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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)*

2021 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of Dongfeng Motor Group Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group” or the “Dongfeng Motor Group”) for the six months ended 30 June 2021 together with the comparative figures of the corresponding period of 2020. The 2021 interim financial information has been reviewed by the Company’s audit and risk management committee and the Company’s auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standards on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

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 includes all relating to 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).

Interim Condensed Consolidated Statement of Profit or Loss
For the six months ended 30 June 2021

| | Notes | Six months ended 30 June | |
|--|-------|------------------------------------|--|
| | | 2021 RMB million (Unaudited) | 2020 RMB million (Unaudited and restated) |
| Revenue | 2 | 69,856 | 50,576 |
| Cost of sales | | <u>(59,656)</u> | <u>(42,760)</u> |
| Gross profit | | 10,200 | 7,816 |
| Other income | 3 | 2,807 | 1,555 |
| Selling and distribution expenses | | (2,896) | (2,070) |
| Administrative expenses | | (2,513) | (1,827) |
| Impairment losses on financial assets | 6 | (1,080) | (967) |
| Other expenses | 7 | (2,861) | (3,713) |
| Finance expenses | 5 | (204) | (599) |
| Share of profits and losses of: | | | |
| Joint ventures | | 6,458 | 3,224 |
| Associates | | 644 | 961 |
| PROFIT BEFORE INCOME TAX | 4 | 10,555 | 4,380 |
| Income tax expense | 8 | <u>(1,296)</u> | <u>(1,000)</u> |
| PROFIT FOR THE PERIOD | | <u>9,259</u> | <u>3,380</u> |
| Profit attributable to: | | | |
| Equity holders of the Company | | 8,629 | 3,643 |
| Non-controlling interests | | <u>630</u> | <u>(263)</u> |
| | | <u>9,259</u> | <u>3,380</u> |
| Earnings per share attributable to ordinary equity holders of the Company: | 10 | | |
| Basic and diluted for the period | | <u>100.15 cents</u> | <u>42.28 cents</u> |

Interim Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2021

| | Six months ended 30 June | |
|--|---------------------------------|-----------------------------|
| | 2021 | 2020 |
| | RMB million | RMB million |
| | (Unaudited) | (Unaudited and restated) |
| PROFIT FOR THE PERIOD | 9,259 | 3,380 |
| 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 | - | 229 |
| Changes in the fair value of financial assets at fair value through other comprehensive income | 4,853 | 12 |
| Others | (8) | (14) |
| | 4,845 | 227 |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | |
| Currency translation differences | (217) | 435 |
| Share of other comprehensive expense of investments accounted for using the equity method | 702 | (310) |
| | 485 | 125 |
| Income tax effect | | |
| Item that will not be reclassified subsequently to profit or loss | (1,207) | 1 |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | 4,123 | 353 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 13,382 | 3,733 |
| Total comprehensive income attributable to: | | |
| Equity holders of the Company | 12,756 | 3,999 |
| Non-controlling interests | 626 | (266) |
| | 13,382 | 3,733 |

Interim Condensed Consolidated Statement of Financial Position
As at 30 June 2021

| | Notes | 30 June 2021 RMB million (Unaudited) | 31 December 2020 RMB million |
|--|-------|--|------------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 20,858 | 20,071 |
| Right-of-use assets | | 4,300 | 4,231 |
| Investment properties | | 135 | 148 |
| Intangible assets | | 5,121 | 5,061 |
| Goodwill | | 1,733 | 1,733 |
| Investments in joint ventures | | 43,989 | 39,596 |
| Investments in associates | | 12,564 | 28,774 |
| Financial assets at fair value through other comprehensive income | 13 | 23,422 | 206 |
| Other non-current assets | | 44,065 | 41,295 |
| Deferred income tax assets | | 3,268 | 2,928 |
| Due from joint ventures | | - | 395 |
| Total non-current assets | | <u>159,455</u> | <u>144,438</u> |
| Current assets | | | |
| Inventories | | 10,271 | 12,524 |
| Trade receivables | 12 | 12,441 | 9,988 |
| Bills receivable | | 647 | 1,427 |
| Prepayments, deposits and other receivables | | 67,591 | 62,236 |
| Financial assets at fair value through other comprehensive income | 13 | 22,518 | 18,169 |
| Due from joint ventures | | 5,163 | 8,519 |
| Pledged bank balances and time deposits | 14 | 4,975 | 3,463 |
| Financial assets at fair value through profit or loss | | 3,786 | 8,117 |
| Cash and bank balances | 14 | <u>37,860</u> | <u>47,640</u> |
| Total current assets | | <u>165,252</u> | <u>172,083</u> |
| TOTAL ASSETS | | <u><u>324,707</u></u> | <u><u>316,521</u></u> |

Interim Condensed Consolidated Statement of Financial Position (Continued)
As at 30 June 2021

| | Notes | 30 June 2021 RMB million (Unaudited) | 31 December 2020 RMB million |
|---|-------|---|------------------------------------|
| EQUITY AND LIABILITIES | | | |
| Equity attributable to equity holders of the Company | | | |
| Issued capital | | 8,616 | 8,616 |
| Reserves | | 24,418 | 20,293 |
| Retained profits | | <u>115,756</u> | <u>106,899</u> |
| | | 148,790 | 135,808 |
| Non-controlling interests | | <u>5,362</u> | <u>5,318</u> |
| TOTAL EQUITY | | <u>154,152</u> | <u>141,126</u> |
| Non-current liabilities | | | |
| Interest-bearing borrowings | 16 | 16,522 | 22,373 |
| Lease liabilities | | 2,141 | 1,984 |
| Other long term liabilities | | 2,929 | 3,166 |
| Government grants | | 2,575 | 2,309 |
| Deferred income tax liabilities | | 3,877 | 2,692 |
| Provisions | | <u>813</u> | <u>805</u> |
| Total non-current liabilities | | <u>28,857</u> | <u>33,329</u> |
| Current liabilities | | | |
| Trade payables | 15 | 24,425 | 21,015 |
| Bills payable | | 38,266 | 36,882 |
| Lease liabilities | | 194 | 138 |
| Other payables and accruals | | 18,877 | 17,121 |
| Contract liabilities | | 5,060 | 4,111 |
| Due to joint ventures | | 16,429 | 21,973 |
| Interest-bearing borrowings | 16 | 35,494 | 38,276 |
| Income tax payables | | 1,601 | 1,309 |
| Provisions | | <u>1,352</u> | <u>1,241</u> |
| Total current liabilities | | <u>141,698</u> | <u>142,066</u> |
| TOTAL LIABILITIES | | <u>170,555</u> | <u>175,395</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>324,707</u> | <u>316,521</u> |

