and distribution expenses | | (4,940) | (4,349) |
| Administrative expenses | | (4,513) | (5,076) |
| Net impairment losses on financial assets | 8 | (1,356) | (1,163) |
| Other expenses | | (8,679) | (5,500) |
| Finance expenses | 7 | (1,174) | (575) |
| Share of profits and losses of: | | | |
| Joint ventures | | 9,495 | 11,633 |
| Associates | | 2,960 | 3,913 |
| PROFIT BEFORE INCOME TAX | 6 | 12,218 | 14,605 |
| Income tax expense | 9 | (1,618) | (1,759) |
| PROFIT FOR THE YEAR | | 10,600 | 12,846 |
| Profit attributable to: | | | |
| Equity holders of the Company | | 10,792 | 12,858 |
| Non-controlling interests | | (192) | (12) |
| | | 10,600 | 12,846 |
| Earnings per share attributable to ordinary equity holders of the Company: | 11 | | |
| Basic for the year | | 125.26 cents | 149.23 cents |
| Diluted for the year | | 125.26 cents | 149.23 cents |

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

| | Year ended 31 December | |
|--|-------------------------------|-------------|
| | 2020 | 2019 |
| | RMB million | RMB million |
| PROFIT FOR THE YEAR | 10,600 | 12,846 |
| OTHER COMPREHENSIVE INCOME | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | |
| Share of other comprehensive income of investments accounted for using the equity method | (89) | 228 |
| Remeasurements of post-employment benefit obligations | (47) | 27 |
| Changes in the fair value of financial assets at fair value through other comprehensive income | 2 | (28) |
| | (134) | 227 |
| <i>Items that may be reclassified to profit or loss</i> | | |
| Currency translation differences | 516 | (47) |
| Share of other comprehensive income of investments accounted for using the equity method | (297) | (245) |
| | 219 | (292) |
| Income tax effect | | |
| Item that will not be reclassified subsequently to profit or loss | 10 | 1 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | 95 | (64) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 10,695 | 12,782 |
| Total comprehensive income attributable to: | | |
| Equity holders of the Company | 10,902 | 12,789 |
| Non-controlling interests | (207) | (7) |
| | 10,695 | 12,782 |

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

| | Notes | 31 December | |
|--|-------|-----------------------|---|
| | | 2020 RMB million | 2019 RMB million (Restated) (Note 3) |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 20,071 | 17,309 |
| Right-of-use assets | | 4,231 | 3,327 |
| Investment properties | | 148 | 229 |
| Intangible assets | | 5,061 | 5,076 |
| Goodwill | | 1,733 | 1,749 |
| Investments in joint ventures | | 39,596 | 40,427 |
| Investments in associates | | 28,774 | 24,824 |
| Financial assets at fair value through other comprehensive income | | 206 | 205 |
| Other non-current assets | | 41,295 | 36,470 |
| Deferred income tax assets | | 2,928 | 2,356 |
| Due from joint ventures | | 395 | 1,035 |
| Total non-current assets | | <u>144,438</u> | <u>133,007</u> |
| Current assets | | | |
| Inventories | | 12,524 | 12,191 |
| Trade receivables | 12 | 9,988 | 10,690 |
| Bills receivable | | 1,427 | 1,439 |
| Prepayments, deposits and other receivables | | 62,236 | 51,550 |
| Financial assets at fair value through other comprehensive income | | 18,169 | 12,121 |
| Due from joint ventures | | 8,519 | 12,442 |
| Financial assets at fair value through profit or loss | | 8,117 | 6,972 |
| Pledged bank balances and time deposits | | 3,463 | 3,317 |
| Cash and cash in bank | | 47,640 | 26,768 |
| Assets held for sale | | - | 1,503 |
| Total current assets | | <u>172,083</u> | <u>138,993</u> |
| TOTAL ASSETS | | <u><u>316,521</u></u> | <u><u>272,000</u></u> |

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2020

| | Notes | 31 December | |
|---|-------|-----------------------|---|
| | | 2020 RMB million | 2019 RMB million (Restated) (Note 3) |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to equity holders of the Company | | | |
| Issued capital | | 8,616 | 8,616 |
| Reserves | | 20,293 | 18,336 |
| Retained profits | | 106,899 | 100,829 |
| | | <u>135,808</u> | <u>127,781</u> |
| Non-controlling interests | | 5,318 | 6,187 |
| TOTAL EQUITY | | <u>141,126</u> | <u>133,968</u> |
| Non-current liabilities | | | |
| Interest-bearing borrowings | | 22,373 | 23,923 |
| Lease liabilities | | 1,984 | 2,075 |
| Other long term liabilities | | 3,166 | 2,733 |
| Government grants | | 2,309 | 2,094 |
| Deferred income tax liabilities | | 2,692 | 2,275 |
| Provisions | | 805 | 750 |
| Total non-current liabilities | | <u>33,329</u> | <u>33,850</u> |
| Current liabilities | | | |
| Trade payables | 13 | 21,015 | 19,220 |
| Lease liabilities | | 138 | 154 |
| Bills payable | | 36,882 | 27,369 |
| Other payables and accruals | | 17,121 | 12,796 |
| Contract liabilities | | 4,111 | 3,402 |
| Due to joint ventures | | 21,973 | 19,970 |
| Interest-bearing borrowings | | 38,276 | 19,259 |
| Income tax payable | | 1,309 | 1,008 |
| Provisions | | 1,241 | 1,004 |
| Total current liabilities | | <u>142,066</u> | <u>104,182</u> |
| TOTAL LIABILITIES | | <u>175,395</u> | <u>138,032</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>316,521</u> | <u>272,000</u> |

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

| | Attributable to equity holders of the Company | | | | | Non-controlling interests RMB million | Total equity RMB million |
|---|---|--------------------------------|-----------------------------------|---------------------------------|----------------------|--|-----------------------------|
| | Issued capital RMB million | Capital reserve RMB million | Statutory reserves RMB million | Retained profits RMB million | Total RMB million | | |
| Year ended 31 December 2020 | | | | | | | |
| As at 1 January 2020 | 8,616 | 2,727* | 15,609* | 100,829 | 127,781 | 6,187 | 133,968 |
| Profit for the year | - | - | - | 10,792 | 10,792 | (192) | 10,600 |
| Other comprehensive income for the year | - | 110 | - | - | 110 | (15) | 95 |
| Total comprehensive income for the year | - | 110 | - | 10,792 | 10,902 | (207) | 10,695 |
| Transfer to reserves | - | - | 1,753 | (1,753) | - | - | - |
| Capital contribution from non-controlling shareholders | - | 4 | - | - | 4 | 103 | 107 |
| Share of capital reserve of investments accounted for using the equity method | - | 161 | - | - | 161 | - | 161 |
| Final 2019 and interim 2020 dividend declared and paid | - | - | - | (3,016) | (3,016) | (828) | (3,844) |
| Transactions with non-controlling equity capital | - | (104) | - | - | (104) | 104 | - |
| Others | - | 33 | - | 47 | 80 | (41) | 39 |
| As at 31 December 2020 | 8,616 | 2,931* | 17,362* | 106,899 | 135,808 | 5,318 | 141,126 |

*These reserve accounts comprise the consolidated reserves of RMB 20,293 million (2019: RMB 18,336 million) in the consolidated statement of financial position.

