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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)*

2022 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 2022 together with the comparative figures in 2021.

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 2022

	Notes	Year ended 31 December	
		2022 RMB million	2021 RMB million (Restated)
Revenue	4	92,663	113,168
Cost of sales		(83,836)	(98,929)
Gross profit		8,827	14,239
Other income	5	6,031	5,080
Selling and distribution expenses		(6,569)	(5,757)
Administrative expenses		(5,126)	(5,224)
Net impairment losses on financial assets	8	(1,209)	(1,908)
Other expenses		(5,287)	(6,999)
Finance expenses	7	(1,029)	(269)
Share of profits and losses of:			
Joint ventures		11,884	11,800
Associates		862	1,804
PROFIT BEFORE INCOME TAX	6	8,384	12,766
Income tax expense	9	929	(1,383)
PROFIT FOR THE YEAR		9,313	11,383
Profit attributable to:			
Equity holders of the Company		10,265	11,393
Non-controlling interests		(952)	(10)
		9,313	11,383
Earnings per share attributable to ordinary equity holders of the Company:	11		
Basic for the year (RMB)		119.14cents	132.23cents
Diluted for the year (RMB)		119.14cents	132.23cents

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Year ended 31 December	
	2022	2021
	RMB million	RMB million (Restated)
PROFIT FOR THE YEAR	9,313	11,383
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	(24)	(8)
Remeasurements of post-employment benefit obligations	12	(37)
Changes in the fair value of financial assets at fair value through other comprehensive income	(2,450)	3,947
	<u>(2,462)</u>	<u>3,902</u>
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(16)	(248)
Share of other comprehensive income of investments accounted for using the equity method	-	705
	<u>(16)</u>	<u>457</u>
Income tax effect		
Item that will not be reclassified subsequently to profit or loss	606	(971)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(1,872)</u>	<u>3,388</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>7,441</u>	<u>14,771</u>
Total comprehensive income attributable to:		
Equity holders of the Company	8,391	14,793
Non-controlling interests	(950)	(22)
	<u>7,441</u>	<u>14,771</u>

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	31 December	
		2022 RMB million	2021 RMB million (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		21,672	18,851
Right-of-use assets		4,799	4,247
Investment properties		2,698	2,215
Intangible assets		8,553	5,844
Goodwill		3,155	1,733
Investments in joint ventures		40,880	41,986
Investments in associates		15,714	14,528
Financial assets at fair value through other comprehensive income		10,384	17,871
Other non-current assets		34,350	34,740
Deferred income tax assets		4,827	2,934
Total non-current assets		<u>147,032</u>	<u>144,949</u>
Current assets			
Inventories		13,132	11,621
Trade receivables	12	10,398	6,988
Bills receivable		5,311	731
Prepayments, deposits and other receivables		50,776	64,218
Financial assets at fair value through other comprehensive income		6,777	12,293
Due from joint ventures		10,867	11,327
Financial assets at fair value through profit or loss		15,743	14,033
Pledged bank balances and time deposits		1,954	3,643
Cash and cash in bank		68,046	50,270
Total current assets		<u>183,004</u>	<u>175,124</u>
TOTAL ASSETS		<u>330,036</u>	<u>320,073</u>

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

	Notes	31 December	
		2022 RMB million	2021 RMB million (Restated)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital		8,616	8,616
Reserves		25,082	23,904
Treasury shares		(93)	-
Retained profits		122,247	114,909
		<u>155,852</u>	<u>147,429</u>
Non-controlling interests		9,684	4,749
TOTAL EQUITY		<u>165,536</u>	<u>152,178</u>
Non-current liabilities			
Interest-bearing borrowings		24,344	16,652
Lease liabilities		1,928	2,181
Other long term liabilities		2,285	2,879
Government grants		2,499	2,496
Deferred income tax liabilities		1,621	2,882
Provisions		1,754	1,025
Total non-current liabilities		<u>34,431</u>	<u>28,115</u>
Current liabilities			
Trade payables	13	18,568	19,319
Lease liabilities		300	301
Bills payable		22,839	29,033
Other payables and accruals		18,168	17,649
Contract liabilities		3,810	5,629
Due to joint ventures		36,034	36,797
Interest-bearing borrowings		28,082	28,220
Income tax payable		1,139	1,545
Provisions		1,129	1,287
Total current liabilities		<u>130,069</u>	<u>139,780</u>
TOTAL LIABILITIES		<u>164,500</u>	<u>167,895</u>
TOTAL EQUITY AND LIABILITIES		<u>330,036</u>	<u>320,073</u>

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to equity holders of the Company						Non-controlling interests RMB million	Total equity RMB million
	Issued capital RMB million	Capital reserve RMB million	Treasury shares RMB million	Statutory Reserves RMB million	Retained profits RMB million	Total RMB million		
Year ended 31 December 2022								
As at 1 January 2022								
As previously reported	8,616	5,436	-	18,387	114,903	147,342	4,722	152,064
Business combination involving enterprises under common control (Note 3)	-	77	-	4	6	87	27	114
As restated	8,616	5,513*	-	18,391*	114,909	147,429	4,749	152,178
Profit for the year	-	-	-	-	10,265	10,265	(952)	9,313
Other comprehensive income for the year	-	(1,874)	-	-	-	(1,874)	2	(1,872)
Total comprehensive income for the year	-	(1,874)	-	-	10,265	8,391	(950)	7,441
Transfer to reserves	-	-	-	1,332	(1,332)	-	-	-
Repurchase of treasury shares	-	-	(93)	-	-	(93)	-	(93)
Share of capital reserve of investments accounted for using the equity method	-	48	-	-	-	48	-	48
Final 2021 and interim 2022 dividend declared and paid	-	-	-	-	(2,585)	(2,585)	(13)	(2,598)
Transactions with non-controlling equity capital	-	2,652	-	-	-	2,652	1,061	3,713
Business combination under common control	-	(89)	-	-	-	(89)	-	(89)
Business combinations not under common control	-	-	-	-	-	-	4,837	4,837
Others	-	(891)	-	-	990	99	-	99
As at 31 December 2022	8,616	5,359*	(93)	19,723*	122,247	155,852	9,684	165,536

*These reserve accounts comprise the consolidated reserves of RMB 25,082 million (2021: RMB 23,904 million) in the consolidated statement of financial position.