Interim Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2021

| | Attributable to owners of the Company | | | | Total RMB million (Unaudited) | Non- controlling interests RMB million (Unaudited) | Total equity RMB million (Unaudited) |
|--|---|---|---|---|-------------------------------------|--|--|
| | Issued capital RMB million (Unaudited) | Capital reserves RMB million (Unaudited) | Statutory reserves RMB million (Unaudited) | Retained profits RMB million (Unaudited) | | | |
| For the six months ended 30 June 2021 | | | | | | | |
| As at 1 January 2021 | 8,616 | 2,931 | 17,362 | 106,899 | 135,808 | 5,318 | 141,126 |
| Total comprehensive income for the period | - | 4,127 | - | 8,629 | 12,756 | 626 | 13,382 |
| Transfer to reserves | - | - | 142 | (142) | - | - | - |
| Share of capital reserve of investments accounted for using the equity method | - | 218 | - | - | 218 | - | 218 |
| Dividends declared to non-controlling interests | - | - | - | - | - | (591) | (591) |
| Capital contribution from non-controlling interests | - | - | - | - | - | 18 | 18 |
| Transactions with non-controlling interests | - | - | - | - | - | (12) | (12) |
| Other | - | (362) | - | 370 | 8 | 3 | 11 |
| As at 30 June 2021 | 8,616 | 6,914 | 17,504 | 115,756 | 148,790 | 5,362 | 154,152 |

Interim Condensed Consolidated Statement of Changes in Equity (Continued)
For the six months ended 30 June 2021

| | Attributable to owners of the Company | | | | Total RMB million (Unaudited and restated) | Non- controlling interests RMB million (Unaudited) | Total equity RMB million (Unaudited and restated) |
|--|---|---|---|---|---|--|--|
| | Issued capital RMB million (Unaudited) | Capital reserves RMB million (Unaudited and restated) | Statutory reserves RMB million (Unaudited) | Retained profits RMB million (Unaudited and restated) | | | |
| For the six months ended 30 June 2020 | | | | | | | |
| As at 1 January 2020 | 8,616 | 2,727 | 15,609 | 100,829 | 127,781 | 6,187 | 133,968 |
| 2019 final dividend | - | - | - | (2,154) | (2,154) | - | (2,154) |
| Total comprehensive income for the period | - | 356 | - | 3,643 | 3,999 | (266) | 3,733 |
| Transfer to reserves | - | - | 874 | (874) | - | - | - |
| Share of capital reserve of investments accounted for using the equity method | - | 54 | - | - | 54 | - | 54 |
| Dividends declared to non-controlling interests | - | - | - | - | - | (3) | (3) |
| Capital contribution from non-controlling interests | - | 5 | - | - | 5 | 71 | 76 |
| Other | - | 57 | - | - | 57 | (7) | 50 |
| As at 30 June 2020 | <u>8,616</u> | <u>3,199</u> | <u>16,483</u> | <u>101,444</u> | <u>129,742</u> | <u>5,982</u> | <u>135,724</u> |

Interim Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2021

| | | Six months ended 30 June | |
|---|------|---------------------------------|-------------|
| | Note | 2021 | 2020 |
| | | RMB million | RMB million |
| | | (Unaudited) | (Unaudited) |
| Cash flows from operating activities | | | |
| Cash flows used in operating activities | | (10,128) | (2,535) |
| Income tax paid | | (1,338) | (879) |
| Cash flows used in operating activities – net | | (11,466) | (3,414) |
| Cash flows from investing activities | | | |
| Acquisition of subsidiaries, joint ventures and associates– net | | (503) | 481 |
| Dividends from joint ventures and associates | | 6,693 | 7,863 |
| Other investing cash flows – net | | 4,050 | (10,718) |
| Cash flows generated from/(used in) investing activities – net | | 10,240 | (2,374) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings and bonds | | 5,591 | 19,398 |
| Repayments of borrowings and bonds | | (13,062) | (7,737) |
| Dividends paid to non-controlling interests | | (976) | (3) |
| Other finance cash flows – net | | (21) | 5 |
| Cash flows (used in)/generated from financing activities – net | | (8,468) | 11,663 |
| Net (decrease)/ increase in cash and cash equivalents | | (9,694) | 5,875 |
| Cash and cash equivalents at beginning of the period | | 46,377 | 26,133 |
| Cash and cash equivalents at end of the period | 14 | 36,683 | 32,008 |

Notes to Interim Condensed Consolidated Financial Information
For the six months ended 30 June 2021

1.1 CORPORATE INFORMATION

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

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

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

This interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the Board of Directors on 26 August 2021.

1.2 BASIS OF PRESENTATION

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

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial information, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

1.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial information of the Group for the year ended 31 December 2020 (referring to the annual financial statements in the relevant year), as described in those annual financial information except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to IFRSs effective for the financial year ended 31 December 2021.

(i) New and amended standards adopted by the Group

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

| | Effective for annual periods beginning on or after |
|---|---|
| Amendments to IFRS 9, Interest rate benchmark reform - IAS 39, IFRS 4 and Phase 2 IFRS 16 | 1 January 2021 |

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

Notes to Interim Condensed Consolidated Financial Information (Continued)
For the six months ended 30 June 2021

1.3 SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

- (ii) **New and amended standards that might be relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2021 and have not been early adopted**

| | | Effective for annual periods beginning on or after |
|---|---|---|
| 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 |
| Amendment to IFRS 16 | Covid-19 – Related Rent Concessions Beyond 30 June 2021 | 1 April 2021 |
| Amendments to IAS 12 | Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction | 1 January 2023 |

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

1.4 ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

1.5 Restatement of the condensed consolidated statement of profit or loss

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 and stop equity method on these portion of investment since than 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 20.70 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 20.70 million PSA shares no longer met the classification condition of assets held for sale and have to be accounted for as investments in associates accounted for using the equity method on a retrospective basis. Accordingly, the Group has restated the comparative information in the interim financial information as follows:

Notes to Interim Condensed Consolidated Financial Information (Continued)
For the six months ended 30 June 2021

1.5 Restatement of the condensed consolidated statement of profit or loss (Continued)

| | For the six months ended 30 June 2020 CONSOLIDATED STATEMENT OF PROFIT OR LOSS | | |
|---------------------------------------|--|--|-------------------------------|
| | As per originally reported RMB million | Retrospective adjustments RMB million | As restated RMB million |
| Revenue | 50,576 | - | 50,576 |
| Cost of sales | (42,760) | - | (42,760) |
| Gross profit | 7,816 | - | 7,816 |
| Other income | 1,555 | - | 1,555 |
| Selling and distribution expenses | (2,070) | - | (2,070) |
| Administrative expenses | (1,827) | - | (1,827) |
| Impairment losses on financial assets | (967) | - | (967) |
| Other expenses | (4,438) | 725 | (3,713) |
| Finance expenses | (599) | - | (599) |
| Share of profits and losses of: | | | |
| Joint ventures | 3,224 | - | 3,224 |
| Associates | 853 | 108 | 961 |
| PROFIT BEFORE INCOME TAX | 3,547 | 833 | 4,380 |
| Income tax expense | (792) | (208) | (1,000) |
| PROFIT FOR THE PERIOD | 2,755 | 625 | 3,380 |
| Profit attributable to: | | | |
| Equity holders of the Company | 3,018 | 625 | 3,643 |
| Non-controlling interests | (263) | - | (263) |
| | 2,755 | 625 | 3,380 |

The above adjustments have no effect on the consolidated statement of position as at 31 December 2020 .