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

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

*These reserve accounts comprise the consolidated reserves of RMB 18,336 million (2018: RMB 16,412 million) in the consolidated statement of financial position.

1. General information

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

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

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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 2020. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

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

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

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

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

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

2.2 Change in accounting policies and disclosures**(i) New and amended standards adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

| | | Effective for annual periods beginning on or after |
|---|---|---|
| Amendments to IFRS 1 and IFRS 8 | Definition of Material | 1 January 2020 |
| Amendments to IFRS 3 | Definition of a Business | 1 January 2020 |
| Amendments to IFRS9, IFRS 39 and IFRS 7 | Interest Rate Benchmark Reform | 1 January 2020 |
| Revised Framework | Conceptual Revised Conceptual Framework for Financial Reporting | 1 January 2020 |

The group also elected to adopt the following amendments early.

| | | Effective for annual periods beginning on or after |
|-----------------------|-----------------------------------|---|
| Amendments to IFRS 16 | Covid-19-Related Rent Concessions | 1 June 2020 |

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

| | | Effective for annual periods beginning on or after |
|--|---|---|
| Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16 | Interest rate benchmark reform - Phase 2 | 1 January 2021 |
| Amendments to IFRS 3 | Update reference to the conceptual framework | 1 January 2022 |
| Amendments to IAS 16 | Property, Plant and Equipment: Proceeds before intended use | 1 January 2022 |
| Amendments to IAS 37 | Onerous contracts - costs of fulfilling a contract | 1 January 2022 |
| Annual Improvements | Annual Improvements to IFRS Standards 2018-2020 | 1 January 2022 |
| IFRS 17 | Insurance contracts | 1 January 2023 |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to IAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to IAS 1 | Classification of liabilities as current or Non-current | 1 January 2023 |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

3 Restatement of the opening balance - assets held for sale

On 18 December 2019, the Group signed a stock repurchase agreement with PSA Peugeot Citroën Group (an associate of the Group, “PSA”), and both parties agreed to sell 30.7 million PSA shares held by the Group to PSA or a third party. According to the agreement, the sale of the shares is expected to be completed within one year after the signing of the stock repurchase agreement. Pursuant to this arrangement, the 30.7 million PSA shares held for sale met the classification condition of assets held for sale, thus presented as assets held for sale in the statement of financial position as of 31 December 2019 in curriculum with the accounting standards.

In September 2020, the Group disposed 10 million PSA shares to a third party according to the agreement and signed a revised stock repurchase agreement with PSA on 25 September 2020 to extend the period of disposal of the remaining shares in circumstances of the economic condition, market environment and future business outlook. Pursuant to this revised agreement, the Group agreed to dispose the unsold shares (including the unsold 20.7 million PSA shares, or the shares of the combined entity held by the Group according to the relevant agreement after completion of merger between PSA and Fiat Chrysler Group (“FCA”)) to one or multiple third parties through one or multiple transactions on or before 31 December 2022. As a consequence, the 20.7 million PSA shares no longer met the classification condition of assets held for sale and have to be accounted for as investments in associates or joint ventures accounted for using the equity method on a retrospective basis. Accordingly, the Group has restated the comparative information in the consolidated financial statements as follows:

| | 31 December 2019 | | |
|---------------------------|---|------------------------------|----------------|
| | <u>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</u> | | |
| | As per originally reported | Retrospective adjustments | As restated |
| | RMB million | RMB million | RMB million |
| Assets held for sale | 4,614 | (3,111) | 1,503 |
| Investments in associates | 21,713 | 3,111 | 24,824 |

The above adjustments has no effect on the consolidated statement of profit or loss in 2019.

4. REVENUE AND SEGMENT INFORMATION

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

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

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

- The commercial vehicles segment mainly manufactures and sales of commercial vehicles, and its related engines and other automotive parts
- The passenger vehicles segment mainly manufactures and sales of passenger vehicles, and its related engines and other automotive parts
- The financing service segment mainly provides financing services to external customers and companies within the Group, revenue from financing service is mainly interest revenue from loan.
- The corporate and others segment mainly manufactures and sales of other automobile related products

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

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

During the year ended 31 December 2020, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

DONGFENG MOTOR GROUP COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020

| | 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 | 83,514 | 16,123 | 7,558 | 769 | - | 107,964 |
| Sales to internal customers | 38 | 417 | 62 | 9 | (526) | - |
| | 83,552 | 16,540 | 7,620 | 778 | (526) | 107,964 |
| Results | | | | | | |
| Segment results | 2,501 | (4,267) | 2,929 | (3,152) | 1,928 | (61) |
| Interest income | 795 | 218 | 4 | 1,628 | (1,647) | 998 |
| Finance expenses | | | | | | (1,174) |
| Share of profits and losses of: | | | | | | |
| Joint ventures | 221 | 9,379 | 155 | (260) | - | 9,495 |
| Associates | 10 | 1,939 | 926 | 85 | - | 2,960 |
| Profit before income tax | | | | | | 12,218 |
| Income tax expense | | | | | | (1,618) |
| Profit for the year | | | | | | 10,600 |

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

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)**Year ended 31 December 2020**

| | Commercial vehicles RMB million | 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 | 1,353 | 1,865 | 107 | 714 | - | 4,039 |
| - Intangible assets | 411 | 542 | 23 | 42 | - | 1,018 |
| - Right-of-use assets and other non-current assets | 54 | 23 | 394 | 2 | - | 473 |
| Depreciation of property, plant and equipment | 1,128 | 700 | 5 | 234 | - | 2,067 |
| Amortisation of intangible assets | 697 | 35 | 10 | 150 | - | 892 |
| Depreciation of right-of-use assets | 126 | 102 | 5 | 5 | - | 238 |
| Provision against inventories | 180 | 42 | - | 23 | - | 245 |
| Impairment losses of financial assets | 84 | 56 | 1,402 | 147 | (333) | 1,356 |
| Impairment losses of non-current assets | 18 | 1,546 | - | 125 | - | 1,689 |
| Warranty provisions | 871 | 78 | - | 11 | - | 960 |

DONGFENG MOTOR GROUP COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019

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

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

DONGFENG MOTOR GROUP COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019

| | Commercial vehicles RMB million | Passenger vehicles RMB million | Financing service RMB million | Corporate and others RMB million | Elimination RMB million | Total RMB million |
|---|---------------------------------------|--------------------------------------|-------------------------------------|--|----------------------------|----------------------|
| Other segment information | | | | | | |
| Capital expenditure: | | | | | | |
| - Property, plant and equipment | 1,607 | 2,459 | 142 | 92 | - | 4,300 |
| - Intangible assets | 670 | 182 | 20 | 26 | - | 898 |
| - Right-of-use assets and other non-current assets | 82 | 20 | 505 | 2 | - | 609 |
| Depreciation of property, plant and equipment | 883 | 907 | 5 | 196 | - | 1,991 |
| Amortisation of intangible assets | 570 | 68 | 8 | 123 | - | 769 |
| Depreciation of right-of-use assets | 112 | 87 | 4 | 18 | - | 221 |
| Provision against inventories | 71 | 41 | - | 11 | - | 123 |
| Impairment losses of financial assets | (12) | 136 | 989 | 50 | - | 1,163 |
| Impairment losses of non-current assets | 4 | 132 | 2 | 36 | - | 174 |
| Warranty provisions | 521 | 81 | - | 1 | - | 603 |