DONGFENG MOTOR GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	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 2021(Restated)							
As at 1 January 2021							
As previously reported	8,616	2,931	17,362	106,899	135,808	5,318	141,126
Business combination involving enterprises under common control (Note 3)	-	195	10	(25)	180	43	223
As restated	8,616	3,126*	17,372*	106,874	135,988	5,361	141,349
Profit for the year	-	-	-	11,393	11,393	(10)	11,383
Other comprehensive income for the year	-	3,400	-	-	3,400	(12)	3,388
Total comprehensive income for the year	-	3,400	-	11,393	14,793	(22)	14,771
Transfer to reserves	-	-	1,019	(1,019)	-	-	-
Capital contribution from non-controlling shareholders	-	-	-	-	-	295	295
Share of capital reserve of investments accounted for using the equity method	-	169	-	-	169	-	169
Final 2020 and interim 2021 dividend declared and paid	-	-	-	(3,471)	(3,471)	(604)	(4,075)
Transactions with non-controlling equity capital	-	28	-	-	28	(28)	-
Business combination under common control	-	(127)	-	-	(127)	-	(127)
Others	-	(1,083)	-	1,132	49	(253)	(204)
As at 31 December 2021	8,616	5,513*	18,391*	114,909	147,429	4,749	152,178

*These reserve accounts comprise the consolidated reserves of RMB 23,904 million (2020: RMB 20,498 million) in the consolidated statement of financial position.

DONGFENG MOTOR GROUP COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

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

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the 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 annual condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated. This annual condensed consolidated financial information was approved for issue by the Board of Directors on 29 March 2023.

2.1 Basis of preparation

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. 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.

2.1 Basis of preparation (Continued)**Basis of consolidation (Continued)**

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 2022:

		Effective for annual periods beginning on or after
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to IAS 37	Onerous contracts - costs of fulfilling a contract	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018-2020	1 January 2022

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

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 2022 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
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 12	Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction	1 January 2023
Amendments to IFRS 16	Lease liability in a sale and leaseback	1 January 2023
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024

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

3. Business combination under common control

In December 2022, the Group acquired 75.87% equity interest of Nandou Liuxing System Integration Co., Ltd. (“Nandou Liuxing”) from DMC. The consideration of this business combination under common control was RMB89 million. For this business combination under common control, the financial information of the Group and that of Nandou Liuxing has been combined, by using the pooling of interests method, as if the Group had acquired Nandou Liuxing from the beginning of the earliest financial period presented. The net assets of the Group, Nandou Liuxing are combined using the existing book values from the controlling party’s perspective. No amount is recognised in consideration for goodwill or excess of the Group’s interest in the net fair value of Nandou Liuxing’s identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. The difference between the consolidation and book value of Nandou Liuxing at the time of common control combination is taken to the reserves of the Group. Accordingly, the comparative figures of this consolidated financial information have been restated.

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 2022, 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 2022

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022

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

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 2022

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022(CONTINUED)

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

DONGFENG MOTOR GROUP COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021(Restated)

	Commercial vehicles RMB million (Restated)	Passenger vehicles RMB million (Restated)	Financing service RMB million (Restated)	Corporate and others RMB million (Restated)	Elimination RMB million (Restated)	Total RMB million (Restated)
Segment revenue						
Sales to external customers	71,360	32,254	8,557	997	-	113,168
Sales to internal customers	60	294	19	95	(468)	-
	<u>71,420</u>	<u>32,548</u>	<u>8,576</u>	<u>1,092</u>	<u>(468)</u>	<u>113,168</u>
Results						
Segment results	<u>646</u>	<u>(6,387)</u>	<u>3,657</u>	<u>(1,276)</u>	<u>1,895</u>	<u>(1,465)</u>
Interest income	865	312	7	1,957	(2,245)	896
Finance expenses	(119)	(65)	(29)	(98)	42	(269)
Share of profits and losses of:						
Joint ventures	477	11,271	153	(101)	-	11,800
Associates	44	648	1,077	35	-	1,804
Profit before income tax						12,766
Income tax expense						<u>(1,383)</u>
Profit for the year						<u>11,383</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 2022

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021(Restated) (CONTINUED)

	Commercial vehicles RMB million (Restated)	Passenger vehicles RMB million (Restated)	Financing service RMB million (Restated)	Corporate and others RMB million (Restated)	Elimination RMB million (Restated)	Total RMB million (Restated)
Other segment information						
Capital expenditure:						
-Property, plant and equipment	1,052	2,315	446	801	-	4,614
-Intangible assets	410	1,588	22	42	-	2,062
-Right-of-use assets and other non-current assets	8	25	19	1	-	53
Depreciation of property, plant and equipment	1,130	955	29	339	-	2,453
Amortisation of intangible assets	764	98	12	292	-	1,166
Depreciation of right-of-use assets	145	146	5	9	-	305
Provision against inventories	227	51	-	2	-	280
Impairment losses of financial assets	84	323	1,038	130	333	1,908
Impairment losses of non-current assets	57	540	-	84	-	681
Warranty provisions	699	245	-	-	-	944

MOTOR GROUP COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2022

5. OTHER INCOME

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

	2022	2021
	RMB	RMB
	million	million
		(Restated)
Net income from disposal of other materials	68	115
Government grants and subsidies	960	579
Dividends	719	1,688
Interest income	746	896
Management dispatch fee received from joint ventures	220	219
Gain on debt restructuring	-	20
Gain on disposal of long-term investment	1,945	511
Others	1,373	1,052
	6,031	5,080

The company disposed of 51.27 million Seres shares during 2022, generating cash inflow of 2,478 million and gain on disposal of 1,945 million (In 2021, the gain on disposal of Seres shares was 511 million).