2. REVENUE AND SEGMENT INFORMATION

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

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

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

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

During the six months ended 30 June 2020 and 2021, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Notes to Interim Condensed Consolidated Financial Information (Continued)
For the six months ended 30 June 2021

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2021

| | Commercial vehicles RMB million (Unaudited) | Passenger vehicles RMB million (Unaudited) | Financing service RMB million (Unaudited) | Corporate and others RMB million (Unaudited) | Elimination RMB million (Unaudited) | Total RMB million (Unaudited) |
|---------------------------------|--|---|--|---|---|-------------------------------------|
| Segment revenue | | | | | | |
| Sales to external customers | 54,494 | 10,417 | 4,452 | 493 | - | 69,856 |
| Sales to internal customers | 25 | 222 | 13 | 4 | (264) | - |
| | <u>54,519</u> | <u>10,639</u> | <u>4,465</u> | <u>497</u> | <u>(264)</u> | <u>69,856</u> |
| Results | | | | | | |
| Segment results | <u>2,357</u> | <u>(1,137)</u> | <u>1,814</u> | <u>(550)</u> | <u>775</u> | <u>3,259</u> |
| Interest income | 466 | 85 | 2 | 967 | (1,122) | 398 |
| Finance expenses | | | | | | (204) |
| Share of profits and losses of: | | | | | | |
| Associates | 25 | 5 | 590 | 24 | - | 644 |
| Joint ventures | <u>265</u> | <u>6,270</u> | <u>92</u> | <u>(169)</u> | <u>-</u> | <u>6,458</u> |
| Profit before income tax | | | | | | 10,555 |
| Income tax expense | | | | | | <u>(1,296)</u> |
| Profit for the period | | | | | | <u>9,259</u> |

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

Notes to Interim Condensed Consolidated Financial Information (Continued)
For the six months ended 30 June 2021

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2020

| | Commercial vehicles RMB million (Unaudited) | Passenger vehicles RMB million (Unaudited and restated) | Financing service RMB million (Unaudited) | Corporate and others RMB million (Unaudited) | Elimination RMB million (Unaudited) | Total RMB million (Unaudited and restated) |
|---------------------------------|--|--|--|---|---|---|
| Segment revenue | | | | | | |
| Sales to external customers | 39,279 | 7,555 | 3,440 | 302 | - | 50,576 |
| Sales to internal customers | 35 | 51 | 39 | 3 | (128) | - |
| | <u>39,314</u> | <u>7,606</u> | <u>3,479</u> | <u>305</u> | <u>(128)</u> | <u>50,576</u> |
| Results | | | | | | |
| Segment results | <u>1,474</u> | <u>(2,202)</u> | <u>1,197</u> | <u>(749)</u> | <u>706</u> | 426 |
| Interest income | 348 | 69 | 2 | 691 | (742) | 368 |
| Finance expenses | | | | | | (599) |
| Share of profits and losses of: | | | | | | |
| Associates | 11 | 511 | 428 | 11 | - | 961 |
| Joint ventures | 142 | 3,012 | 98 | (28) | - | 3,224 |
| Profit before income tax | | | | | | 4,380 |
| Income tax expense | | | | | | <u>(1,000)</u> |
| Profit for the period | | | | | | <u>3,380</u> |

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

Notes to Interim Condensed Consolidated Financial Information (Continued)
For the six months ended 30 June 2021

3. OTHER INCOME

| | Six months ended 30 June | |
|--|---------------------------------|--------------------|
| | 2021 | 2020 |
| | RMB million | RMB million |
| | (Unaudited) | (Unaudited) |
| Investment (loss)/income from disposal of investments in joint ventures and associates | (48) | 491 |
| Interest income | 398 | 368 |
| Government grants and subsidies | 202 | 125 |
| Dividends from financial assets at fair value through other comprehensive income | 1,684 | - |
| Stationing fee received from the joint ventures | 116 | 125 |
| Others | 455 | 446 |
| | 2,807 | 1,555 |

4. PROFIT BEFORE INCOME TAX

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

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2021 | 2020 |
| | RMB million | RMB million |
| | (Unaudited) | (Unaudited) |
| Cost of inventories recognized as expense | 56,404 | 39,851 |
| Interest expense for financing services (included in cost of sales) | 175 | 258 |
| Provision against inventories | 218 | 80 |
| Depreciation of property, plant and equipment | 1,201 | 993 |
| Amortisation of intangible assets | 514 | 438 |
| Depreciation of right-of-use assets | 131 | 111 |
| Impairment losses on financial assets | 1,080 | 967 |

Notes to Interim Condensed Consolidated Financial Information (Continued)
For the six months ended 30 June 2021

5. FINANCE EXPENSES

| | Six months ended 30 June | |
|--|---------------------------------|-------------------|
| | 2021 | 2020 |
| | RMB million | RMB million |
| | (Unaudited) | (Unaudited) |
| Interest expenses on bank loans and other borrowings | 446 | 421 |
| Interest expenses on lease liabilities | 47 | 53 |
| Exchange net (gain)/loss of financing activities | <u>(289)</u> | <u>125</u> |
| Finance expenses | <u>204</u> | <u>599</u> |

6. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

| | Six months ended 30 June | |
|--|---------------------------------|-------------------|
| | 2021 | 2020 |
| | RMB million | RMB million |
| | (Unaudited) | (Unaudited) |
| Impairment losses of trade receivables | 71 | 183 |
| Impairment losses of other receivables | 30 | 33 |
| Impairment losses of loans and receivables from financing services | <u>979</u> | <u>751</u> |
| | <u>1,080</u> | <u>967</u> |

7. OTHER EXPENSES

| | Six months ended 30 June | |
|---|---------------------------------|--------------------------|
| | 2021 | 2020 |
| | RMB million | RMB million |
| | (Unaudited) | (Unaudited and restated) |
| Impairment losses of non-financial assets | 2 | 889 |
| Research costs | 2,344 | 1,789 |
| Others | <u>515</u> | <u>1,035</u> |
| | <u>2,861</u> | <u>3,713</u> |

Notes to Interim Condensed Consolidated Financial Information (Continued)
For the six months ended 30 June 2021

8. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|-----------------------------------|---------------------------------|---------------------------------|
| | 2021 | 2020 |
| | RMB million | RMB million |
| | (Unaudited) | (Unaudited and restated) |
| Current income tax | 1,658 | 743 |
| Deferred income tax | (362) | 257 |
| Income tax expense for the period | <u>1,296</u> | <u>1,000</u> |

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2021 and 30 June 2020.

