



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

Stock Code: 489



2023

INTERIM REPORT

\* For identification purposes only

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# Chairman's Statement

Dear Shareholders,

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

Since the beginning of 2023, China's automobile market has been recovering but is subject to great pressure, witnessing lacklustre demands and wider gap between and among segments. Specifically, the export vehicle business and the new energy vehicle market grew rapidly; the independent brand vehicle business maintained steady growth; but joint-invested non-luxury vehicles recorded declining sales volume, and the commercial vehicle market gained a recovery that was lower than expectations.

Faced with the profound changes, the Group remained committed to the "Three-Year Transition Action Plan", further promoted implementation of strategies, accelerated the development of new energy segment, vigorously advanced transition and upgrading, and ensured business stability and sustainability by strictly following the plan that emphasized to "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". During the period, approximately 945,500 vehicles were sold, representing a year-on-year decrease of 23.4%. The independent brand passenger vehicle business achieved sales volume of approximately 156,800 units, representing a year-on-year decrease of 30.9%. The commercial vehicle segment recorded sales volume of approximately 175,800 units, representing a year-on-year increase of 0.7%. The new energy vehicle segment achieved sales volume of approximately 119,600 units, indicating an improvement of 2.2 percentage points in the contribution to the Group's overall sales performance, and the high-end brand VOYAH witnessed a year-on-year increase of 118.5% in sales volume. Affected by a contracting market share of the joint-invested non-luxury vehicle segment, the Group's joint-invested vehicle business recorded sales volume of 612,900 units; particularly, sales volume of Dongfeng Nissan and Dongfeng Honda decreased year on year by 28.0% and 32.8% respectively. The export vehicle business maintained a positive growth and recorded export of 81,200 vehicles, registering year-on-year increase of 28.1% and hitting a record high.

During the period, the Group achieved sales revenue of RMB45,677 million, net profit attributable to equity holders of the company of RMB1,270 million and net profit margin of 2.8%. As the Group further advanced the strategic new energy transition and continuously increased input in new energy brand building, platform, products, key components and core technological resources, the new energy R&D investment rose by 49.2% year on year during the period. Under the Group's efforts in improving asset structure and operation efficiency, the gearing ratio stayed at 47.8% and registered a year-on-year decrease of 2.0 percentage points.



## Chairman's Statement (Continued)

Acting in line with the overall objectives of the "14th Five-Year Plan" and unswervingly promoting the "Three-Year Transition Action Plan", 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.

On the one hand, the Group advanced brand and product portfolio expansion to accelerate development of the new energy vehicle segment. It developed independent new energy brands and products that covered luxury end, high end, mainstream class and compact class, and strongly boosted "Product Upgrade", "Brand Advancement" and "Value Increment". For the M HERO brand targeted at the luxury electric offroad market, M-Hero 917, the first product of the series, was officially launched at Chengdu Motor Show and is now in the mass production, expected to be delivered to customers soon. VOYAH, the brand for high-end new energy vehicle market, realized the strategic deployment of "Three Products and Three Categories within Three Years", built the high-end product matrix comprising SUV, MPV and sedan, and launched FREE with renewed connotation. NAMMI, the approachable professional pure-electric brand, was unveiled officially, in coupled with Dongfeng Quantum Architecture 3, the exclusive platform for NAMMI, providing a new value experience of approachable pure-electric vehicles and devoting to becoming an approachable brand which promotes the popularity of new energy vehicles and enables people to enjoy a better life that is affordable.

On the other hand, the Group strengthened control of key technologies and core resources to ensure high-level technological independence. In building exclusive platforms for energy-conserving and new energy vehicles, the independent brand passenger vehicle segment has established three major platforms, namely M TECH Luxury Offroad Architecture, Dongfeng Quantum Intelligent Electrification Architecture and DSMA Multi-source Low-carbon Energy Architecture; the commercial vehicle segment is now building heavy-duty and light-duty electrification platforms and has unveiled the "Mach Power" brand for energy conservation, hybrid power and pure-electric power, maintaining a leading position in the industry.