MOTOR GROUP COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2022

6. PROFIT BEFORE INCOME TAX

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

	2022	2021
	RMB	RMB
	million	million
		(Restated)
Cost of inventories recognized as expense	77,546	91,936
Interest expense for financing services (included in cost of sales)	697	370
Provision against inventories	189	280
Depreciation of property, plant and equipment	2,816	2,453
Amortization of intangible assets	1,194	1,166
Depreciation of right-of-use assets	353	305
Depreciation of Investment properties	78	12
Auditors' remuneration*	21	22
Net impairment losses on financial assets	1,209	1,908
Staff costs (excluding directors' and supervisors' remuneration):		
- Wages and salaries	8,332	8,522
- Pension scheme costs	835	766
- Medical benefit costs	504	492
- Cash housing subsidy costs	-	1
	9,671	9,781
Included in other expenses:		
Losses on disposal of items of property, plant and equipment and intangible assets	(319)	(295)
Impairment of items of property, plant and equipment	82	451
Impairment of intangible assets	75	230
Impairment of investment property	12	-
Warranty provisions	734	944
Research costs	4,393	5,569
Royalty fee	22	66
Other exchange losses, net	(187)	282

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

MOTOR GROUP COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2022

7. FINANCE EXPENSES

	2022	2021
	RMB million	RMB million (Restated)
Interest expenses on bank loans and other borrowings	795	882
Interest expenses on lease liabilities	115	127
Exchange net losses/(gains) of financing activities	119	(740)
Finance expenses	1,029	269

8. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2022	2021
	RMB million	RMB million (Restated)
Impairment losses of trade receivables	96	488
Impairment losses of other receivables	105	59
Impairment losses of loans and receivables from financing services	993	1,354
Others	15	7
	1,209	1,908

9. INCOME TAX EXPENSE AND DEFERRED INCOME TAX

	2022	2021
	RMB million	RMB million (Restated)
Current income tax	965	1,963
Deferred income tax	(1,894)	(580)
Income tax expense for the year	(929)	1,383

(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.

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

(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

	2022 RMB million	2021 RMB million (Restated)
Proposed final – RMB0.30(2021: RMB0.30) per ordinary share	<u>2,577</u>	<u>2,585</u>

The total dividends paid in 2022 amounted to RMB 2,585million, being RMB0.30 per share (2021: RMB 3,446 million, being RMB 0.40 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:

	2022 RMB million	2021 RMB million (Restated)
Earnings:		
Profit for the year attributable to ordinary equity holders of the Company	<u>10,265</u>	<u>11,393</u>

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

	Number of shares	
	million	million
Shares:		
Weighted average number of ordinary shares in issue during the year	8,616	8,616
Earnings per share	119.14 cents	132.23 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	
	2022	2021
	RMB million	RMB million
		(Restated)
Within three months	4,839	3,345
More than three months but within one year	2,483	1,069
More than one year	3,076	2,574
	10,398	6,988

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13. TRADE PAYABLES

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

	31 December	
	2022	2021
	RMB million	RMB million (Restated)
Within three months	17,043	17,758
More than three months but within one year	773	1,076
More than one year	752	485
	18,568	19,319

CHAIRMAN'S STATEMENT

Chairman's Statement

Dear Shareholders,

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

The year 2022 was an extraordinary year in the history of automobile industry, when the domestic automobile market was subject to greater challenges because unfavourable factors were worse than expected, as the automobile industry was weighted down from three dimensions: contracted demands of the macro economy, supply shock and weak expectations, the industry chain, the supply chain and the distribution chain were away from the track of normal operation, and the new energy vehicle segment saw significant rise of battery prices. The market was undergoing profound structural changes, with luxury brands growing continuously, independent brand passenger vehicles witnessing further improvement in sales volume, the new energy vehicle market developing rapidly and the export to overseas automobile markets maintaining strong growth, but joint-invested non-luxury vehicles registering year-on-year decrease of market share and the commercial vehicle market experiencing continuous decline, which indicated that brand differentiation was growing distinct.

Faced with the severe and complex situation and the arduous missions, the Group remained committed to high-quality development and devoted every effort to maintain business stability and health. The sales volume of vehicles registered 2,464,500 units for the year, representing year-on-year decrease of 11.2% but still remaining among the top three in the industry. The independent brand passenger vehicle business showed a good momentum of accelerated development and recorded sales volume of 497,900 units, representing year-on-year increase of 39.6%, which was 30.1 percentage points higher than the average industry growth. Affected by the sluggish overall commercial vehicle market, the Group's commercial vehicle business reported sales volume of 311,300 units, representing year-on-year decrease of 40.4%. The new energy business of the Group maintained rapid growth, with the sales volume of new energy vehicles reaching approximately 346,100 units, representing year-on-year increase of 115.5%, which was 22.1 percentage points higher than the average industry growth, being the fourth in the industry. The high-end brand VOYAH achieved the "Three-Year Plan for Three Classes", as the flagship electric luxury MPV VOYAH Dreamer was launched, the flagship luxury electric sedan Halo (「追光」) debuted and

Aeolus E70 secured the first place in the operating-purpose vehicle market with year-on-year growth of 2 times in the sales volume. The joint venture passenger vehicle business remained stable overall and recorded sales volume of 1,655,300 units. In particular, Dongfeng Peugeot Citroen Automobile Company Ltd. witnessed continuous growth in the sales volume, registering year-on-year increase of 24.5%.

The Group recorded sound performance in all key financial indicators. The sales revenue of the year reached RMB92.663 billion, and the profit attributable to equity holders of the Company amounted to RMB10.265 billion, with a net profit margin of 11.1%, which was the best performance in the recent three years. As the Group further adjusted the asset structure and improved operation efficiency, the gearing ratio decreased by 2.6 percentage points year on year. It strengthened cash flow control and reinforced the revenue generating capability, and therefore the operating cash ratio improved by 0.2 percentage points year on year.

Acting in line with the overall objectives of the “14th Five-Year Plan” and the “One Body with Two Wings” business layout, the Group further advanced the transformation to a preeminent technology-driven enterprise and achieved new progress in development of independent brand new energy vehicles and core technologies and in deepening reform.