5. OTHER INCOME

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

| | Note | 2020 RMB million | 2019 RMB million |
|--|------|---|------------------------|
| Net income from disposal of other materials | | 38 | 107 |
| Government grants and subsidies | | 509 | 505 |
| Interest income | | 998 | 712 |
| Management dispatch fee received from joint ventures | | 271 | 302 |
| Gain on debt restructuring | (a) | 1,520 | - |
| Others | | 1,429 | 605 |
| | | 4,765 | 2,231 |

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

6. PROFIT BEFORE INCOME TAX

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

| | 2020 RMB million | 2019 RMB million |
|--|-----------------------------------|---------------------|
| Cost of inventories recognized as expense | 86,114 | 81,917 |
| Interest expense for financing services (included in cost of sales) | 541 | 330 |
| Provision against inventories | 245 | 123 |
| Depreciation of property, plant and equipment | 2,067 | 1,991 |
| Amortization of intangible assets | 892 | 769 |
| Depreciation of right-of-use assets | 238 | 221 |
| Auditors' remuneration | 19 | 19 |
| Net impairment losses on financial assets | 1,356 | 1,163 |

DONGFENG MOTOR GROUP COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

7. FINANCE EXPENSES

| | 2020 | 2019 |
|--|----------------|---------|
| | RMB | RMB |
| | million | million |
| Interest expenses on bank loans and other borrowings | 894 | 495 |
| Interest expenses on lease liabilities | 100 | 109 |
| Exchange net losses/(gains) of financing activities | 180 | (28) |
| Less: Amount capitalized | - | (1) |
| Finance expenses | 1,174 | 575 |

8. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

| | 2020 | 2019 |
|---|--------------------|-------------|
| | RMB million | RMB million |
| Impairment losses of trade receivables | 222 | 153 |
| Impairment losses of other receivables | 52 | 13 |
| Impairment losses of loans and receivables from financing services | 957 | 907 |
| Others | 125 | 90 |
| | 1,356 | 1,163 |

9. INCOME TAX EXPENSE AND DEFERRED INCOME TAX

| | 2020 | 2019 |
|---------------------------------|--------------------|-------------|
| | RMB million | RMB million |
| Current income tax | 1,763 | 1,490 |
| Deferred income tax | (145) | 269 |
| | <hr/> | <hr/> |
| Income tax expense for the year | 1,618 | 1,759 |

(a) Corporate income tax

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

(b) Hong Kong profits tax

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

(c) Deferred income tax

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

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

10. DIVIDEND

| | 2020 | 2019 |
|--|----------------|---------|
| | RMB | RMB |
| | million | million |
| Proposed final - Nil (2019: RMB 0.25) per ordinary share | <hr/> | <hr/> |
| | - | 2,154 |

The total dividends paid in 2020 amounted to RMB 3,016 million, being RMB 0.35 per share (2019: RMB 3,016 million, being RMB 0.35 per share).

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

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

The calculation of basic earnings per share is based on:

| | 2020 | 2019 |
|--|-------------------------|--------------|
| | RMB million | RMB million |
| Earnings: | | |
| Profit for the year attributable to ordinary equity holders of the Company | 10,792 | 12,858 |
| | Number of shares | |
| | million | million |
| Shares: | | |
| Weighted average number of ordinary shares in issue during the year | 8,616 | 8,616 |
| Earnings per share | 125.26 cents | 149.23 cents |

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

12. TRADE RECEIVABLES

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

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

| | 31 December | |
|--|--------------------|-------------|
| | 2020 | 2019 |
| | RMB million | RMB million |
| Within three months | 5,859 | 6,910 |
| More than three months but within one year | 1,961 | 2,204 |
| More than one year | 2,168 | 1,576 |
| | 9,988 | 10,690 |

Fair values of trade receivables

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

Impairment and risk exposure

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an increase of the loss allowance for trade receivables, and a further increase in the allowance by RMB 222 million in the current periods.

13. TRADE PAYABLES

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

| | 31 December | |
|--|--------------------|-------------|
| | 2020 | 2019 |
| | RMB million | RMB million |
| Within three months | 18,714 | 17,536 |
| More than three months but within one year | 1,654 | 1,094 |
| More than one year | 647 | 590 |
| | 21,015 | 19,220 |

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the annual report of Dongfeng Motor Group for 2020 for your review.

In 2020, the unexpected COVID-19 pandemic caused sluggish economic growth around the world, the great downward pressure faced by the domestic economy and the slowdown of global economic growth throughout the year. The automobile industry has been deeply adjusted for the third consecutive year, and the competitive landscape and layout of the industry has undergone profound changes. However, the automobile market has achieved a V-shaped rebound for the year, thanks to the strong and effective prevention and control measures taken by the PRC government and the introduction of relevant policies to promote automobile consumption. In 2020, the sales volumes of vehicles in the PRC automobile industry amounted to approximately 25,310,000 units, representing a year-on-year decrease of 1.9%. The sales volume of passenger vehicles was approximately 20,180,000 units, representing a year-on-year decrease of 5.9%. The sales volume of commercial vehicles was approximately 5,130,000 units, representing a year-on-year increase of 18.7%. The sales volume of new energy vehicles was approximately 1,367,000 units, representing a year-on-year increase of 10.9%. The development of the automobile industry throughout the year showed the following characteristics:

- I. Automobile market sales of the first quarter fell sharply by 42.4% year-on-year due to the impacts of the pandemic; as the automobile industry has taken the lead in resuming work and production since March, the decline in automobile sales gradually narrowed, driving the rapid and comprehensive recovery of the national economy.
- II. The performance of commercial vehicles was apparently better than that of the automobile industry. Under the integrated influence of the phasing out of National III and below models, charging tolls by axle and driven by the infrastructure investment in 2020, the market demand for commercial vehicles increased rapidly.
- III. The decline in sales volume in the passenger vehicle market began to narrow rapidly in the second quarter, which was benefited from the better-than-expected recovery in the macro-economy and export markets; the market share of Japanese and German brands increased; the market share of luxury automobiles increased significantly by 2.4 percentage points.

IV. Due to the gradual decline in the impact of the pandemic, the active support from the consumption policies and the strong drivers of new products, the new energy vehicle has been growing strong against the current throughout the year. With the acceleration of electrification and digital transformation, the private consumption market of new energy vehicles has experienced significant growth, and the market is undergoing a transition from policy-driven to market-driven, showing a rapid development momentum.