Furthermore, the Group further developed the reform and improvement plan to better activate the vitality and enthusiasm of the organization. While setting a comprehensive plan for deepening reform and greater improvement, the Group promoted the Sailing Programme for corporate governance and made transition and upgrading as the core task of building a world-class enterprise; accelerated system reform and strengthened incentive and regulation mechanisms, thus encouraging team leaders and employees to achieve higher attainment.

## Chairman's Statement (Continued)

Currently, the Group is promoting significant adjustment to the management system of independent-brand new-energy passenger vehicle segment and developed the integrated management system for three major series under the “Dongfeng” brand, Aeolus, e π and NAMMI, which is an important move following the release of “14th Five-Year Plan”, Dongfeng Advance and Transition Action of technological innovation that aims to expedite the “Three-Year Transition Action Plan” in the trend of accelerated development of new energy vehicles in the automobile industry. The direct operation of Dongfeng independent-brand passenger vehicle segment enables the Group's headquarters to “consolidate resources for concerted actions” and achieve resource integration, responsibility consolidation and function amalgamation, creating synergies, improving the agility of satisfying market requirements and customer demands and thus laying a solid foundation for stronger competitiveness and better operation efficiency.

In the future, the Group will further promote the “Three-Year Transition Action Plan”, develop the new energy segment with strong execution, advance the transformation of joint-invested vehicle business, vigorously support technological innovation and actively cultivate innovation advantages to acquire the capability of maintaining healthy and sustainable development, with the direction guided by national strategies, the focus of improving core competitiveness and core functions and the objectives set by the “14th Five Year Plan”; remain determined to grow bigger, stronger and better, pursue substantive quality improvement and reasonable quantity expansion and boost the construction of Preeminent Dongfeng and world-class enterprise, thereby making greater contribution to building a new development pattern, promoting high-quality development and advancing modernisation with Chinese characteristics.

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**  
*Chairman*

Wuhan, the PRC  
28 August 2023

# Corporate Information

<b>REGISTERED NAME</b>	Dongfeng Motor Group Company Limited
<b>REGISTERED ADDRESS</b>	Special No. 1 Dongfeng Road Wuhan Economic and Technology Development Zone Wuhan,Hubei 430056 PRC
<b>PRINCIPAL PLACE OF BUSINESS IN THE PRC</b>	Special No. 1 Dongfeng Road Wuhan Economic and Technology Development Zone Wuhan,Hubei 430056,PRC
<b>PRINCIPAL PLACE OF BUSINESS IN HONG KONG</b>	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong Queen's Road East, Hong Kong SAR
<b>COMPANY WEBSITE</b>	<a href="http://www.dfmfg.com.cn">www.dfmfg.com.cn</a>
<b>COMPANY SECRETARIES</b>	Yin Yaoliang (Resigned on 28 August 2023 ) Liao Xianzhi (Appointed on 28 August 2023) Yuen Wing Yan, Winnie (FCG, HKFCG (PE))
<b>AUDITORS</b>	Ernst & Young
<b>HONG KONG H SHARE REGISTRAR</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre,183 Queen's Road East Wan Chai,Hong Kong SAR
<b>PLACE OF LISTING</b>	The Stock Exchange of Hong Kong Limited
<b>STOCK CODE</b>	00489

# Report of the Directors

## I. BUSINESS OVERVIEW

### (I) Major Businesses

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

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

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

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

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

## Report of the Directors (Continued)

### (II) Principal Business Operations during the First Half of 2023

As at 30 June 2023 the production and sales volume for vehicles of Dongfeng Motor Group were approximately 986,000 units and 945,000 units respectively. According to the statistics published by the China Association of Automobile Manufacturers, Dongfeng Motor Group had a market share of approximately 7.1% in terms of sales volume of commercial and passenger vehicles made by domestic manufacturers in the first half of 2023. 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 2023:

	<b>Production Volume</b> <i>(Unit)</i>	<b>Sales Volume</b> <i>(Unit)</i>	<b>Market Share</b> <i>(%)<sup>1</sup></i>
<b>Commercial Vehicles</b>	<b>179,609</b>	<b>175,795</b>	<b>8.9</b>
Trucks	173,452	169,864	9.7
Buses	6,157	5,931	2.7
<b>Passenger Vehicles</b>	<b>806,533</b>	<b>769,689</b>	<b>6.8</b>
Basic passenger cars	440,588	411,101	8.2
MPVs	38,559	40,633	8.4
SUVs	327,386	317,955	5.6
<b>Total</b>	<b>986,142</b>	<b>945,484</b>	<b>7.1</b>

<sup>1</sup> Calculated based on the statistics published by the China Association of Automobile Manufacturers

### (III) Business Outlook

In the first half of this year, with the full restoration of normalized operation of the economy and society, the macro policy has been effective, and the national economy has rebounded and improved, but the foundation for the sustained recovery and development of the domestic economy is still unstable, and the current economic operation of China is faced with new difficult challenges such as the lack of domestic demand, the difficulties of operation of some enterprises, and more risks and hidden problems in key areas, and the external environment is still complicated and severe. In the second half of the year, with the accumulation of positive factors for development, the economy is expected to continue to recover.

As for the auto industry, the industry maintained steady development in the first half of the year, the domestic market continued to recover, and new energy vehicles, auto exports and Chinese brands continued to develop in a favorable manner. In the second half of the year, as the policy effect continues to be realized, the consumption potential of the market will be further released, which will help promote the industry to achieve stable growth throughout the year. In the medium to long term, residents' demand for auto consumption will remain strong, which, coupled with industry transformation and consumption upgrading as well as the industry dividend brought about by the growth in exports, will provide sufficient protection for the automobile market to maintain stable growth.



# Report of the Directors (Continued)

## II. CORPORATE GOVERNANCE

### 1. Overview of Corporate Governance

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

### 2. Corporate Governance Code

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

### 3. Securities Transaction of the Directors

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

### 4. Independent Non-executive Directors

During the period from 1 January 2023 to 17 May 2023, the Board of Directors of the Company consists of seven Directors, including three Independent Non-executive Directors. Mr. Leung Wai Lap, Philip, an Independent Non-executive Director, has the qualification and experience of accounting and financial management; With effect from 17 May 2023, the Board of Directors of the Company consists of six Directors as Mr. Huang Wei ceased to hold the position of non-executive Director of the Company. The composition of the Board of Directors of the Company is in compliance with the requirement of the Listing Rule 3.10(1) that "every board of directors of a listed issuer must include at least three independent nonexecutive directors", the Listing Rule 3.10A that "an issuer must appoint independent non-executive directors representing at least one-third of the board" and the Listing Rule 3.10(2) that "at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise".

# Report of the Directors (Continued)

## 5. Board Meeting

Three Board meetings were held by the Company in the first half of 2023 and the major matters covered were as follows:

- To consider the medium-term business plan for 2022 (22MTP) of the Company;
- To consider the annual investment plan for 2023 of the Company;
- To consider the investment management system and the proposed plan for the preparation of the system for high-risk financial investment business of the Company;
- To consider the financial report for 2022 and the auditors' report for 2022 of the Company and submit them to the Annual General Meeting for voting;
- To consider the contents of the 2022 Annual Report and preliminary results announcement of the Company, and authorize the Company's representative or the Company Secretary to sign the relevant disclosure documents and submit them to the Annual General Meeting for voting;
- To consider the profit distribution proposal of the Company for 2022 and submit it to the Annual General Meeting for voting;
- To consider the annual remuneration proposal of the directors of the Company for the year ended 31 December 2023 and submit it to the Annual General Meeting for voting;
- To assess the independence of Independent Non-executive Directors currently engaged by the Company;
- To request the shareholders' meeting of the Company to give the Board general authority to issue, allot and dispose new domestic shares and new H shares not exceeding 20% of the issued domestic shares and 20% of the issued H shares of the Company, respectively, and authorise the Board to increase the registered capital and make corresponding amendments to the Articles of Association of the Company as the Board considers appropriate to reflect the new share structure after allotment or issuance of shares;