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

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

Notes to Interim Condensed Consolidated Financial Information (Continued)
For the six months ended 30 June 2021

9. DIVIDEND

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2021 | 2020 |
| | RMB million | RMB million |
| | (Unaudited) | (Unaudited) |
| Proposed Special dividend RMB0.40 (2020:nil) per ordinary share | 3,446 | - |
| Proposed interim - Nil (2020:RMB0.10) per ordinary share | - | 862 |
| | 3,446 | 862 |

On 26 August 2021, the Board of Directors has declared a special dividend of RMB0.40 per share, amounting to RMB3,446 million, the interim financial information does not reflect this liability. On 28 August 2020, the Board of Directors has declared an interim dividend of RMB0.10 per share, amounting to RMB862 million.

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

The calculation of basic earnings per share is based on:

| | Six months ended 30 June | |
|---|---------------------------------|-----------------------------|
| | 2021 | 2020 |
| | RMB million | RMB million |
| | (Unaudited) | (Unaudited and restated) |
| Earnings: | | |
| Profit for the period attributable to ordinary equity holders of the Company | 8,629 | 3,643 |
| | Number of shares | |
| | million | million |
| Shares: | | |
| Weighted average number of ordinary shares in issue during the period | 8,616 | 8,616 |
| Earnings per share | 100.15 cents | 42.28 cents |

Diluted earnings per share equals basic earnings per share as the Company has no dilutive potential ordinary shares for the six months ended 30 June 2021 and 30 June 2020.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment in an aggregate amount of approximately RMB2,075 million (for the six months ended 30 June 2020: RMB3,872 million) and disposed of property, plant and equipment with an aggregate net book value of approximately RMB38 million (for the six months ended 30 June 2020: RMB42 million), the net gain on disposal is approximately RMB5 million (for the six months ended 30 June 2020: a net gain less than RMB1 million). Intangible assets transferred from construction in progress is approximately RMB47 million (for the six months ended 30 June 2020: RMB17 million). Depreciation was approximately RMB1,201 million (for the six months ended 30 June 2020: RMB993 million) and approximately RMB2 million impairment was accrued for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB407 million).

12. TRADE RECEIVABLES

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

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

| | 30 June 2021 RMB million (Unaudited) | 31 December 2020 RMB million |
|--|---|------------------------------------|
| Within three months | 7,365 | 5,859 |
| More than three months but within one year | 3,181 | 1,961 |
| More than one year | 1,895 | 2,168 |
| | <u>12,441</u> | <u>9,988</u> |

Notes to Interim Condensed Consolidated Financial Information (Continued)
For the six months ended 30 June 2021

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 30 June 2021 RMB million (Unaudited) | 31 December 2020 RMB million |
|--|---|------------------------------------|
| Non-current: | | |
| Listed equity investments at fair value through other comprehensive income | | |
| - Stellantis(i) | 22,284 | - |
| - Faurecia(ii) | 949 | - |
| Unlisted equity investments at fair value through other comprehensive income | 189 | 206 |
| | 23,422 | 206 |
| Current: | | |
| Unlisted debt instruments at fair value through other comprehensive income | 22,518 | 18,169 |
| | 45,940 | 18,375 |

- (i) On January 16, 2021, the merger between PSA and FCA has been completed, which lead to the creation of Stellantis N.V. (“Stellantis”). On the merger date, the Group held 100,622,220 shares of PSA, with a shareholding ratio of 11.24%, and converted to holding 175,283,907 shares of Stellantis, with a shareholding ratio of 5.62%. After the conversion, the Group cannot directly participate in or influence over the financial and operating decisions of Stellantis. Therefore, the Group cannot exercise significant influence on Stellantis and the investment is accounted for financial assets at fair value through other comprehensive income. From the merger date to the end of 30, June, 2021, the fair value recognized by the shares of Stellantis has increased by RMB5,018 million.
- (ii) On March 22, 2021, the Group received a stock dividend issued by Stellattis, 2,984,909 shares of Faurecia, with a shareholding ratio of 2.16%. After the issuance, the Group cannot directly participate in or influence over the financial and operating decisions of Faurecia. Therefore, the Group cannot exercise significant influence on Faurecia and the investment is accounted for financial assets at fair value through other comprehensive income. From the stock acquisition date to the end of 30, June, 2021, the fair value recognized by the shares of Faurecia has decreased by RMB146 million.

Notes to Interim Condensed Consolidated Financial Information (Continued)
For the six months ended 30 June 2021

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

| | 30 June 2021 RMB million (Unaudited) | 31 December 2020 RMB million |
|--|---|------------------------------------|
| Cash and bank deposits | 35,702 | 45,272 |
| Time deposits | <u>7,133</u> | <u>5,831</u> |
| | 42,835 | 51,103 |
| Less: Pledged bank balances and time deposits for securing general banking facilities | <u>(4,975)</u> | <u>(3,463)</u> |
| Cash and bank balances in the interim condensed consolidated statement of financial position | 37,860 | 47,640 |
| Less: Non-pledged time deposits with original maturity of three months or more when acquired | <u>(1,177)</u> | <u>(1,263)</u> |
| Cash and cash equivalents in the interim condensed consolidated statement of cash flow | <u>36,683</u> | <u>46,377</u> |

15. TRADE PAYABLES

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

| | 30 June 2021 RMB million (Unaudited) | 31 December 2020 RMB million |
|--|---|------------------------------------|
| Within three months | 21,554 | 18,714 |
| More than three months but within one year | 2,211 | 1,654 |
| More than one year | <u>660</u> | <u>647</u> |
| | <u>24,425</u> | <u>21,015</u> |

16. INTEREST-BEARING BORROWINGS

Interest expense on borrowings for the six months ended 30 June 2021 was 446 million (for the six months ended 30 June 2020: RMB421 million).

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB2,726 million on 17 July 2019, the ABS is divided into tranche A1, tranche A2 and tranche B. Tranche A1, A2, B bear interest from 19 July 2019 at the rate of 3.03%, 3.19% and 4%. Interest on the securities is payable monthly on 26th. The Company has already repaid RMB 2,726 million by the end of 30 June 2021.

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB4,350 million on 21 October 2019, the ABS is divided into tranche A1 and tranche A2. Tranche A1, A2 bear interest from 23 October 2019 at the rate of 2.9% and 3.12%. Interest on the securities is payable monthly on 26th. The Company has already repaid RMB 4,350 million by the end of 30 June 2021.