It was an extraordinary and challenging year for Dongfeng Motor Group in 2020. Over the past year, the Dongfeng Motor Group has resumed its work and production while working on the prevention and control of the pandemic. In the face of a nearly “suspended” operation in the first quarter, the Company formulated a quarterly management and control strategy and strived to achieve year-on-year growth. The Company achieved year-on-year growth in the last three quarters and partially recovered the losses in the first quarter by the unremitting efforts of all the staff. The Dongfeng Motor Group sold approximately 2,868,000 vehicles for the year, representing a year-on-year decrease of approximately 2.2%, which was only 0.3 percentage point lower than the growth rate of the automobile industry. The sales revenue of the Group was approximately RMB107,964 million, representing an increase of approximately 6.8% as compared with the corresponding period of last year. In 2020, profit attributable to shareholders was approximately RMB10,792 million, representing a decrease of approximately 16.1% as compared with the corresponding period of last year. The impact loss of the Group's profit attributable to shareholders reached more than RMB3.8 billion due to COVID-19.

In 2020, the operation of Dongfeng Motor Group mainly showed the following characteristics:

- I. Since April, the Company tried to recover the losses caused by COVID-19, and its operation steadily rebounded, and sales had been growing steadily for 9 consecutive months.
- II. Continue to build new leading advantages of commercial vehicles. The sales volume of commercial vehicles for the year was 555,000 with a year-on-year growth of 18.5%, and market share was 10.8%, which remained stable with last year. Dongfeng Commercial Vehicle Co., Ltd. further optimized its medium and heavy truck products, accelerated the construction of the intact rate center, and strengthened post-market development; the sales volume of Dongfeng light truck won the market, and strategic commodities were upgraded; the sales volume of Dongfeng Liuzhou Motor Chenglong brand performed better than its peers, making breakthroughs in key areas and channels; Dongfeng Special Commercial Vehicle Huashen brand released a new commodity platform, and the operation

is overall positive.

- III. Accelerate construction of high-end brand of self-owned new energy vehicles, and promote the development of the brand. In 2020, high-end new energy vehicle brand Voyah of Dongfeng Motor Group and its first new energy vehicle were launched. In the whole year, the Company completed the construction of three “urban spaces”, completed the layout strategy of outlets in 2021, creating a new sales model and digital operation platform.
- IV. Promote high-level and open cooperation to enhance healthy and stable development of joint ventures. In 2020, the Company was committed to optimize layout of joint ventures, restructuring Dongfeng Renault and Dongfeng Getrag, and promoting reform and revitalization of Dongfeng Peugeot Citroën Automobile Co., Ltd. Since September, the sales volume of Dongfeng Peugeot Citroën Automobile Co., Ltd. achieved positive growth for four consecutive months; Dongfeng Nissan achieved annual sales volume of more than one million for six consecutive years, and its market share increased steadily; Dongfeng Honda overcame the impact of pandemic, and its sales volume exceeded 850,000 units, bucking the trend with a positive growth of 6.3%.
- V. Actively control key core technologies and accelerate improvement of technological strength. In 2020, Dongfeng Motor Group focused on “five modernizations”, enhancing efforts to tackle key technical problems, and accelerated digital transformation to enable business development. Sharing-VAN, 5G-enabled autonomous vehicle with L4 applications, achieved commercial delivery; Robotaxi, L4 autonomous vehicle, was in demonstration operation; 5G unmanned truck of port was in operation. Construction of intelligent network platform, big data platform of Dongfeng Travel and Nandou Six Star new energy monitoring platform was further developed.

At present and in the future, China’s development is still in the critical period of strategic opportunities, but both opportunities and challenges have undergone new development changes, the development environment and ecology of the automobile industry are also undergoing remarkable changes. 2021 marks the first year of the “14th Five-Year Plan” and an important year for building an excellent Dongfeng and a world-class enterprise. Facing new challenges and opportunities in the post-pandemic period, Dongfeng Motor Group will focus on the following work:

- I. Persistently improve quality and efficiency. Commercial vehicles shall seize market opportunities to expand the market in an all-round manner, while passenger vehicles shall seize the policy opportunities of expanding automobile consumption to actively develop new energy vehicles and other markets.

II. Adhere to innovation-driven development and accelerate self-development. Accelerate the research of key and core technologies and enhance the autonomous and controllable capacity of the industry and supply chains. Strive to achieve breakthroughs in sales volume, market share, revenue and core capabilities of self-owned passenger and commercial vehicles, and accelerate digital transformation, facilitating the coordinated development of the self-owned brand business.

III. Adhere to open development and enhance the level of cooperation. Promote business units such as Dongfeng Nissan and Dongfeng Honda to accelerate the implementation of the electrification strategy, accelerate the implementation of the revitalization plan of Dongfeng Peugeot Citroën, consolidate and deepen the strategic cooperation with automobile, energy, telecommunications, finance and internet enterprises and strive to achieve cross-border integration of “five modernizations, one vehicle and four networks.”

IV. Persist in deepening reforms and build an excellent Dongfeng system and mechanism. Stimulate vitality and be market-oriented to accelerate the implementation of the three-year action plan for reform. Actively promote incentives for core talents of key positions in an orderly manner, flexibly launch medium-term and long-term incentives in various forms, and continuously promote and deepen incentive mechanisms such as excess profit sharing, dividend right incentives and options incentives.

V. Adhere to strengthening basic management and continuously upgrading system capability. Carry out the benchmarking of full value chain management and promote the improvement of management in the areas of strategy, organization, operation, finance, technology, risk, human resources and information to continue building a modernized management system.

The new journey calls for new achievements and a new layout manifests new responsibility. As the “14th Five-Year Plan” has been introduced, Dongfeng Motor Group will further enhance the dual circulation layout of open cooperation and building new development, continue to promote high-quality development and unswervingly create value for its shareholders.

Zhu Yanfeng

Chairman

29 March 2021

BUSINESS OVERVIEW

I. Business Operations during the Year under Review

1. Sales volume and market share for whole vehicles of Dongfeng Motor Group in 2020

For the year ended 31 December 2020, the sales volume for whole vehicles of Dongfeng Motor Group were approximately 2,868,000 units. According to the statistics published by China Association of Automobile Manufacturers, Dongfeng Motor Group had a market share of approximately 11.3% in terms of total sales volume of commercial and passenger vehicles made by domestic manufacturers in 2020. The following table sets out the market shares in terms of sales volume of commercial vehicles and passenger vehicles of Dongfeng Motor Group in 2020:

| | Sales Volume (Units) | Market share in terms of sales volume (%) ¹ |
|----------------------------|----------------------|--|
| Commercial Vehicles | 554,812 | 10.8 |
| Trucks | 531,274 | 11.3 |
| Buses | 23,538 | 5.3 |
| Passenger Vehicles | 2,313,497 | 11.5 |
| Basic passenger cars | 1,198,971 | 12.9 |
| MPV | 106,481 | 10.1 |
| SUV | 1,008,045 | 10.7 |
| Total | 2,868,309 | 11.3 |

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

2. Sales revenue of Dongfeng Motor Group in 2020

The sales revenue of Dongfeng Motor Group for the year ended 31 December 2020:

| Business | Sales revenue (RMB millions) | Contribution to the Group's sales revenue (%) |
|----------------------|---------------------------------|---|
| Passenger vehicles | 16,540 | 15.3 |
| Commercial vehicles | 83,552 | 77.4 |
| Financing service | 7,620 | 7.1 |
| Corporate and others | 778 | 0.7 |
| Elimination | (526) | (0.5) |
| Total | 107,964 | 100.0 |

3. Sales and service networks

Dongfeng Motor Group has always placed importance on the interest of customers and keeps improving its products and services for speedy, efficient, accurate and quality service support for distributors and customers. With the motor industry entering into the era of stock competition, certain business units of the Company have shown in varying degrees presented as unreasonable network layout and weak marketing and service capabilities in 2020. In order to adapt to the new development trend and raise marketing competitiveness, Dongfeng Motor Group will continue to optimise the marketing system, innovate the marketing mechanism, optimize the market network and continuously improve the sales and service capacity of the marketing network.