## Report of the Directors (Continued)

- To approve the time, place and related matters for convening the 2022 Annual General Meeting of the Company;
- To consider the amendments to the Articles of Association, Rules of Procedure of General Meeting, Rules of Procedure of the Board, Rules of Procedure of the Audit and Risk Management Committee, and Rules of Procedure of the Nomination Committee of the Company;
- To consider the 2022 Environmental, Social and Governance Report;
- To consider the proposal regarding qualification approval and annual plan for monetary financial derivatives business;
- To consider the proposal for the Company to increase capital to Dongfeng Motor Finance Co., Ltd.;
- To consider the proposal regarding adjustment to the financing credit line for 2023 of the Company;
- To consider the proposal to repurchase the tradable shares of the Company;
- To consider the proposal regarding adjustment to the senior management of the Company;
- To consider the proposal to change the personnel shared service center into a branch;

## Report of the Directors (Continued)

The Board meetings allow effective discussion and prompt and prudent decision. As at 30 June 2023, the attendance of directors at the Board meetings is as follows:

Members of the Board of Directors	Attendance/Number of Meetings		
	The Board of Directors	Attendance Rate	Note
<b>Executive Directors</b>			
Zhu Yanfeng	1/3	33.33%	
Yang Qing	3/3	100%	
You Zheng	3/3	100%	
<b>Non-executive Directors</b>			
Huang Wei (resigned with effect from 17 May 2023)	2/2	100%	
<b>Independent Non-executive Directors</b>			
Zong Qingsheng	3/3	100%	
Leung Wai Lap, Philip	3/3	100%	
Hu Yiguang	3/3	100%	

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

### 6. Committees under the Board

#### 1) Audit and Risk Management Committee

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

# Report of the Directors (Continued)

## 2) Remuneration Committee

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

## 3) Nomination Committee

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

## 7. Internal Control

In the first half of 2023, the Board has fully evaluated the effectiveness of the internal control system of the Company through the Audit and Risk Management Committee and the audit department of the Company with focuses on the control environment, risk assessment, control activity, information and communication as well as supervision. According to the evaluation on the internal control system, the Board believes that, during the first half of the year, the Company had a complete and fully effective internal control system covering various aspects including corporate governance.



# Report of the Directors (Continued)

## III. MAJOR MATTERS

### INTERIM DIVIDEND

The Board of Directors do not recommend an interim dividend for the six months ended 30 June, 2023.

### MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

For the six months ended 30 June 2023, 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 2023, Dongfeng Motor Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against Dongfeng Motor Group as far as Dongfeng Motor Group was aware.

### Share Capital

As at 30 June 2023, the total share capital of the Company was RMB8,531,270,000, divided into 8,531,270,000 ordinary shares with a par value of RMB1 each, of which 5,760,388,000 shares were Domestic Shares, representing approximately 67.52% of the total number of shares in issue, and 2,770,882,000 shares were H shares, representing approximately 32.48% of the total number of shares in issue.

## Report of the Directors (Continued)

### Interests of Substantial Shareholders

As at 30 June 2023, the interest and short positions of the person who hold 5% or more of the class shares in the issued capital of the Company (other than directors and supervisors of the Company), as recorded in the register to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance are set out below:

Name	Class of Shares	Number of shares held	Percentage in the class of issued share capital (%)	Percentage in the total share capital (%)
Dongfeng Motor Group	Domestic Share	5,760,388,000(L)	100.00(L)	67.52
	H Share	173,170,000(L)	6.24(L)	2.03
Reynolds Margaret (Meg)	H Share	220,278,654(L)	7.95(L)	2.58
Ward Bryan	H Share	220,278,654(L)	7.95(L)	2.58
Westwood Global Investments, LLC	H Share	220,278,654(L)	7.95(L)	2.58
Citigroup Inc.	H Share	195,335,365(L)	7.04(L)	2.29
		6,866,000(S)	0.25(S)	0.00
		186,013,146(P)	6.71(P)	2.18