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB1,710 million on 14 January 2020, the ABS is divided into tranche A1 and tranche A2. Tranche A1, A2 bear interest from 16 January 2020 at the rate of 2.91% and 3.05%. Interest on the securities is payable monthly on 26th. The Company has already repaid RMB 1,558 million by the end of 30 June 2021.

The Asset-Backed Security (ABS) with fixed interest rates were public issued in amount of RMB4,430 million on 20 May 2020, the ABS is divided into tranche A, tranche B. Tranche A, B bear interest from 22 May 2020 at the rate of 2.05% and 2.55%. Interest on the securities is payable monthly on 26th. The Company has already repaid RMB 2,392 million by the end of 30 June 2021.

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

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

16. INTEREST-BEARING BORROWINGS(CONTINUED)

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

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

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

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

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

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

Notes to Interim Condensed Consolidated Financial Information (Continued)
For the six months ended 30 June 2021

17. COMMITMENTS

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

| | 30 June 2021 RMB million (Unaudited) | 31 December 2020 RMB million |
|--|---|------------------------------------|
| Contracted, but not provided for: Property, plant and equipment | <u><u>1,192</u></u> | <u><u>1,405</u></u> |

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the 2021 interim report of the Group for your review.

In the first half of 2021, the COVID-19 epidemic situation in China has been alleviated, and consumption in China's automobile market has gradually rebounded. In the first half of the year, the industry sold approximately 12,890,500 units vehicles, with a year-on-year increase of approximately 25.6% and approximately 4.5% over the same period in 2019. Among which, the sales of passenger vehicles were 10,006,600 units, with a year-on-year increase of approximately 27.0%, which was basically the same as in 2019. The sales of commercial vehicles were 2,883,900 units and reached a record high, with a year-on-year increase of approximately 20.9% and approximately 31.3% over the same period in 2019.

In the first half of the year, the whole Group forged ahead to overcome various adverse factors such as the epidemic, "Chip Shortage" and rising raw material prices, and seized the opportunity of rapid recovery of the automobile market in the post-epidemic era to promote steady progress in operation. In the first half of the year, approximately 1.42 million vehicles were sold, representing a year-on-year increase of 24.5%. The Group's independent passenger vehicles business made a breakthrough. The first product of Dongfeng high-intelligent energy brand "VOYAH FREE" was launched and delivered. The monthly sales of Dongfeng Motor Corporation Passenger Vehicles Company had been stable over 10,000 since May, representing a year-on-year increase of 79.8%. The sales of passenger vehicles business of Dongfeng Liuzhou Motor Company increased by 41.0% year on year, which was significantly better than the year-on-year increase of 27.0% in the passenger vehicles industry. The commercial vehicles business continued to create a leading advantage in commodities, and the self-developed "DragonGear Power" gold combination boosted sales. The Group's commercial vehicle sales increased by 33.2% year on year, representing a year-on-year increase of 1.2 percentage points in the market share. The Group's joint venture passenger vehicles business was exposed to enormous impact of "Chip Shortage". By actively adjusting the sales structure and cooperating with upstream and downstream suppliers of the industry, retail sales volume of the Group's joint venture passenger vehicles is approximately 1,002,000 units in the first half of the year, representing a year-on-year increase of approximately 28.1%, 7.2 percentage points higher than the growth rate of the joint venture passenger vehicles industry.

In the first half of the year, the Group continued to optimize the management system to improve management capacity and maintain high quality operation, maintaining decent key financial indicators. In the first half of the year, the total profit before tax was RMB10,555 million, creating a record high. The rate of return on net assets was 12.1%,

significantly better than the level in the same period last year. We continued to increase R&D investment, representing a year-on-year increase of 31.0%. The operating capacity, operating efficiency and risk control ability continued to improve. The turnover days of “Two Funds” decreased considerably by 30 days year on year, the interest bearing liabilities decreased by RMB8.63 billion year on year, and the asset-liability ratio decreased by 2.9 percentage points compared with the end of last year.

In the first half of the year, the Group actively carried out strategic layout for the “14th Five-Year Plan”. On 17th April, the Group released the “Rising Dongfeng” plan to help the Dongfeng brand become the backbone of the national brand through the construction of “Quality Dongfeng, Intelligent Dongfeng and Joyful Dongfeng”, so as to achieve the “14th Five-Year Plan” goal of “1 million commercial vehicles, 1 million independent passenger vehicles and 1 million new energy vehicles”, enabling the Group to become a leader in the innovation and development of the automotive industry and a partner for customers, society and employees to create value. Through the “Leap Forward Action” of innovation in the field of science and technology, the Group independently controlled the industrialization layout of three electric core powertrain technology, independently developed the exclusive ESSA modular structure of new energy, and mastered the core technology of hydrogen raw materials to actively promote the application of scenarios, and scale up the application of L4 intelligent connected vehicles.

In the second half of the year, the external uncertainties faced by the automobile market continue to exist. The market competition will become more intense. The Group will continue to adhere to the concept of high quality development and promote the sustainable development of the Company by focusing on the following work:

The Group will actively respond to the impact of shortage of chips with continuous adjustment in product structure, actively seize the market to meet customers’ demands, and start to formulate long-term solutions for chip shortage. The whole value chain will be expanded to reduce costs and increase efficiency by striving to absorb the impact of the price rise of bulk raw materials, and improvement measures for one enterprise and one policy will be formulated to maintain the high quality operation.

The Group will continue to promote rapid development of its own business, ensure the successful launching of “VOYAH FREE” to promote the Dongfeng brand, and build VOYAH business into an experimental field for Dongfeng reform. The Group will pay close attention to the three-year action plan for state-owned enterprise reform with a focus on key tasks to achieve results, improve the market-oriented operation mechanism and market-oriented incentive mechanism. The Group will continue to advance scientific and technological innovation, create a source of original technology, focus on new energy, intelligent driving and other key areas that enhance the ability of independent innovation, and strive to become the leader in the development direction and the supporter of the improvement of the basic capacity of the automobile industry.

The Group will continue to listen to the voice of the market, earnestly return to shareholders and increase dividends. Considering the Group's profitability and future development, the board of directors proposed to distribute a special dividend of RMB0.4 per share (tax included) to all shareholders.

All employees of the Group will show their love for the home country as automotive talents. The Company will forge ahead to face the difficulties and manage to complete all objectives and tasks in the start of the "14th Five-Year Plan" .