As at the end of 2020, the sales and after-sales services of motor vehicles of Dongfeng Motor Group were mainly provided through 13 sales and service networks in China. Each of these 13 sales and service networks provided sales and after-sales services of vehicles of a particular whole vehicle manufacturing unit and was independently managed by the relevant whole vehicle manufacturing units, which were not connected with any other members of Dongfeng Motor Group.

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

| | Brand names | No. of sales outlets | No. of after-sales service outlets | No. of provinces covered |
|---|--|-----------------------------|---|---------------------------------|
| Dongfeng Commercial Vehicle Co., Ltd. | Dongfeng (heavy and medium truck) | 303 | 897 | 31 |
| Dongfeng Liuzhou Motor Co., Ltd. | Chenglong (heavy and medium truck) | 378 | 874 | 31 |
| Dongfeng Automobile Motor Co., Ltd. | Dongfeng (high-end light truck, light truck, mini truck, pickup) | 632 | 1,285 | 31 |
| Zhengzhou Nissan Motor Co., Ltd. | Dongfeng | 237 | 413 | 31 |
| Dongfeng Special Commercial Vehicle Co., Ltd. | Dongfeng | 195 | 760 | 27 |

Sales and after-sales services of passenger vehicles are mainly provided through 8 major sales and service networks.

| Brand names | | No. of sales outlets | No. of after-sales service outlets | No. of provinces covered |
|---|-------------------|-----------------------------|---|---------------------------------|
| Dongfeng Motor Co., Ltd. (Dongfeng Nissan Passenger Vehicle Sales Co., Ltd.) | Dongfeng Nissan | 837 | 837 | 31 |
| Dongfeng Motor Co., Ltd. (Dongfeng Infiniti Motor Co., Ltd.) | Dongfeng Infiniti | 118 | 121 | 29 |
| Dongfeng Motor Co., Ltd. (Dongfeng Venucia Automobile Sales Co., Ltd.) | Venucia | 247 | 218 | 28 |
| Dongfeng Honda Automobile Co., Ltd. | Dongfeng Honda | 575 | 703 | 31 |
| Dongfeng Peugeot Citroën Automobile Co., Ltd. | Dongfeng Citroën | 194 | 305 | 31 |
| Dongfeng Peugeot Citroën Automobile Co., Ltd. | Dongfeng Peugeot | 241 | 338 | 30 |
| Dongfeng Passenger Vehicle Company | Dongfeng Fengshen | 264 | 266 | 31 |
| Dongfeng Liuzhou Motor Co., Ltd. | Dongfeng Future | 353 | 425 | 31 |

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

As at 31 December 2020, the total whole vehicle production capacity of Dongfeng Motor Group was approximately 3,570,000 units, among which the production capacity of commercial vehicles and passenger vehicles was approximately 710,000 units and 2,860,000 units, respectively.

The following table shows the production capacity distribution of vehicles of Dongfeng Motor Group as at 31 December 2020.

(1). Production capacity of the whole commercial vehicles

| Company | Production capacity (0'000 units) |
|---|--|
| Dongfeng Commercial Vehicle Co., Ltd. | 18 |
| Dongfeng Liuzhou Motor Co., Ltd. | 7.5 |
| Dongfeng Automobile Co., Ltd. | 27 |
| Zhengzhou Nissan Motor Co., Ltd. | 16 |
| Dongfeng Special Commercial Vehicle Co., Ltd. | 3 |

(2). Production capacity of the whole passenger vehicles

| Company | Production capacity (0'000 units) |
|---|--|
| Dongfeng Motor Co., Ltd. | 128 |
| Dongfeng Honda Automobile Co., Ltd. | 79 |
| Dongfeng Peugeot Citroën Automobile Co., Ltd. | 36 |
| Dongfeng Passenger Vehicle Company | 12 |
| Dongfeng Liuzhou Motor Co., Ltd. | 16 |

Dongfeng Motor Group will expand its production capacity with reasonable utility to meet the demand of its products gradually based on automobile market forecast and its business plan. By the end of 2021, it is expected that the production capacity of whole vehicles will be 3,810,000 units.

5. Capital expenditure

In 2020, Dongfeng Motor Group adhered to its strategic leading, market-driven, lean and efficient investment strategies, and completed a total investment in fixed assets of RMB11,736 million for the year, with focus on work such as the construction of core R&D capacities, upgrading of manufacturing capacity, strategic commodity layout and control of core resources for new businesses.

- I. Focus on the construction of core R&D capabilities. Targeting at new product functions and new requirements of customers, the Group further improved its commodity development verification system to empower the enhancement of its commodity strength. The Group grasped the technological development trend of the industry, and promoted the construction of technology development and verification platform, hydrogen cell electrochemical laboratory and fuel cell testing system in combination with the technological plans of the Group.
- II. Reasonably arrange investment in new products and strengthen the collaborative development and launch of new products. Introduction of new products was reasonably arranged according to the requirements of relevant regulations and policies of the country and market demand. The Group intensified the construction of new product platform, combined advantageous resources for the development of common technology and the establishment of common resource, and reduced repeated investment of resources so as to enhance market competitiveness.
- III. Implement the concept of high-quality development and promote the intelligent upgrade of existing manufacturing capacity. The Group has completed the layout of production capacity to meet the requirements of the 14th Five-Year Plan and the commodity plan. Since 2020, the Group has started to pool its advantageous resources to carry out the lean, digital, intelligent and green transformation of the Group's existing production capacity on an ongoing basis, promoting management improvement and manufacturing technology upgrade.
- IV. Continue investing in core technologies and resources in the industry chain to provide new momentum for the transformation and upgrading of the Group. The Group promoted the construction of modular structure platform for new energy vehicles, improved the design and development system for new energy vehicles and strengthened core technology reserves. The Group made advance in the constructions of automatic packaging and testing line for

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

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

Business Outlook

In 2021, the Group's overall sales volume targets an increase of 14.8% year-on-year, among which the sales volume of commercial vehicles targets an increase of 12.3% and that of passenger vehicles targets an increase of 15.4%. In respect of commercial vehicles, the Group will seize the opportunities in the National VI markets by making arrangements for six new models of vehicle models including the Kingland Flagship (天龍旗艦) in advance. Benefiting from the oversizing and overloading control policy, sales of new vehicles as well as post-market transformation, the competitiveness of commercial vehicles of Dongfeng will be greatly enhanced. The increase in sales volume was mainly from Dongfeng Commercial Vehicles Co., Ltd., Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Automobile Co.Ltd(A.60006). In terms of passenger vehicles, 17 new models will be launched in 2021, including 6 own brands and 11 joint venture brands, bringing a strong momentum for sales growth. The increase in sales volume was mainly from Dongfeng Nissan, Dongfeng Honda, Dongfeng Peugeot Citroën Automobiles Co., Ltd. and proprietary brands.