Notes :

L – Long position

S – Short Position

P – Lending Pool

## Report of the Directors (Continued)

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

Name	Position	Class of Shares	Nature of interest	Number of shares held	Percentage	Percentage
					in the class of issued share capital (%)	in the total share capital (%)
He Wei	Chairman of the Supervisory Committee	H Share	Beneficial interest	100,000(L)	0 (L)	0.00
Jin Jun	Employee Supervisor	H Shares	Beneficial interest	60,000(L)	0 (L)	0.00

### Purchase, Sale or Redemption of Listed Securities of the Company

With reference to the Company's circular dated 29 May 2023, the Directors consider that the rationale for the repurchase of the H Shares is based on their confidence in the future development of the Company and the preservation of the value of the Company's investment and the Company's reputation in the capital market, which is in line with the Company's future development strategy. The Directors consider that the flexibility provided by the H-Share repurchase authorization is beneficial to the Company and its shareholders and is in the best interests of the Company and its shareholders. The repurchase authorization was approved at the annual General Meeting held on 20 June 2023.

During the six months of 2023, the Company repurchased a total of 61,900,000 H shares on the Stock Exchange of Hong Kong Limited. As at 30 June 2023, the total number of H shares in issue was 2,770,882,000.

Details of the share purchase are as follows:

Month	Number of the shares repurchased	Purchase price per share (HKD)		Total cost (before expenses) (HKD)
		Highest	Lowest	
January 2023	3,800,000	4.55	4.43	17,068,780
May 2023	19,250,000	3.40	3.31	64,978,400
June 2023	38,850,000	4.11	3.41	147,230,580

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 period ended 30 June 2023.

# Management Discussion and Analysis

## I. OPERATING ENVIRONMENT

In the first half of 2023, China's economy has been recovering as a whole, showcasing an upturn and improvement trend in the overall economy operation, with GDP growth increasing by 5.5% year on year and economic aggregate reaching a new level, ranking the second in the world.

In the first half of 2023, the domestic automobile market, after being affected by the shift in promotional policies and market price fluctuations in the first quarter, gradually recovered in terms of market demand under the combined impetus of central and local pro-consumption policies, the release of the announcement on the implementation of the national emission standards VI for light vehicles, various regional automobile marketing campaigns, and the launch of a large number of new vehicle models developed by enterprises. Production and sales in the first half of the year were 13,248,300 units and 13,239,400 units, respectively, representing a year-on-year growth of 9.3% and 9.8%, with production and sales volumes remaining the highest in the world.

The passenger vehicles market maintained its growth, with mid-term sales of 11,268,400 units throughout the first half of the year, a year-on-year increase of 8.8%. Among which, the sales volume of SUV increased by 15.7% year on year, the sales volume of basic vehicles increased by 1.5% year on year, and the sales volume of MPV decreased by 26.0% year on year.

The commercial vehicle market recovered gradually but less than expectations, and the commercial vehicles sales throughout the medium term were 1,971,000 units, representing a year-on-year increase of 15.8%. In terms of the production and sales of different models, the sales of buses represented a year-on-year increase of 24.3%, and the sales of trucks represented a year-on-year increase of 14.8%.

The new energy vehicle market sustained its rapid growth, with sales of 3,747,000 units of new energy vehicles throughout the first half of the year, representing a year-on-year increase of 44.1%, among which, the sales of new energy passenger vehicles were 3,577,000 units, with a year-on-year increase of 44.0%, accounting for 31.7% of total passenger vehicle sales volume. A total of 159,000 units of new energy commercial vehicles were sold in first half of the year, representing a year-on-year increase of 54.5%, accounting for 8.1% of the total commercial vehicle sales volume.