Zhu Yanfeng

Chairman

Wuhan, the PRC

26 August 2021

BUSINESS OVERVIEW

(I) Major Businesses

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

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

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

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

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

(II) Principal Business Operations during the First Half of 2021

As at 30 June 2021, the production and sales volume for vehicles of Dongfeng Motor Group were approximately 1,421,000 units and 1,424,400 units respectively. According to the statistics published by the China Association of Automobile Manufacturers, Dongfeng Motor Group had a market share of approximately 11.0% in terms of sales volume of commercial and passenger vehicles made by domestic manufacturers in the

first half of 2021. The following table sets out the production and sales volumes of commercial and passenger vehicles of Dongfeng Motor Group as well as their respective market shares in terms of sales volume in the first half of 2021:

| | Production Volume (Unit) | Sales Volume (Unit) | Market Share (%)¹ |
|----------------------------|---|--------------------------------|---|
| Commercial Vehicles | 330,860 | 349,150 | 12.1 |
| Trucks | 317,582 | 335,645 | 12.7 |
| Buses | 13,278 | 13,505 | 5.2 |
| Passenger Vehicles | 1,090,098 | 1,075,261 | 10.7 |
| Basic passenger cars | 537,187 | 531,289 | 11.4 |
| MPVs | 51,481 | 51,827 | 11.2 |
| SUVs | 501,430 | 492,145 | 10.4 |
| Total | 1,420,958 | 1,424,411 | 11.0 |

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

Revenue of the Group for the six months ended 30 June 2021:

| Business | Sales Revenue (RMB million) | Contribution to the Group's Sales Revenue (%) |
|----------------------|--|--|
| Passenger vehicles | 10,639 | 15.2 |
| Commercial vehicles | 54,519 | 78.1 |
| Financing service | 4,465 | 6.4 |
| Corporate and others | 497 | 0.7 |
| Elimination | (264) | (0.4) |
| Total | 69,856 | 100.0 |

(III) Business Outlook

In the first half of 2021, under the effective control of the domestic epidemic situation, China's economy and automobile industry recovered rapidly. The GDP for the first quarter recorded a year-on-year increase of 18.3% due to the low base in the same period. In the second quarter, with the acceleration of domestic vaccination, the impact of the epidemic on the economy gradually weakened, the service industry and overall employment have been improved with strong export momentum. The GDP increased by 7.9% year-on-year and continued to maintain high-speed growth. In general, the cumulative GDP grew by 12.7% in the first half of 2021, with an average annual growth rate of 5.3% in two years. China's economy has gradually stepped out of the negative impact brought by COVID-19. The annual GDP growth rate is expected to be over 8% and the continuous development trend of China's economy expects no change.

In terms of the vehicle industry, due to the domestic economic recovery and the improvement of residents' income and consumer confidence, combined with the low base in 2020, China's automobile market rebounded rapidly, with a year-on-year increase of 25.6% in industry sales in the first half of 2021. In the second half of the year, the automobile industry is expected to continue the high-quality growth, however attention shall be paid to various uncertainties such as local epidemic rebound and chip supply risks.

In respect of the whole year, the automobile market is expected to end the three consecutive years of decline and achieve positive growth in 2021. Taking into consideration of other relevant factors, it is predicted that the growth rate of the industry can reach 6.9%.

MANAGEMENT DISCUSSION AND ANALYSIS

I. OPERATING ENVIRONMENT

In mid-2021, the overall situation of China economy remained a momentum of growth when the COVID-19 epidemic brought a serious impact on the global economy. The growth rate of China's GDP in the first half of the year increased by 12.7% year-on-year. By quarters, the growth rate increased by 18.3% year-on-year in the first quarter and increased by 7.9% year-on-year in the second quarter. China's economy has gradually overcome the adverse impacts of the epidemic, showing a trend of recovery growth and steady recovery, seeing more resilience and vitality in its development. Major economic indicators also showed recovery growth.

Consumption in the automobile market continued to rebound, the whole automobile production and sales volume continued to grow, achieving the volume of 12,569,500 units and 12,890,500 units, and representing a year-on-year increase of 24.2% and 25.6%, respectively. The performance was better than expected and China is still the biggest producer and distributor of the world.

The passenger vehicles market maintained rapid growth. However, due to factors such as base number and chip shortage, the passenger vehicles market showed a year-on-year decrease in May and June, with a sales volume of 10,006,600 units, representing a year-on-year increase of 27.0%. Among which, the sales volume of SUV increased by 28.6% year-on-year, the sales volume of MPV recorded a significant increase of 25.2% year-on-year and the sales volume of basic vehicles increased by 26.2% year on year.

The commercial vehicle sales maintained sustainable growth. In the first half of the year, the production and sales volumes of commercial vehicles were 2,729,800 units and 2,883,900 units, representing a year-on-year increase of 15.7% and 20.9%, respectively. In terms of the production and sales of different models, the production and sales volumes of buses representing a year-on-year increase of 39.0% and 39.7%, respectively, and the production and sales volumes of trucks represented a year-on-year increase of 13.7% and 19.4%, respectively.

The new energy vehicle market grew strongly, with sales of 1,206,000 new energy vehicles in the first half of the year, representing a year-on-year increase of 209.5%, among which, the sales of new energy passenger vehicles were 1,140,000, with a year-on-year increase of 217.4%, accounting for 11.4% of total passenger vehicle sales. A total of 66,000 new energy commercial vehicles were sold in the first half of the year, representing a year-on-year increase of 61.5%, accounting for 2.3% of the total commercial vehicle sales.

II. OPERATION ANALYSIS

In mid-2021, all units of the Group seized the opportunities of the expansion and market segmentation of automobile consumption after the epidemic, actively responded to difficulties and challenges, overcame the huge impact of “Chip Shortage” and the rise in price of commodities and precious metals in overall operation, achieved rapid improvement in quality, and continued to promote the recovery of operation. In the current period, the sales volume of the Group was approximately 1,424,400 units, with sales revenue of approximately RMB69,856 million and profit attributable to shareholders of approximately RMB8,629 million.

The sales volume of the passenger vehicle of the Company was 1,075,300 units, representing a year-on-year increase of approximately 21.9%. Among which, the sales volume of passenger vehicle business of joint ventures was approximately 933,300 units, representing a year-on-year increase of 20.4%.

Dongfeng brand is one of the most favorite and preferred choice of commercial vehicles in China. In the first half of the year, the sales volume of commercial vehicles of Dongfeng brand were approximately 349,200 units, with a year-on-year increase of approximately 33.2%, which was 12.3 percentage points higher than that of the industry.

In the first half of the year, the Group's sales of new energy vehicles were outstanding, with sales of approximately 45,000 units of new energy vehicles, representing a year-on-year increase of approximately 288.7%. Among which, the sales volume of new energy passenger vehicles were 38,600 units, with a year-on-year increase of approximately 447.7%, and the sales volume of new energy commercial vehicles were 6,400 units, with a year-on-year increase of approximately 41.6%.