Management Discussion and Analysis

I. OPERATING ENVIRONMENT

In 2020, the overall situation of China economy remained a steady rise of the momentum when the COVID-19 epidemic brought a serious impact on the global economy. China's GDP exceeded RMB100 trillion with growth rate increasing by 2.3% year on year. The growth rate decreased by 6.8% year on year in the first quarter, increased by 3.2% year on year in the second quarter, increased by 4.9% year on year in the third quarter and increased 6.5% year on year in the fourth quarter. China's economy has gradually overcome the adverse effect of the epidemic, showing a trend of recovery growth and steady recovery and seeing more resilient and vital in its development. Major economic indicators also showed recovery growth.

In 2020, despite the serious and complicated domestic and oversea environment, especially the severe impact of COVID-19 epidemic, the whole automobile production and sales volume in China still remained steady, achieving the volume of 25,225,200 units and 25,311,100 units, and representing a year-on-year decrease of 2.0% and 1.9% respectively. The overall performance was better than expected and China is still the biggest producer and distributor of the world.

In 2020, the passenger vehicles market ran at a low level with a sales volume of 20,177,700 units, representing a year-on-year decrease of 5.9%. Among which, the sales volume of SUV increased by 1.0% year on year; the sales volume of MPV recorded a significant decrease of 23.8% year on year; the sales volume of basic vehicles decreased by 9.9% year on year. From the aspect of market structure, the structure is severely diversified, and the sale volume of passenger vehicles of Chinese brands recorded a year-on-year decrease by 0.8 percentage point while the sale volume of Japanese and German joint venture brands increased. The trend of consumption upgrading was obvious, and the proportion of luxury models in the passenger vehicles market increased by 2.4 percentage points to 12.9%. The new energy passenger vehicles market went up against the trend, and the annual sales volume increased by 14.6%. Electrification and digital transformation accelerated.

In 2020, the overall production and sales volumes of the commercial vehicle market outperformed the passenger vehicle market. Commercial vehicle sales maintained sustained growth. Through the year, the production and sales volumes of commercial vehicles were

5,231,200 units and 5,133,300 units, representing a year-on-year increase of 20.0% and 18.7% respectively. In terms of different models, the production and sales volumes of buses representing a year-on-year decrease of 4.2% and 5.5% respectively and the production and sales volumes of trucks represented a year-on-year increase of 22.9% and 21.7% respectively.

II. OPERATION ANALYSIS

Facing the tremendous impact of the COVID-19 pandemic, the Group responded actively, made every effort to recover the losses to promote operation recovery and rebound. In 2020, the Group achieved sales volume of approximately 2,868,000 vehicles, sales revenue of approximately RMB107,964 million, and profit attributed to shareholders of approximately RMB 10,792 million.

The Group promptly seized the opportunity of the recovery of the automobile industry after the epidemic. The sales volume of vehicles was 362,600 in the first quarter representing a year-on-year decrease of 46.4%, and the sales volume of vehicles from the second quarter to the fourth quarter was 2,505,700 representing a year-on-year increase of 11.1%, achieving positive sales growth over nine consecutive months.

In 2020, the sales volume of the passenger vehicle of the Company was 2,313,400 units, representing a year-on-year decrease of 6.1%, which was basically the same as the industry. Among which, the sales volume of passenger vehicle business of joint ventures was 2,057,000 units, representing a year-on-year decrease of 3.8% and outperforming the market.

Dongfeng brand is one of the most favorite and preferred brands of commercial vehicles in China. In 2020, the sales volume of commercial vehicles of Dongfeng brand were 555,000 units, with a year-on-year growth of 18.5%.

III. INFLUENCE OF THE COVID-19 EPIDEMIC

In 2020, confronting the impact of the COVID-19 epidemic and the complex and changeable market environment, the Group actively responded and took immediate measures. By planning the layout in advance, the Group actively reduced costs and increased efficiency, strictly controlled fixed expenses and various expenses, and actively communicated and cooperated closely with upstream suppliers and downstream distributors of the industry, striving to reverse

the unfavorable situation caused by the epidemic and promote the recovery of production, operation and the results growth.

The epidemic in the first half of 2020 caused various impacts on all links of the whole value chain of the automobile industry. Especially during February to April, employees returned to work late due to the pandemic, construction progress of new projects was delayed, and related costs increased, leading to the cost increase of the Company and throwing great impact on the Group's profits in the first half of the year. During May to June, with the gradual ease of the epidemic, the automobile market boom improved significantly, and the Group's production and sales gradually recovered and then returned to normal level at the end of June.

In 2020, the impact loss of the Group's profit attributable to the equity holders reached more than RMB3.8 billion due to COVID-19.

IV. FINANCIAL ANALYSIS

1. Revenue

The revenue of the Group for 2020 was approximately RMB107,964 million, representing an increase of approximately RMB6,877 million, or approximately 6.8%, as compared with approximately RMB101,087 million for the corresponding period of last year. The increase in revenue was mainly caused by the increase in sales revenue of Dongfeng Commercial Vehicle Co., Ltd. and Dongfeng Liuzhou Motor Co., Ltd.. The Group has achieved continuous improvement in its product structure. Although the sales volume included in the consolidated revenue fell by 2.9% year on year, the revenue increased by 6.8%. The average revenue per unit increased from approximately RMB202,000 per unit in 2019 to approximately RMB222,000 per unit in 2020.

| | 2020 | 2019 |
|----------------------|----------------------|---------------|
| | Sales Revenue | Sales Revenue |
| | RMB million | RMB million |
| Passenger vehicles | 16,540 | 26,738 |
| Commercial vehicles | 83,552 | 68,893 |
| Financing service | 7,620 | 5,387 |
| Corporate and others | 778 | 565 |
| Elimination | (526) | (496) |
| Total | 107,964 | 101,087 |

1.1 Passenger Vehicle Business

The sales revenue of passenger vehicles of the Group for 2020 decreased by approximately RMB10,198 million, or approximately 38.1%, to approximately RMB16,540 million from approximately RMB26,738 million for the corresponding period of last year. The decrease in revenue was mainly from the decrease of RMB 5,879million from Dongfeng Peugeot Citroën Automobile Sales Co., Ltd., that of RMB1,913 million from Dongfeng Passenger Vehicle Company and that of RMB2,180 million from the passenger vehicle business of Dongfeng Liuzhou Motor Co., Ltd.

1.2 Commercial Vehicle Business

Commercial vehicle business of the Group remained a strong rise momentum. For the year 2020, the sales revenue of commercial vehicle business increased by approximately RMB14,659 million, or approximately 21.3%, to approximately RMB83,552 million from approximately RMB68,893 million for the corresponding period of last year. The increase in revenue was mainly from the increase of RMB7,301 million from Dongfeng Commercial Vehicle Co., Ltd. and that of RMB6,386 million from the commercial vehicle business of Dongfeng Liuzhou Motor Co., Ltd..