# Management Discussion and Analysis (Continued)

## II. OPERATION ANALYSIS

In the first half of 2023, China's automotive market remained in a phase of recovery, facing significant pressures in operation, with profitability at a low level. There was a moderate rebound in overall demand but less than expectations, with discernible divergences in segmented markets. In particular, overseas export market and new energy vehicle market experienced rapid growth, independent brands continued to grow steadily, sales of non-luxury brands of joint ventures continued to decline, and the commercial vehicle market recovered gradually but less than expectations. In the face of the profoundly changing situation, the Group anchored the objectives and tasks of the "Three-Year Transformation and Upgrading Action", persistently promoted the special work of strategy landing, and accelerated the advancement of the new energy strategy, leading to significant challenges in overall business performance. The Group achieved sales volume of approximately 945,500 units, sales revenue of approximately RMB45,677 million and profit attributable to shareholders of approximately RMB1,270 million for the period.

Affected by the combination of numerous adverse factors, the sales volume of the passenger vehicle of the Company was approximately 769,700 units, representing a year-on-year decrease of approximately 23.4%. In particular, the sales volume of the own-brand passenger vehicle business of the Group was approximately 156,800 units, representing a year-on-year decrease of 30.9%; affected by the ongoing decline in market share of the non-luxury passenger vehicle of domestic joint ventures, the sales volume of passenger vehicle business of joint ventures was approximately 612,900 units, representing a year-on-year decrease of approximately 26.4%.

The commercial vehicle business was influenced by the gradual recovery of the commercial vehicle market, but the actual performance fell significantly short of expectations; the sales volume of commercial vehicles of the Group was approximately 175,800 units, representing a year-on-year increase of approximately 0.7%. The Group's commercial vehicle business encompasses a comprehensive range of heavy-duty, medium-duty, light-duty, passenger, and special-purpose vehicles, and has the core independent research and development and manufacturing capabilities of the entire product chain while the brand of "Longqing" powertrain in commercial vehicles leads the industry in terms of technical performance.

The overall operational status of the Group's new energy business remained healthy and stable, with sales volume of new energy vehicles of approximately 120,000 units in the current period, with the proportion of new energy vehicles in the Group's sales volume increasing by 2.2 percentage points. In particular, the sales volume of new energy passenger vehicles was approximately 108,000 units, representing a year-on-year decrease of approximately 7.8%; and the sales volume of new energy commercial vehicles was approximately 12,000 units, representing a year-on-year increase of approximately 1.0%.

The Group's overseas business maintained a strong growth momentum, with the total export sales volume of 81,200 units in the current period, representing a year-on-year increase of 28.1%, achieving the highest historical level.



# Management Discussion and Analysis (Continued)

## III. FINANCIAL ANALYSIS

### 1. Revenue

The revenue of the Group for the interim period of 2023 was approximately RMB45,677 million, representing an increase of approximately RMB1,281 million, or approximately 2.9%, as compared with approximately RMB44,396 million for the corresponding period of last year. The change in revenue was mainly from VOYAH Automobile Technology Co., Ltd., Dongfeng Commercial Vehicle Co., Ltd., Dongfeng Passenger Vehicle Company, Dongfeng Liuzhou Motor Co., Ltd., and Dongfeng Peugeot Citroën Automobile Sales Co., Ltd..

	<b>The first half of 2023</b>	The first half of 2022
	<b>Sales Revenue</b>	Sales Revenue
	<b>RMB million</b>	RMB million
Passenger vehicles	<b>16,110</b>	19,919
Commercial vehicles	<b>25,526</b>	20,808
Auto financing service	<b>3,114</b>	3,222
Corporate and others	<b>1,119</b>	637
Elimination	<b>(192)</b>	(190)
Total	<b>45,677</b>	44,396

#### 1.1 Passenger Vehicle Business

The sales revenue of passenger vehicles of the Group for the interim period of 2023 decreased by approximately RMB3,809 million, or approximately 19.1%, to approximately RMB16,110 million from approximately RMB19,919 million for the corresponding period of last year. The decrease in revenue was mainly from the passenger vehicles business of Dongfeng Passenger Vehicle Company and Dongfeng Liuzhou Motor Co., Ltd.