III. FINANCIAL ANALYSIS

1. Revenue

The revenue of the Group for mid-2021 was approximately RMB69,856 million, representing an increase of approximately RMB19,280 million, or approximately 38.1%, as compared with approximately RMB50,576 million for the corresponding period of last year. The increase in revenue was mainly from Dongfeng Commercial Vehicle Co., Ltd., Dongfeng Liuzhou Motor Co., Ltd., Dongfeng Peugeot Citroën Automobile Sales Co., Ltd. and Dongfeng Finance Company Limited.

| | The first half of 2021 | The first half of 2020 |
|----------------------|-------------------------------|------------------------|
| | Sales Revenue | Sales Revenue |
| | RMB million | RMB million |
| Passenger vehicles | 10,639 | 7,606 |
| Commercial vehicles | 54,519 | 39,314 |
| Financing service | 4,465 | 3,479 |
| Corporate and others | 497 | 305 |
| Elimination | (264) | (128) |
| Total | 69,856 | 50,576 |

1.1 Passenger Vehicle Business

The sales revenue of passenger vehicles of the Group for mid-2021 increased by approximately RMB3,033 million, or approximately 39.9%, to approximately RMB10,639 million from approximately RMB7,606 million of the corresponding period of last year. The increase in revenue was mainly from Dongfeng Peugeot Citroën Automobile Sales Co., Ltd., Dongfeng Motor Corporation Passenger Vehicle Company and 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. In the current period, the sales revenue of commercial vehicle business increased by approximately RMB15,205 million, or approximately 38.7%, to approximately RMB54,519 million from approximately RMB39,314 million of the corresponding period of last year. The increase in revenue was mainly from Dongfeng Commercial Vehicle Co., Ltd., the commercial vehicle business of Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Special Commercial Vehicle Co., Ltd..

1.3 Auto Financing Service Business

Finance company of the Group carried out financial business transformation, extended the value exploration of the automotive aftermarket, and improved the sales support for the automobiles business. The financial business remained stable with a trend of steady rise.

The revenue of auto financing service of the Group for mid-2021 increased by approximately RMB986 million, or approximately 28.3%, to approximately RMB4,465 million from approximately RMB3,479 million of 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 mid-2021 was approximately RMB59,656 million, representing an increase of approximately RMB16,896 million, or approximately 39.5%, as compared with approximately RMB42,760 million of the corresponding period of last year. The total gross profit was approximately RMB10,200 million, representing an increase of approximately RMB2,384 million, or approximately 30.5%, as compared with approximately RMB7,816 million of the corresponding period of last year. The comprehensive gross profit margin for the current period was approximately 14.6%.

3. Other Income

The total other income of the Group for mid-2021 amounted to approximately RMB2,807 million, representing an increase of approximately RMB1,252 million compared with approximately RMB1,555 million of the corresponding period of last year.

The increase in other income was mainly due to the dividends received from Stellantis for the current period.

4. Selling and Distribution Expenses

The selling and distribution expenses of the Group for mid-2021 increased by approximately RMB826 million to approximately RMB2,896 million from approximately RMB2,070 million of the corresponding period of last year.

The increase in selling and distribution expenses was mainly due to: 1. the increase in market expansion fees, advertising fees and dealer service station support fees brought about by the launch of new vehicle models; 2. the expenses rising from increase in the sales volume.

5. Administrative Expenses

The administrative expenses of the Group for mid-2021 increased by approximately RMB686 million to approximately RMB2,513 million from approximately RMB1,827 million of the corresponding period of last year.

The increase in administrative expenses was mainly due to: 1. the gradual withdrawal of various preferential reduction and exemption measures for the pandemic in the previous year; 2. the increase in sales during the current period, and the corresponding increase in employee compensation, travel expenses and other expenses.

6. Impairment Losses on Financial Assets

The impairment of financial assets of the Group for mid-2021 increased by approximately RMB113 million to approximately RMB1,080 million from approximately RMB967 million of the corresponding period of last year.

The increase in impairment of financial assets was mainly due to the increase in the amount of provision for impairment losses as the loan balance increased.

7. Other Expenses

The net other expenses of the Group for mid-2021 amounted to approximately RMB2,861 million, representing a decrease of approximately RMB852 million as compared with approximately RMB3,713 million of the corresponding period of last year.

The decrease in net other expenses in the current period was mainly due to: the impairment loss of RMB540 million on the assets of Dinsin Powertrain Company (formerly Dongfeng Getrag Transmission Company) as a result of the Group's proactive disposal of non-performing and inefficient assets in the corresponding period of the previous year, and the provision for impairment of changes in the market value of part of PSA shares (10 million shares) held by the Group in the same period last year amounting to approximately RMB330 million.

8. Finance Expenses

The finance expenses of the Group for mid-2021 amounted to approximately RMB204 million, representing a decrease of approximately RMB395 million as compared with approximately RMB599 million of the corresponding period of last year.

The decrease in financial expenses in the current period was mainly due to the decrease of Euro to RMB exchange rate over the corresponding period and the increase in exchange gains on foreign currency loans.

9. Share of Profits and Losses of Joint Ventures

Share of profits and losses of joint ventures of the Group for the interim period of 2021 increased by approximately RMB3,234 million to approximately RMB6,458 million from approximately RMB3,224 million of the corresponding period of last year. The main reasons are: the sales volume of joint ventures increased year on year. Including: the increase of RMB415 million from Dongfeng Motor Co., Ltd. over the same period, that the increase of RMB1,347 million from Dongfeng Honda Automobile Co., Ltd. over the same period, the decrease of loss of RMB199 million from Dongfeng Peugeot Citroën Automobile Co., Ltd. over the same period and the increase of RMB327 million from Dongfeng Honda Engine Co., Ltd. over the same period.

10. Share of Profits and Losses of Associates

Share of profits and losses of associates of the Group for the interim period of 2021 amounted to approximately RMB644 million, representing a decrease of approximately RMB317 million as compared with that of approximately RMB961 million of the corresponding period of last year. The main reasons are: the investment income of PSA Group was RMB526 million in the corresponding period of last year. In the current period, the Group's equity in Stellantis, which was formed by the merger of PSA and FCA, is no longer accounted for as long-term equity investment, and subsequent changes in fair value are included in owner's equity; and the investment income of Dongfeng Nissan Finance Company increased by RMB176 million over the same period.

11. Income Tax

The income tax expense of the Group for the interim period of 2021 increased by approximately RMB296 million to approximately RMB1,296 million from approximately RMB1,000 million in the corresponding period of last year. The effective tax rate for the period was approximately 12.3%.

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

The profit attributable to the equity holders of the Group for the interim period 2021 was approximately RMB8,629 million, representing an increase of approximately RMB4,986 million, or approximately 136.9% as compared with that of approximately RMB3,643 million for the corresponding period of last year. The net profit margin (a percentage of profit attributable to the equity holders of the Company to total revenue) was approximately 12.4%, representing an increase of approximately 5.2 percentage points as compared with approximately 7.2% of the corresponding period of last year. The return on net assets (a percentage of profit attributable to equity holders to average net assets) was approximately 12.1%, representing an increase of approximately 6.4 percentage points as compared with approximately 5.7% of the corresponding period of last year.