In the independent brand new energy vehicle segment, the Group focused on expanding new fields and further consolidating new advantages to promote the development of new energy and intelligent networked vehicles; achieved the strategic deployment of brand, platform, products, key assembly and core technological resources for new energy vehicles, and built the brand portfolio covering luxury (M HERO), high end (VOYAH), medium end (Aeolus) and economy (Nani Box). The independent brand passenger vehicle segment created the “1+2” platform framework, represented by one hybrid and energy conserving framework and the two special-purpose new energy frameworks, and built the green power brand “Mach”, the 1.5T hybrid engine of which had effective heat efficiency up to 45.18%, being the first of its kind with heat efficiency of over 45% recognised in China’s automobile industry. The project “Development and Application of Key Technologies for Full-power Fuel-cell Vehicles and Systems” was honoured with the first prize of “China-SAE Science and Technology Award”; Dongfeng Hydrogen Boat, the first high-end full-power fuel-cell vehicle in China, was put into mass production. The development of driverless passenger vehicles, namely Robotaxi and Sharing-Van, and driverless trucks have reached the L4 standard. Products of Dongfeng Unmanned Driving Platform have been applied in more than 30 cities in China by demonstration programmes; the Company is the only

enterprise of the industry that provides driverless and smart buses to Xiong'an New Area and participates in the initiative of smart city construction. In the commercial vehicle field, the Group built four electrification platforms for medium and heavy trucks, light trucks, vans and pickup trucks, developed the green power brand "Dragon Engine" and made contribution to the construction of "China's Power Chain".

In field of core technologies, the mastery rate of core technologies identified by Dongfeng has reached 82.1%. With intensified efforts in the fields of electrical and electronic architecture, automotive-grade chips, autonomous controllers, automotive operating systems and intelligent driving, the Group harvested achievements that deserved the title of industry leader, which included building the new-generation centralised, service-oriented SOA electrical and electronic architecture featuring software and hardware decoupling, which was the first of its kind in the industry, achieving industrialisation of IGBT (Insulated Gate Bipolar Transistor) and realising mass production of silicon carbide power module and large-scale application in vehicles in 2023. As the Group accelerated the development and application of independent-brand automotive-grade MCU chips, the first three chip products have entered the stage of trial production for testing. Independent-brand chip-carrying parts under the Aeolus brand recorded 80% of backup rate. The Group maintained the first place in the industry in terms of invention patent disclosure.

Deepening reform and accomplishing the tasks under the three-year action for reform of state-owned enterprises, the Group reaped greater efficiency and benefits. It announced and implemented the Sailing Programme to improve the corporate governance system of subsidiaries, and finished the third round of tenure-based and contract-based appointment; accelerated strategic restructuring and adjustment, and completed the "three-in-one" specialisation integration of Zhixin Technology, Dingxin Power and Dongfeng (Wuhan), thus further acquiring core resources; completed the acquisition of controlling interest of the listed company specialised in light vehicles, thereby further improving the structure of commercial vehicle segment; further deepened reform of all business units, therefore laying solid foundation for improvement of overall competitiveness and operation efficiency.

In the future, the automobile market is expected to face severe and complex situation and much fiercer competition. The Group will unswervingly promote high-quality development, accelerate the transformation and upgrading in alignment with the 14th Five-Year Plan, and vigorously advance the "East Wind Rising" plan and the "Leapfrog Initiative". It will improve the capability and consolidate the foundation, keep a firm determination and strengthen independent

development, enhance abilities to boost transformation, gather strength to improve the system, reinforce execution to promote effective plan implementation, so as to achieve real improvement in quality and reasonable increase in quantity and to accelerate the construction of Preeminent Dongfeng and world-class enterprise.

Dongfeng Motor Group will continue to increase its dividend payments to earnestly return to shareholders. Considering the Group's profitability and future development, the Board proposed to distribute a final dividend of RMB 0.3 per share (tax included) from the profit of 2022.

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

Zhu Yanfeng
Wuhan, the PRC
29 March 2023

BUSINESS OVERVIEW

I. Business Operations during the Year under Review

1. Sales volume and market share for whole vehicles of Dongfeng Motor Group in 2022

For the year ended 31 December 2022, the sales volume for whole vehicles of Dongfeng Motor Group were approximately 2,464,500 units. According to the statistics published by China Association of Automobile Manufacturers, Dongfeng Motor Group had a market share of approximately 9.17% in terms of total sales volume of commercial and passenger vehicles made by domestic manufacturers in 2022. The following table sets out the market shares in terms of sales volume of commercial vehicles and passenger vehicles of Dongfeng Motor Group in 2022:

	Sales Volume (Units)	Market share in terms of sales volume (%) ¹
Commercial Vehicles	311,284	9.53
Trucks	298,543	10.3
Buses	12,741	3.1
Passenger Vehicles	2,153,218	9.14
Basic passenger cars	1,215,146	10.9
MPV	95,668	10.2
SUV	842,404	7.5
Total	2,464,502	9.17

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

2. Sales revenue of Dongfeng Motor Group in 2022

The sales revenue of Dongfeng Motor Group for the year ended 31 December 2022:

	2022	2021
	Sales revenue RMB millions	Sales revenue RMB millions (Restated)
Passenger vehicles	46,732	32,548
Commercial vehicles	38,665	71,420
Financing service	6,438	8,576
Corporate and others	1,222	1,092
Elimination	(394)	(468)
Total	92,663	113,168

3. Sales and service networks

As at the end of 2022, the sales and after-sales services of motor vehicles of Dongfeng Motor Group were mainly provided through 15 sales and service networks in China. Each of these 15 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)	247	944	31
Dongfeng Liuzhou Motor Co., Ltd.	Chenglong (heavy and medium truck)	427	789	31
Dongfeng Automobile Motor Co., Ltd.	Dongfeng (light truck, bus)	918	1,172	31
Zhengzhou Nissan Motor Co., Ltd.	Dongfeng (pick up)	246	438	31
Dongfeng Special Commercial Vehicle Co., Ltd.	Dongfeng/Huasheng	135	742	26

Sales and after-sales services of passenger vehicles are mainly provided through 10 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	1068	997	31
Dongfeng Motor Co., Ltd.	Dongfeng Infiniti	88	84	27
Dongfeng Motor Co., Ltd.	Venucia	510	399	30
Dongfeng Honda Automobile Co., Ltd.	Dongfeng Honda	717	729	31
Dongfeng Peugeot Citroën Automobile Co., Ltd.	Dongfeng Citroën	328	367	31
Dongfeng Peugeot Citroën Automobile Co., Ltd.	Dongfeng Peugeot	292	362	31
Dongfeng Passenger Vehicle Company	Dongfeng Fengshen	945	514	31
VOYAH Automobile Technology Co., Ltd.	VOYAH	254	150	31
Dongfeng Liuzhou Motor Co., Ltd.	Dongfeng Future	378	799	31
Dongfeng NAMMI Automotive Technology Co., Ltd	Donfeng Nammi	360	307	28

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

As at 31 December 2022, the total whole vehicle production capacity of Dongfeng Motor Group was approximately 3,850,000 units, among which the production capacity of commercial vehicles and passenger vehicles was approximately 620,000 units and 3,230,000 units, respectively.