#### 1.2 Commercial Vehicle Business

The Group was influenced by the gradual recovery of the commercial vehicle market, but the actual performance fell significantly short of expectations. The sales revenue of commercial vehicle business for the interim period of 2023 was approximately RMB25,526 million, representing an increase of approximately RMB4,718 million or an increase of approximately 22.7% from approximately RMB20,808 million for the corresponding period of last year. The increase in revenue was mainly from the commercial vehicles business of Dongfeng Commercial Vehicle Co., Ltd. and Dongfeng Liuzhou Motor Co., Ltd. and the impact of changes in the consolidation scope of Dongfeng Automobile Co., Ltd..

# Management Discussion and Analysis (Continued)

## 1.3 Auto Financing Service Business

Affected by the decline in the sales volume, the revenue of the Group's financing service business declined slightly over the corresponding period of last year.

The revenue of auto financing service of the Group for the interim period of 2023 decreased by approximately RMB108 million, or approximately 3.4%, to approximately RMB3,114 million from approximately RMB3,222 million of the corresponding period of last year.

## 1.4 Information on the Financing Service Business

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

The Group's financing service business targeted both external customers and member units of the Group. Dongfeng Finance provides business under four main categories: (1) absorbing deposits from member units; (2) Group member units financing, mainly comprising handling of member unit loans, bill discounting, fund settlement and entrusted loans; (3) distributor financing, mainly comprising handling buyer's credit for member unit products; and (4) end customers financing, mainly comprising loans and lease financing to end users.

As at 31 December 2022, the balance of Dongfeng Finance's credit assets was approximately RMB77,900 million, approximately 84.87% of which was financed by the end customers (average interest rate for end customers: 8.93%), approximately 13.38% of which was due from member companies of the Group and their respective suppliers (loan interest rate range: 2.1% – 4.35%; average rate: 3.67%) and approximately 1.75% of which was due from distributors (loan interest rate range: 5.4% – 6.78%; average rate: 5.65%). In terms of the number of customers, the end customers amounted to 1,144,331, with 267 distributors, and a total of 97 member companies of the Group and their respective suppliers. In terms of customer types, approximately 82.15% and 17.85% of the financing balance of Dongfeng Finance was due from individual borrowers and corporate borrowers, respectively. The loans provided to the five largest borrowers, all being member companies of the Group, accounted for 6.45% of the loans.

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

## Management Discussion and Analysis (Continued)

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

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

As stated in the annual report of the Group, the Group recognised provision for impairment of loans and receivables from financing service as of 31 December 2022 was approximately RMB3,430 million, as compared to that of RMB2,738million as at 31 December 2022. To the best information, knowledge and belief of the Directors, the increase was mainly because (1) Considering the impact of the deferred debt service payments to truck drivers on the impairment allowance, a more prudent standard was adopted to allocate part of the balance to Stage 2, with a corresponding increase in expected credit losses; (2) As of the end of 2022, the relevant financial institutions have been relatively prudent in their forecasts of the future macroeconomic indicators, with a corresponding increase in expected credit losses; and (3) the Group adopts the principle of relative prudence in the setting of expected credit modeling in order to enhance its risk-resistance ability.

### **2. Cost of Sales and Gross Profit**

The total cost of sales of the Group for the interim period of 2023 was approximately RMB40,691 million, representing an increase of approximately RMB1,507 million, or approximately 3.8%, as compared with approximately RMB39,184 million of the corresponding period of last year. The total gross profit was approximately RMB4,986 million, representing a decrease of approximately RMB226 million, or approximately 4.3%, as compared with approximately RMB5,212 million of the corresponding period of last year. The comprehensive gross profit margin for current period was approximately 10.9%.