1.3 Auto Financing Service Business

Finance company and leasing company of the Group coordinated development, carried out financial business transformation, extended the value exploration of the automotive aftermarket, and improved the sales support for the automobiles business.

The revenue of auto financing service of the Group for 2020 increased by approximately RMB2,233 million, or approximately 41.5%, to approximately RMB7,620 million from approximately RMB5,387 million for the corresponding period of last year. The Group's financing service business maintained its steady growth.

2. Cost of Sales and Gross Profit

The total cost of sales of the Group for 2020 was approximately RMB92,304 million, representing an increase of approximately RMB4,708 million, or approximately 5.4%, as compared with approximately RMB87,596 million of the corresponding period of last year. The total gross profit was approximately RMB15,660 million, representing an increase of approximately RMB2,169 million, or approximately 16.1%, as compared with approximately RMB13,491 million of the corresponding period of last year. The comprehensive gross profit margin was approximately 14.5%, representing an increase of 1.2 percentage points as compared with the corresponding period of last year. Such increase in gross profit margin is mainly due to the impact of cost reduction and changes in sales structure. Among them, the gross profit of commercial vehicle business increased by RMB1,380 million, the gross profit of financial business increased by RMB1,353 million, and the gross profit of passenger vehicle business decreased compared to last year.

3. Other Income

The total other income of the Group for 2020 amounted to approximately RMB4,765 million, representing an increase of approximately RMB2,534 million compared with approximately RMB2,231 million of the corresponding period of last year.

The increase in other income was mainly due to the income from debt reorganization of Dongfeng Motor (Wuhan) Co., Ltd., and the disposal of joint ventures of China Dongfeng Motor Industry Import and Export Co., Ltd. and the disposal of subsidiaries of Dongfeng Special

Commercial Vehicle Co., Ltd..

4. Selling and Distribution Expenses

The selling and distribution expenses of the Group for 2020 increased by approximately RMB591 million to approximately RMB4,940 million from approximately RMB4,349 million of the corresponding period of last year.

The increase in selling and distribution expenses was mainly due to the expenses rising from increase in the sales volume of Dongfeng Commercial Vehicle Co., Ltd. and Dongfeng Liuzhou Motor Co., Ltd..

5. Administrative Expenses

The administrative expenses of the Group for 2020 decreased by approximately RMB563 million to approximately RMB4,513 million from approximately RMB5,076 million of the corresponding period of last year.

The decrease in administrative expenses was mainly due to the Company's strict control over all kinds of costs in its active response to the COVID-19.

6. Net Impairment Losses on Financial Assets

The net impairment losses on financial assets of the Group for 2020 increased by approximately RMB193 million to approximately RMB1,356 million from approximately RMB1,163 million of the corresponding period of last year.

The increase in net impairment losses on financial assets was mainly due to the impairment loss of trade receivables caused by changes in aging and the scale expansion of financial business of Dongfeng Motor Finance Co., Ltd..

7. Other Expenses

The other expenses of the Group for 2020 amounted to approximately RMB8,679 million, representing an increase of approximately RMB3,179 million as compared with approximately RMB5,500 million of the corresponding period of last year.

The increase in other expenses for the year 2020 was mainly due to the year-on-year increase of RMB356 million in R&D expenses as the Group intensified its investment in R&D; and the provision of impairment losses of assets such as Dongfeng Getrag Transmission Co., Ltd. and Dongfeng Motor (Wuhan) Co., Ltd. of RMB1,689 million as the Group actively disposed the non-performing and inefficient assets.

8. Finance Expenses

The finance expenses of the Group for 2020 amounted to approximately RMB1,174 million, representing an increase of approximately RMB599 million as compared with approximately RMB575 million of the corresponding period of last year.

The increase in financial expenses was mainly due to the interest expense of RMB267 million generated by issuing RMB bonds, and the financial expense of RMB208 million caused by the rise of Euro to RMB exchange rate.

9. Share of Profits and Losses of Joint Ventures

Share of profits and losses of joint ventures of the Group for 2020 decreased by approximately RMB2,138 million to approximately RMB9,495 million from approximately RMB11,633 million of the corresponding period of last year. The main reasons are the year-on-year decrease of sales volume by 3.8% due to the epidemic situation despite of the passenger vehicle business of joint ventures outperforming the market, and the decrease in profit with the rise of additional expenses under the influence of the epidemic.

10. Share of Profits and Losses of Associates

Share of profits and losses of associates of the Group for 2020 amounted to approximately RMB2,960 million, representing a decrease of approximately RMB953 million as compared with that of approximately RMB3,913 million of the corresponding period of last year, which mainly due to the decrease in investment income from PSA Group by RMB1,100 million under the influence of overseas epidemic.

11. Income Tax

The income tax expense of the Group for 2020 decreased by approximately RMB141 million to

approximately RMB1,618 million from approximately RMB1,759 million in the corresponding period of last year. The effective tax rate for the period was approximately 13.24%, representing an increase of approximately 1.20 percentage points as compared with approximately 12.04% in the corresponding period of last year.

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

The profit attributable to the equity holders of the Group for 2020 was approximately RMB10,792 million, representing a decrease of approximately RMB2,066 million, or approximately 16.1% as compared with that of approximately RMB12,858 million of the corresponding period of last year. The net profit margin (a percentage of profit attributable to the equity holders of the Company to total revenue) was approximately 10.0%, representing a decrease of approximately 2.7 percentage points as compared with approximately 12.7% of the corresponding period of last year. The return on net assets (a percentage of profit attributable to equity holders of the Company to average equity attributable to equity holders of the Company) was approximately 8.2%, representing a decrease of approximately 2.2 percentage points as compared with approximately 10.4% of the corresponding period of last year.

13. Total Assets

Total assets of the Group as at the end of 2020 amounted to approximately RMB316,521 million, representing an increase of approximately RMB44,521million, or 16.4%, as compared with approximately RMB272,000 million as at the end of last year. The increase was mainly due to the increase in investments in associates, fixed assets and loans generated from financial business.

14. Total Liabilities

Total liabilities of the Group as at the end of 2020 amounted to approximately RMB175,395 million, representing an increase of approximately RMB37,363 million, or 27.1%, as compared with approximately RMB138,032 million as at the end of last year. The increase was mainly due to the increase in long-term and short-term interest-bearing borrowings, trade payables and bills payable, among which long-term and short-term interest-bearing borrowings increased by approximately RMB17,467 million, trade payables and bills payable increased by RMB11,308 million and due to joint ventures increased by RMB2,003 million.

15. Total Equity

Total equity of the Group as at the end of 2020 amounted to approximately RMB141,126 million, representing an increase of approximately RMB7,158 million or 5.3% as compared with approximately RMB133,968 million as at the end of last year. Equity attributable to equity holders of the Company amounted to approximately RMB135,808 million, representing an increase of approximately RMB8,027 million as compared with approximately RMB127,781 million as at the end of last year.