The following table shows the production capacity distribution of vehicles of Dongfeng Motor Group as at 31 December 2022.

(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.	23
Zhengzhou Nissan Motor Co., Ltd.	11
Dongfeng Special Commercial Vehicle Co., Ltd.	2.5

(2). Production capacity of the whole passenger vehicles

Company	Production capacity (0'000 units)
Dongfeng Motor Co., Ltd.	150
Dongfeng Honda Automobile Co., Ltd.	79
Dongfeng Peugeot Citroën Automobile Co., Ltd.	36
Dongfeng Passenger Vehicle Company	21
Dongfeng Liuzhou Motor Co., Ltd.	17
VOYAH Technology Co., Ltd.	9
eGT New Energy Automotive Co., LTD	11

Due to the construction and commissioning of the Yunfeng Plant and the capacity upgrade of eGT New Energy Automotive Co., Ltd., Dongfeng Motor Group will expand its production capacity to meet the demand of its products gradually. By the end of 2023, it is expected that the production capacity of whole vehicles will be 3,870,000 units.

5. Capital expenditure

In 2022, Dongfeng Motor Group adhered to its strategic leading, market-driven, lean and efficient investment strategies, and completed a total investment of RMB9,492 million for the year, with focus on work such as the construction of core R&D capacities, upgrading of manufacturing capacity, new energy strategic commodity layout, new energy industrial chain and core resources layout.

- i. Focus on the construction of core R&D capabilities. Targeting at new product functions and new technological trends, combined with relevant national laws and policies, the Group promoted the capacity construction of new energy vehicles and core components testing, hydrogen fuel cell testing, intelligent network platform development and verification, and further improved the commodity development and forward-looking technology research and verification system.

- ii. Reasonably arrange investment in new products and strengthen the collaborative development and launch of new products. Keep up with the trend of new energy transformation in the automobile industry. The Group intensified the construction of new product platform of new energy vehicles, combined advantageous resources for the development of common technology and the establishment of common resource, reduced repeated investment of resources, shorten the cycle of commodity development, and accelerate the improvement of the layout of new energy commodities
- 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 2022, the Group has started to pool its advantageous resources to carry out the electric transition and 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 accelerated the construction of the design and development system for new-energy vehicles, and strengthen core component technologies and resource reserves. The Group made advance in the constructions of automatic packaging and production line for automotive grading IGBT modules and Dongfeng-Sunwoda Cell joint venture. The Group also conducted strategic research and investment in intelligent networking and travel services.

In the next two years, Dongfeng Motor Group will optimize resource allocation according to the "14th Five-Year Plan", focus on promoting independent business development, enhancing core innovation capabilities, deepening efforts in joint ventures and cooperation, seizing the commanding heights of new energy vehicles, and creating comprehensive competitive advantages under the new situation.

Business Outlook

In 2023, the automotive industry faces challenges and uncertainties, and the automotive market is expected to maintain a slight growth trend. According to the development plan of Dongfeng Motor Group, the sales target in 2023 is 3 million units, with a year-on-year growth of 21.7%, among which the new energy target is 600,000 units, with a year-on-year growth of 73%, and the export of 190,000 units, with a continuous year-on-year increase of 28% after 22 years of high-speed growth. With the continuous advancement of independent development and new energy transformation, Dongfeng Motor Group's market competitiveness will be rapidly improved in the next two years. Centering on the 14th Five-Year Plan, we will speed up transformation and upgrading, vigorously promote the "Dongfeng Advance" plan and the "Transition Action of technological innovation" plan and improve our capacity to lay a solid foundation. New energy commodities of passenger vehicles based on the "1+2" platform framework of the group will continue to be put into the market, and the competitiveness of commodities vehicles of national VI emission standard will also continue to improve. Strong luxury electric off-road brand, Dongfeng M Hero brand will officially operate. A number of industry-leading technological achievements will be industrialized. The strategic layout of overseas markets will also enhance Dongfeng Motor Group overseas export scale. Dongfeng Motor Group's joint venture is speeding up its electrification transformation. It is expected that Dongfeng Motor Group will maintain its high quality development and continue to consolidate its position in China's automobile industry.

Management Discussion and Analysis

I. OPERATING ENVIRONMENT

In 2022, China's economy has been developing steadily and the national economy continued to grow despite the pressure, with GDP growth increasing by 3.0% year on year and economic aggregate reaching a new level, ranking the second in the world.

In 2022, the automotive industry was affected by many unfavourable external factors, and the production and sales for the year were 27,020,600 units and 26,863,700 units, respectively, representing a slight year-on-year increase of 3.4% and 2.1%, and demonstrating the strong resilience of the development of China's automobile market, with production and sales volumes remaining the highest in the world.

The passenger vehicles market maintained growth, with sales of 23,563,300 units throughout the year, a year-on-year increase of 9.5%. Among which, the sales volume of SUV increased by 10.8% year on year, the sales volume of basic vehicles increased by 11.5% year on year, and the sales volume of MPV decreased by 11.2% year on year.

Affected by multiple adverse factors, the demand remained sluggish, and the commercial vehicles sales throughout the year were 3,300,500 units, representing a year-on-year decrease of 31.2%. In terms of the production and sales of different models, the sales of buses represented a year-on-year decrease of 19.2%, and the sales of trucks represented a year-on-year decrease of 32.6%.

The new energy vehicle market continued to grow strongly, with sales of 6,886,600 units of new energy vehicles throughout the year, representing a year-on-year increase of 93.5%, among which, the sales of new energy passenger vehicles were 6,548,500 units, with a year-on-year increase of 94.3%, accounting for 27.8% of total passenger vehicle sales volume. A total of 338,200 units of new energy commercial vehicles were sold in the year, representing a year-on-year increase of 78.9%, accounting for 10.2% of the total commercial vehicle sales volume.