13. Total Assets

Total assets of the Group for the interim period 2021 amounted to approximately RMB324,707 million, representing an increase of approximately RMB8,186million, or 2.6%, as compared with approximately RMB316,521 million as at the end of last year. The increase was mainly due to the increase in investments in joint ventures/associates and non-current financial assets at fair value through other comprehensive income of RMB11,399 million, the increase in property, plant and equipment, right-of-use assets and intangible assets of RMB916 million, the increase in loans granted by financial operations of RMB8,842 million, the decrease in inventories of RMB2,253 million, and the decrease in cash and cash equivalents, pledged bank balances and time deposits and financial assets at fair value through profit or loss decreased by RMB12,599 million.

14. Total Liabilities

Total liabilities of the Group for the interim period of 2021 amounted to approximately RMB170,555 million, representing a decrease of approximately RMB4,840 million, or 2.8%, as compared with approximately RMB175,395 million as at the end of last year. The decrease was mainly due to the decrease in long-term and short-term interest-bearing borrowings and due to joint ventures, among which long-term and short-term interest-bearing borrowings decreased by RMB8,633 million and due to joint ventures decreased by RMB5,544 million.

15. Total Equity

Total equity of the Group for the interim period of 2021 amounted to approximately RMB154,152 million, representing an increase of approximately RMB13,026 million or 9.2% as compared with approximately RMB141,126 million as at the end of last year. Equity attributable to equity holders of the Company amounted to approximately RMB148,790 million, representing an increase of approximately RMB12,982 million as compared with approximately RMB135,808 million as at the end of last year.

16. Liquidity and Sources of Capital

| | Six months ended 30 June 2021 (RMB million) | Six months ended 30 June 2020 (RMB million) |
|---|--|---|
| Net cash flows used in operating activities | (11,466) | (3,414) |
| Net cash flows generated/(used in) from investment activities | 10,240 | (2,374) |
| Net cash flows (used in)/generated from financing activities | (8,468) | 11,663 |
| Net (decrease)/increase in cash and cash equivalents | (9,694) | 5,875 |

The Group's net cash outflows from operating activities was approximately RMB11,466 million. The amount mainly consisted of: (1) profit before taxation amounted to approximately RMB6,583 million, net of depreciation, impairment and other non-cash items; (2) increase of approximately RMB5,701 million in trade receivables; (3) increase of approximately RMB8,842 million in loans generated from financial services; (4) decrease of income tax payment by approximately RMB1,338 million;

The Group's net cash flows generated from investment activities was approximately RMB10,240 million. The amount mainly consisted of: (1) receipt of dividend from joint ventures and associates, representing cash inflow of approximately RMB6,693 million; (2) net decrease of the balance of financial assets at fair value through profit or loss resulting in a cash inflow of approximately RMB4,333 million.

The Group's net cash outflows from financing activities was approximately RMB8,468 million. This amount mainly reflected: (1) increase of bank borrowings resulting in a cash inflow of approximately RMB5,591 million; (2) repayment of bank borrowings and bonds, resulting in a cash outflow of approximately RMB13,062 million; (3) payment of dividends of approximately RMB976 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 approximately RMB36,683 million as at 30 June 2021, representing a decrease of approximately RMB9,694 million as compared with approximately RMB46,377 million as at 31 December 2020. Cash and bank balances (including non-pledged time deposits with original maturity of three months or more when acquired) amounted to approximately RMB37,860 million, representing a decrease of approximately RMB9,780 million as compared with approximately RMB47,640 million as at 31 December 2020.

As at 30 June 2021, the inventory turnover days of the Group was 31 days, representing a decrease of 24 days as compared with the same period last year. The turnover days of accounts receivable was 32 days, representing a decrease of 6 days as compared with the same period last year; the turnover days of bills receivable was 60 days, representing an increase of 12 days as compared with the same period last year. The turnover days of accounts receivable (including bills receivable) was 93 days, representing an increase of 6 days as compared with the same period last year.

17. Major Financial Figures Based on Proportionate Consolidation

Based on proportionate consolidation, the interim revenue of the Group for 2021 was approximately RMB140,655 million, representing a increase of approximately RMB33,923 million, or approximately 31.8%, as compared with approximately RMB106,732 million of the corresponding period of last year. Profit before income tax was approximately RMB13,088 million, representing an increase of approximately

RMB6,295 million, or approximately 92.7%, as compared with approximately RMB6,793 million of the corresponding period of last year. Total assets was approximately RMB398,586 million, representing a decrease of approximately RMB2,465 million, or approximately 0.6%, as compared with approximately RMB401,051 million as at the end of last year.

SPECIAL DIVIDEND

The Board of Directors declared a special dividend of RMB0.4 per share (tax included) to the shareholders whose names appear on the register of members of the Company on Sunday, 26 September 2021. The special dividend will be distributed no later than Monday, 25 October 2021.

The proposed special dividend for the year is subject to the approval of the forthcoming extraordinary general meeting.

EXTRAORDINARY GENERAL MEETING

The first Extraordinary General Meeting for the year 2021 of the Company will be held on Wednesday, 15 September 2021.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the name list of shareholders who are entitled to attend the extraordinary general meeting, the register of members of the Company will be closed from Friday, 10 September 2021 to Wednesday, 15 September 2021 (both days inclusive). In order to be qualified to attend and vote at the extraordinary 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 Thursday, 9 September 2021 (Hong Kong time), being the last share registration date.

The register of members of the Company will be closed from Tuesday, 21 September 2021 to Sunday, 26 September 2021 (both days inclusive). In order to be entitled to the special dividend, H shares shareholders who have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on Monday, 20 September 2021 (Hong Kong time), being the last share registration date.

MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

For the six months ended 30 June 2021, there were no material acquisitions and disposals of subsidiaries, joint ventures and associated enterprises by Dongfeng Motor Group.

MATERIAL LEGAL PROCEEDINGS

For the six months ended 30 June 2021, 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 THE COMPANY'S LISTED 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 period, the Company had been in compliance with the Code provisions of the Corporate Governance Code (the "Code Provision") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

REVIEW OF THE ACCOUNTS

The external auditor of the Company, PricewaterhouseCoopers has reviewed the unaudited financial statements of the Group for the six months ended 30 June 2021.

BOARD OF DIRECTORS

As at the date of this announcement, Mr. Zhu Yanfeng, Mr. Yang Qing and Mr. Youzheng are the executive directors of the Company, Mr. Huang Wei is the non-executive director of the company, and Mr. Zong Qingsheng, Mr. Leung Wai Lap, Philip 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, 26 August 2021

** For identification only*