16. Liquidity and Sources of Capital

| | Twelve months ended 31 December 2020 (RMB million) | Twelve months ended 31 December 2019 (RMB million) |
|---|---|---|
| Net cash flows used in operating activities | 1,228 | (11,555) |
| Net cash flows generated from investment activities | 11,434 | 1,472 |
| Net cash flows generated from financing activities | 7,582 | 11,241 |
| Net decrease in cash and cash equivalents | 20,244 | 1,158 |

The Group's net cash flows generated from operating activities was approximately RMB1,228 million. The amount mainly consisted of: (1) profit before taxation amounted to approximately RMB6,756 million, net of depreciation, impairment and other non-cash items; (2) increase of net cash flow by approximately RMB12,865 million with the rising balance of trade payables, other payables and accruals; (3) increase of approximately RMB19,067 million in loans generated from financial business; (4) decrease of income tax payment by approximately RMB1,014 million;

The Group's net cash flows generated from investment activities was approximately RMB11,434 million. The amount mainly consisted of: (1) receipt of dividend from joint ventures and associates, representing cash inflow of approximately RMB12,462 million; (2) receipt of government grants, representing cash inflow of approximately RMB405 million; (3) receipt of cash from disposal of certain equity of subsidiaries and joint ventures, representing cash inflow of RMB1,494 million.

The Group's net cash flows generated from financing activities was approximately RMB7,582 million. This amount mainly reflected: (1) increase of bank borrowings resulting in a cash inflow of approximately RMB17,203 million; (2) issuance of bonds, resulting in a cash inflow of approximately RMB9,140 million; (3) repayment of bank borrowings and bonds and payment of dividends, resulting in a cash outflow of approximately RMB18,675 million. The increase in financing was mainly to supplement the rapidly growing funding needs of financial business.

As a result of the above, the Group's cash and cash equivalents (excluding non-pledged time deposits with original maturity of three months or more when acquired) amounted to approximately RMB46,377 million as at 31 December 2020, representing an increase of approximately RMB20,244 million as compared with approximately RMB26,133 million as at 31 December 2019. Cash and bank balances (including non-pledged time deposits with original maturity of three months or more when acquired) amounted to approximately RMB47,640 million, representing an increase of approximately RMB20,872 million as compared with approximately RMB26,768 million as at 31 December 2019.

As at 31 December 2020, the Group's equity ratio (a percentage of total borrowings to equity attributable to equity holders of the Company) was approximately 44.7%, representing an increase of approximately 11.0 percentage points as compared with approximately 33.8% as at 31 December 2019. The Group's liquidity ratio was approximately 1.21 times, representing a decrease of 0.12 times compared to approximately 1.33 times as at 31 December 2019. The Group's quick ratio was approximately 1.12 times, representing a decrease of 0.10 times from approximately 1.22 times as at 31 December 2019.

The inventory turnover days of the Group decreased by approximately 1 day to approximately 50 days as at 31 December 2020 from approximately 51 days as at 31 December 2019. The turnover days of receivables decreased by approximately 5 days to approximately 34 days from approximately 39 days as at 31 December 2019.

17. Major Financial Figures Based on Proportionate Consolidation

Based on proportionate consolidation, the revenue of the Group for 2020 was approximately RMB260,666 million, representing an increase of approximately RMB6,625 million, or approximately 2.6%, as compared with approximately RMB254,041 million of the corresponding period of last year. Profit before income tax for 2020 was approximately RMB17,137 million, representing a decrease of approximately RMB4,063 million, or 19.2%, as compared with approximately RMB21,200 million of the corresponding period of last year. Total assets for 2020 were RMB401,051 million, representing an increase of approximately RMB50,922 million, or approximately 14.5%, as compared with approximately RMB350,129 million of last year.

PROPOSED FINAL DIVIDENDS

Pursuant to Rule 18 of “Measures for the Administration of Securities Issuance and Underwriting (《證券發行與承銷管理辦法》)” of CSRC and related regulatory Q&A requirements, for securities issued domestically, a company that has profit distribution proposal(s), or conversion of capital reserve into share capital proposal(s) which are yet to be submitted to general meeting for voting, or when such proposal has already been approved by general meeting but yet to be implemented, the domestic issuance of securities can only be proceeded after such proposal has been implemented.

According to the above regulations, the Company has considered the steadily advancing work related to the issuance and listing of A Shares of Dongfeng Group. In order to avoid further uncertainty as a result of the annual dividends to the listing schedule, dividends shall be distributed in a timely manner, depending on the listing progress of the A Share, in accordance with the relevant regulatory requirements of the SFC and the Stock Exchange, with the consideration of the Company's long-term development and maintenance of the interests of shareholders. A board meeting and a general meeting of the Company will be convened for consideration and execution of the relevant disclosure process in due course.

MATERIAL LEGAL PROCEEDINGS

As at 31 December 2020, Dongfeng Motor Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against Dongfeng Motor Group as far as Dongfeng Motor Group was aware.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CORPORATE GOVERNANCE

During the year, the Company had been in compliance with all Code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the circumstances as stated below:

According to Code Provision A.4.2, every director should be subject to retirement by rotation at least once every three years. The term of office of the fourth session of the Board of Directors (including Mr Zhu Yanfeng who was appointed on 19 June 2015) should end on 9 October 2016 and the directors should be subject to retirement by rotation. The Company has not yet completed the above process until the extraordinary general meeting (the "EGM") held on 25 September 2020, upon the approval of the election of the fifth session of the Board. The appointment of the fifth session of the Board shall become effective from the date being approved by the EGM of the Company with a term of three years. After the election of the fifth session of the Board of the Company, the Company meets the requirements of Code Provision A.4.2.

Meanwhile, following the passing away of an independent non-executive director of the Company, Mr. Zhang Xiaotie on 25 May 2020, the Company has failed to meet the requirement under Rules 3.10(1) and 3.10(2) of the Listing Rules. On the EGM held on 25 August 2020, Mr. Leung Wai Lap, Philip ("Mr. Leung") has been approved as an independent non-executive director of the Company. After Mr. Leung's appointment as an independent non-executive director of the Company, the Company meets the requirements of Rule 3.10(1) and 3.10(2) of the Listing Rules.

SECURITIES TRANSACTION OF THE DIRECTORS

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

ANNUAL GENERAL MEETING

The Annual General Meeting for the year 2020 of the Company will be held on Friday, 18 June 2021. In order to determine the name list of shareholders who are entitled to attend the annual general meeting, the register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021 (both days inclusive). Holders of H shares and domestic shares with their names listed on the register of shareholders on Friday, 18 June 2021 are entitled to attend the 2020 annual general meeting.

In order to be qualified to attend and vote at the annual general meeting, holders of H shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4: 30 pm on Friday, 11 June 2021 (Hong Kong time), being the last share registration date.

REVIEW OF THE ACCOUNTS

The audit and risk management committee has reviewed the audited financial reports for the year ended 31 December 2020 of the Company and the Group.

BOARD OF DIRECTORS

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

On behalf of the Board of Directors
Zhu Yanfeng
Chairman

Wuhan, the PRC, 29 March 2021

** For identification only*