II. OPERATION ANALYSIS

In 2022, China's automobile market faced significantly increasing challenges, with profound changes in market structure and distinct brand differentiation. In particular, luxury brands continued to grow, the market share of non-luxury vehicles of joint ventures declined year on year, the commercial vehicle market declined continuously, the sales of own-brand passenger vehicles continued to increase, and the new energy vehicle market developed at a rapid pace. The Group comprehensively promoted independent development, implemented the new energy "transition" strategy, and continued to promote the improvement of marketing capability and profitability in depth. The Group achieved sales volume of approximately 2,464,500 units, sales revenue of approximately RMB92,663 million and profit attributable to shareholders of approximately RMB10,265 million for the period, and net profit margin of 11.1%, the highest level in the past three years.

Affected by the combination of adverse factors, the sales volume of the passenger vehicle of the Company was approximately 2,153,200 units, representing a year-on-year decrease of approximately 4.4%. In particular, the own-brand passenger vehicle business of the Group maintained growth, with sales volume of approximately 497,900 units, representing a year-on-year increase of approximately 39.6%; affected by chip supply constraints and a decline in segmented market share, the sales volume of passenger vehicle business of joint ventures was approximately 1,655,300 units, representing a year-on-year decrease of approximately 12.7%.

Affected by the combination of factors such as overcapacity and rising oil prices in the domestic market and the significant decline in market demand, the commercial vehicle business as a whole presented a downward trend; the sales volume of commercial vehicles of the Group was approximately 311,300 units, representing a year-on-year decrease of approximately 40.4%. The commercial vehicle business of the Group has the core independent research and development capabilities of the entire product chain, and the brand of "Longqing" powertrain in commercial vehicles leads the industry in terms of technical performance, in particular, the Longqing DDi90 engine and the Longqing DT14 gearbox won two industry honours for their reliable quality and low fuel consumption and maintenance costs.

The Group actively seized the growth opportunities in the market for its new energy business, with sales volume of new energy vehicles of approximately 346,100 units in the current period, representing a year-on-year increase of approximately 115.5%, higher than the industry by nearly 22 percentage points, with the first B-end new energy market share and overall sales ranking among the top four in the new energy industry. In particular, the sales volume of new energy passenger vehicles was approximately 320,400 units, representing a year-on-year increase of approximately 123.5%; and the sales volume of new energy commercial vehicles was approximately 25,800 units, representing a year-on-year increase of approximately 48.7%.

III. FINANCIAL ANALYSIS

1. Revenue

The revenue of the Group for 2022 was approximately RMB92,663 million, representing a decrease of approximately RMB20,505 million, or approximately 18.1%, as compared with approximately RMB113,168 million for the corresponding period of last year. The change in revenue was mainly from Dongfeng Commercial Vehicle Co., Ltd., Dongfeng Liuzhou Motor Co., Ltd., Dongfeng Special Commercial Vehicle Co., Ltd., Dongfeng Passenger Vehicle Company, VOYAH Automobile Technology Co., Ltd. and Dongfeng Peugeot Citroën Automobile Sales Co., Ltd..

	2022	2021
	Sales Revenue	Sales Revenue
	RMB million	RMB million
Passenger vehicles	46,732	32,548
Commercial vehicles	38,665	71,420
Financing service	6,438	8,576
Corporate and others	1,222	1,092
Elimination	(394)	(468)
Total	92,663	113,168

1.1 Passenger Vehicle Business

The sales revenue of passenger vehicles of the Group for 2022 increased by approximately RMB14,184 million, or approximately 43.6%, to approximately RMB46,732 million from approximately RMB32,548 million for the corresponding period of last year. The increase in revenue was mainly from the passenger vehicles business of Dongfeng Passenger Vehicle Company, VOYAH Automobile Technology Co., Ltd. and Dongfeng Liuzhou Motor Co., Ltd..

1.2 Commercial Vehicle Business

Affected by the decline in industry demand, the sales revenue of commercial vehicle business of the Group for 2022 was approximately RMB38,665 million, representing a decrease of approximately RMB32,755 million or a decrease of approximately 45.9% from approximately RMB71,420 million for the corresponding period of last year. The decrease in revenue was mainly from the commercial vehicle business of Dongfeng Commercial Vehicle Co., Ltd., Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Special Commercial Vehicle Co., Ltd..

1.3 Auto Financing Service Business

Affected by the decline in sales volume, the revenue from financial business of the Group was on a downward trend.

The revenue of auto financing service business of the Group for 2022 decreased by approximately RMB2,138 million, or approximately 24.9%, to approximately RMB6,438 million from approximately RMB8,576 million of the corresponding period of last year.

2. Cost of Sales and Gross Profit

The total cost of sales of the Group for 2022 was approximately RMB83,836 million, representing a decrease of approximately RMB15,093 million, or approximately 15.3%, as compared with approximately RMB98,929 million of the corresponding period of last year. The total gross profit was approximately RMB8,827 million, representing a decrease of approximately RMB5,412 million, or approximately 38.0%, as compared with approximately RMB14,239 million of the corresponding period of last year. The comprehensive gross profit margin for current period was approximately 9.5%.

The decrease in gross profit was mainly due to the decline in the commercial vehicle industry and the slowdown in overall demand. The gross profit of the commercial vehicle business of the Group decreased by RMB4,796 million, of which: the gross profit of Dongfeng Automobile Co., Ltd. increased by RMB396 million due to the change in its shareholding control; the gross profit of the financial business decreased by RMB1,845 million; and the gross profit of the passenger vehicle business increased by RMB1,270 million.

3. Other Income

The total other income of the Group for 2022 amounted to approximately RMB6,031 million, representing an increase of approximately RMB951 million compared with approximately RMB5,080 million of the corresponding period of last year.

The increase in other income was mainly due to: 1. the disposal of Chongqing Xiaokang shares; 2. the increase in industrial support fund and operating subsidies; 3. the recovery of entrusted loans by Dongfeng Special Commercial Vehicle Co., Ltd. from its subsidiary, Dongfeng Special Purpose Vehicle Co., Ltd.; and 4. the holding of shares of China Railway Special Cargo.

4. Selling and Distribution Expenses

The selling and distribution expenses of the Group for 2022 increased by approximately RMB812 million to approximately RMB6,569 million from approximately RMB5,757 million of the corresponding period of last year.

The increase in selling and distribution expenses was mainly due to: 1. an increase in advertising expenses for the launch of new models such as VOYAH Dreamer and Haoji; 2. an increase in market development expenses for the VOYAH brand adopting the direct marketing model; 3. an increase in staff salaries corresponding to the increase in VOYAH sales and direct-sale stores.

5. Administrative Expenses

The administrative expenses of the Group for 2022 decreased by approximately RMB98 million to approximately RMB5,126 million from approximately RMB5,224 million of the corresponding period of last year.

The decrease in administrative expenses was mainly due to the decrease in the sales volume of the commercial vehicle business of the Group as a result of the decline in industry demand and the corresponding decrease in staff salaries.

6. Impairment Losses on Financial Assets

The impairment losses on financial assets of the Group for 2022 decreased by approximately RMB699 million to approximately RMB1,209 million from approximately RMB1,908 million in the corresponding period last year.

The changes in impairment losses on financial assets were mainly due to: 1. with the decrease in sales volume in the current period, the base of loan size correspondingly decreased; 2. the collection of certain trade receivables in the current period and the corresponding reversal of impairment fully provided in the previous period.

7. Other Expenses

The other expenses of the Group for 2022 amounted to approximately RMB5,287 million, representing a decrease of approximately RMB1,712 million as compared with approximately RMB6,999 million of the corresponding period of last year.

The change in net of other expenses in the current period was mainly due to: 1. a decrease in assets impairment loss in the current period of approximately RMB512 million; 2. the capitalisation of research and development expenses for certain projects as the revenue of passenger vehicle business of the Group improved significantly as compared with the corresponding period, with revenue from major models turning from negative to positive, and the qualification of the Group's S2 platform for capitalisation.

The Group attached great importance to the development trend of new energy, digitalisation and intelligence in the automotive field, and has been increasing its investment in research and development in strategic fields and key core technologies. In 2022, the investment in research and development amounted to RMB8,078 million, representing an increase of RMB849 million, or 11.74%, as compared with RMB7,229 million of the corresponding period of last year, of which: the investment in research and development of new energy amounted to RMB3,784 million, representing an increase of RMB2,019 million, or 114.4%, as compared with RMB1,765 million of the corresponding period of last year.

8. Finance Expenses

The finance expenses of the Group for 2022 amounted to approximately RMB1,029 million, representing an increase of approximately RMB760 million as compared with approximately RMB269 million of the corresponding period of last year.

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

9. Share of Profits and Losses of Joint Ventures

Share of profits and losses of joint ventures of the Group for 2022 increased by approximately RMB84 million to approximately RMB11,884 million, from approximately RMB11,800 million of the corresponding period of last year. The change was mainly due to: 1. an increase of approximately RMB705 million in respect of the acquisition of equity interest in Dongfeng Automobile Co., Ltd. by the Group; 2. an increase of approximately RMB185 million in respect of Dongfeng Peugeot Citroën Automobile Co., Ltd. over the corresponding period; 3. an increase of approximately RMB114 million in respect of Dongfeng Honda Series over the corresponding period; 4. a decrease of approximately RMB710 million in respect of Dongfeng Motor Co., Ltd. over the corresponding period.

10. Share of Profits and Losses of Associates

Share of profits and losses of associates of the Group for 2022 amounted to approximately RMB862 million, representing a decrease of approximately RMB942 million as compared with that of approximately RMB1,804 million of the corresponding period of last year. The change was mainly due to: 1. the investment income of T3 Fund held by the Group of approximately RMB142 million in the current year, representing a decrease of RMB538 million over the corresponding period; 2. a decrease of RMB404 million in other investment income.

11. Income Tax Expense

The income tax expense of the Group for 2022 decreased by approximately RMB2,312 million to approximately RMB-929 million from approximately RMB1,383 million 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 2022 was approximately RMB10,265 million, representing a decrease of approximately RMB1,128 million, or approximately 9.9% as compared with that of approximately RMB11,393 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 11.1%, representing an increase of approximately 1.0 percentage point as compared with approximately 10.1% of the corresponding period of last year. The return on net assets (a percentage of profit attributable to equity holders of the Company to average equity attributable to equity holders of the Company) was approximately 6.77%.

13. Total Assets

Total assets of the Group for 2022 amounted to approximately RMB330,036 million, representing an increase of approximately RMB9,963 million, or 3.1%, as compared with RMB320,073 million as at the end of the last year. This was mainly due to: 1. an increase of RMB17,797 million in cash and cash equivalents, pledged bank balances and deposits and financial assets at fair value through profit or loss; 2. an increase of RMB6,082 million in property, plant and equipment, right-of-use assets and intangible assets; 3. an increase of RMB3,410 million in trade receivables; 4. an increase of RMB1,893 million in deferred income tax assets; 5. an increase of RMB1,511 million in inventories; 6. a decrease of RMB11,200 million in loans granted by financial businesses; 7. a decrease of RMB7,582 million in disposal of 40 million Stellantis shares and the decline in share price.

14. Total Liabilities

Total liabilities of the Group for 2022 amounted to approximately RMB164,500 million, representing a decrease of approximately RMB3,395 million, or 2.0% as compared with approximately RMB167,895 million at the end of the last year. The decrease was mainly due to: 1. an increase of RMB7,554 million in interest-bearing borrowings; 2. a decrease of RMB6,194 million in bills payable; 3. a decrease of RMB1,819 in contract liabilities; 4. a decrease of RMB1,261 in deferred income tax liabilities; 5. a decrease of RMB751 in trade payables.

15. Total Equity

Total equity for the end of 2022 amounted to approximately RMB165,536 million, representing an increase of RMB13,358 million or 8.8% as compared with RMB152,178 million as at the end of last year. Equity attributable to equity holders of the Company amounted to RMB155,852 million, representing an increase of RMB8,423 million as compared with RMB147,429 million as at the end of last year. Non-controlling interests amounted to RMB9,684 million, representing an increase of RMB4,935 million as compared with RMB4,749 million as at the end of last year.

16. Liquidity and Sources of Capital

Net inflow of cash and cash equivalents in 2022 was RMB16,061 million, representing an increase of RMB13,114 million over 2021. This includes a net cash inflow from operating activities of RMB6,562 million, a net cash inflow from investing activities of RMB8,369 million and a net cash inflow from financing activities of RMB1,130 million.

Net cash inflow from operating activities amounted to RMB6,562 million. The amount mainly consisted of: 1. profit before taxation amounted to RMB8,384 million; 2. a deduction of share of profits and losses of joint ventures and associates and depreciation, impairment and other non-cash items of RMB-6,932 million; 3. increase in cash flow of RMB19,306 million due to decrease in loans granted by financial businesses, and increase in cash flow of RMB3,339 million due to deposit taking; 4. increase in cash flow of RMB867 million due to decrease in trade receivables and prepaid deposits; 5. decrease in cash flow of RMB1,022 million due to increase in inventories; 6. decrease in cash flow of RMB14,557 million due to decrease of trade payables, bills payable and other payables and accruals; 7. decrease in cash flow of RMB1,612 million due to income tax payment.

Net cash inflow from investing activities amounted to RMB8,369 million. The amount mainly consisted of: 1. increase of RMB14,152 million due to the receipt of dividend from joint ventures and associates; 2. increase of RMB5,230 million due to the disposal of 40 million shares of Stellantis and increase of RMB2,478 million due to the disposal of Chongqing Xiaokang shares; 3. increase of RMB981 million due to the disposal of property, plant and equipment; 4. expense of RMB8,324 million for the purchase of fixed assets and intangible assets; 5. net expense of RMB700 million for the acquisition of equity interest in Dongfeng Automobile Co., Ltd. and net expense of RMB3,101 million for the acquisition of equity interest in Dongfeng Motor Finance.

Net cash outflow from financing activities amounted to RMB1,130 million. This amount mainly reflected: 1. increase of bank borrowings and bonds, resulting in a cash inflow of RMB18,146 million; 2. repayment of bank borrowings and bonds, resulting in a cash outflow of RMB17,706 million; 3. receipt of capital contribution from non-controlling shareholders of RMB3,713 million; 4. distribution of dividends of RMB2,585 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 RMB65,244 million as at 31 December 2022, representing an increase of RMB16,214 million as compared with RMB49,030 million as at the end of the previous period. Cash and bank balances (including non-pledged time deposits with original maturity of three months or more when acquired) amounted to RMB68,046 million, representing an increase of RMB17,776 million as compared with approximately RMB50,270 million as at the end of the previous period.

17. Major Financial Figures Based on Proportionate Consolidation

Based on proportionate consolidation, the revenue of the Group for 2022 was approximately RMB217,917 million, representing a decrease of approximately RMB38,258 million, or approximately 14.9%, as compared with approximately RMB256,175 million of the corresponding period of last year. Profit before income tax was approximately RMB12,607 million, representing a decrease of approximately RMB4,994 million, or approximately 28.4%, as compared with approximately RMB17,601 million of the corresponding period of last year. Total assets were approximately RMB370,123 million, representing a decrease of RMB15,491 million, or approximately 4.0%, as compared with approximately RMB385,614 million as at the end of last year.

PROPOSED FINAL DIVIDENDS

The Board proposed to distribute a final dividend of RMB0.30 per share based on the annual profit for 2022.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The register of members of the Company will be closed from Tuesday, 27 June 2023 to Monday, 3 July 2023 (both days inclusive). In order to be entitled to the final dividend, H shares shareholders who have not registered the transfer documents are required to deposit the documents together with the relevant share certificates at Computershare Hong Kong Investor Services Limited, at shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4: 30 p.m. on Monday, 26 June 2023 (Hong Kong time), being the last share registration date.

MATERIAL LEGAL PROCEEDINGS

As at 31 December 2022, Dongfeng Motor Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against Dongfeng Motor Group as far as Dongfeng Motor Group was aware.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Reference is made to the announcement of the Company dated 29 August 2022 in respect of proposed grant of the H Share Repurchase Mandate and the circular dated 14 September 2022, the Directors believe that the reason to repurchase of the Company's H Shares is based on the full confidence in the future development of the Company, helps maintain the Company's investment value and the Company's reputation in the capital market, and is also in line with the Company's future development strategy. The Directors are of the view that the flexibility afforded by the H Share Repurchase Mandate would be beneficial to and in the best interest of the Company and its Shareholders. The relevant resolution had been passed at Extraordinary General Meeting held on 29 September 2022.

During December 2022, the Company bought back a total of 22,950,000 H Shares on The Stock Exchange of Hong Kong Limited. As at 31 December 2022, the total number of issued H Shares was 2,855,732,000.

Details of Share purchases are as follows:

Month	Number of Shares bought back	Buy-back price per Share (HKD)		Total consideration (before expenses) HKD
		Highest	Lowest	
December 2022	22,950,000	4.67	4.33	103,640,320

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

CORPORATE GOVERNANCE

The Board believes that high standards of corporate governance brings long-term benefits in protecting shareholders' interests and increasing corporate value. Good corporate governance enables to enhance the confidence and recognition of our existing and future shareholders, investors, employees, and business partners. As such, The Board is committed to reaching the highest standards of corporate governance and has taken the principles and code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the Company's corporate governance practices.

During the year, the Company had been in compliance with all Code provisions of the Corporate Governance Code.

SECURITIES TRANSACTION OF THE DIRECTOR AND THE SUPERVISOR

The Company has adopted a code of conduct regarding the directors' and supervisors' 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 and supervisors have confirmed that they have fully complied with the Model Code throughout the period.

ANNUAL GENERAL MEETING

The Annual General Meeting for the year 2022 of the Company will be held on Tuesday, 20 June 2023. 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 Thursday, 15 June 2023 to Tuesday, 20 June 2023 (both days inclusive). Holders of H shares and domestic shares with their names listed on the register of shareholders on Tuesday, 20 June 2023 are entitled to attend the 2022 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 p.m. on Wednesday, 14 June 2023 (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 2022 of the Company and the Group.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.dfmng.com.cn).

The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be dispatched to the H Shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

BOARD OF DIRECTORS

As at the date of this announcement, Mr. Zhu Yanfeng, Mr. Yang Qing and Mr. You Zheng are the executive directors of the Company, Mr. Huang Wei 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 2023

** For identification only*