## Management Discussion and Analysis (Continued)

The decrease in gross profit was mainly due to a number of factors such as the overall weak demand in the commercial vehicle industry, which is still recovering, as well as the price war. The main changes were that the gross profit of the Group's commercial vehicle business was lower than the corresponding period, while the Group's passenger vehicle gross profit was higher than the corresponding period.

### 3. Other Income

The total other income of the Group for the interim period of 2023 amounted to approximately RMB2,448 million, representing a decrease of approximately RMB894 million compared with approximately RMB3,342 million of the corresponding period of last year.

The changes in other income were mainly due to: (1) the effect of the disposal of Seres shares in the same period last year, none in the current period; (2) an increase of RMB290 million in dividends paid by STLA over the corresponding period; (3) the effect of the increase in the share price of China Railway Special Cargo held by the Company.

### 4. Selling and Distribution Expenses

The selling and distribution expenses of the Group for the interim period of 2023 increased by approximately RMB562 million to approximately RMB3,589 million from approximately RMB3,027 million of the corresponding period of last year.

The increase in selling and distribution expenses was mainly due to: (1) increased advertising expenses for the launch of new vehicle models such as VOYAH Zhuiguang, Peugeot 408X, 5008, and others; (2) rise in market development expenses for VOYAH, M HERO, and Dongfeng Commercial Vehicle Co., Ltd..

### 5. Administrative Expenses

The administrative expenses of the Group for the interim period of 2023 decreased by approximately RMB213 million to approximately RMB2,022 million from approximately RMB2,235 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 Group in the current period and the corresponding decrease in staff salaries.

### 6. Impairment Losses on Financial Assets

The impairment losses on financial assets of the Group for the interim period of 2023 decreased by approximately RMB629 million to approximately RMB-29 million from approximately RMB600 million in the corresponding period last year.

The changes in impairment losses on financial assets were mainly due to loans and receivables from financing service of the Group, related impairment provision decreased accordingly.

# Management Discussion and Analysis (Continued)

## 7. Other Expenses

The other expenses of the Group for the interim period of 2023 amounted to approximately RMB2,709 million, representing a decrease of approximately RMB185 million as compared with approximately RMB2,894 million of the corresponding period of last year.

The change in net of other expenses in the current period was mainly due to the capitalisation of research and development expenses for certain projects as the margin of passenger vehicle business of the Group improved in the current period as compared with the corresponding period, with margin from major models turning from negative to positive, while the Group's S2 platform has qualified for capitalization.

The Group continues to accelerate its strategic transformation towards new energy, increasing investments in the construction of high-end new energy brands, platforms, products, key components and core technological resources. In the current period, the investment in research and development amounted to RMB3,462 million, representing an increase of RMB388 million, or 12.62%, as compared with RMB3,074 million of the corresponding period, of which: the investment in research and development of new energy amounted to RMB1,560 million, representing an increase of RMB515 million, or 49.3%, as compared with RMB1,045 million of the corresponding period.

## 8. Finance Expenses

The finance expenses of the Group for the interim period of 2023 amounted to approximately RMB629 million, representing an increase of approximately RMB324 million as compared with approximately RMB305 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 of Euro bonds as compared with the corresponding period as a result of fluctuations of RMB exchange rate.

## 9. Share of Profits and Losses of Joint Ventures

Share of profits and losses of joint ventures of the Group for the interim period of 2023 decreased by approximately RMB3,822 million to approximately RMB1,403 million, from approximately RMB5,225 million of the corresponding period of last year. The main reasons for the change were that: (1) Dongfeng Motor Co., Ltd. decreased by approximately RMB1,760 million over the corresponding period; (2) Dongfeng Honda Automobile Co., Ltd. decreased by approximately RMB1,514 million over the corresponding period; (3) Dongfeng Honda Engine Co., Ltd. decreased by approximately RMB365 million over the corresponding period.



# Management Discussion and Analysis (Continued)

## 10. Share of Profits and Losses of Associates

Share of profits and losses of associates of the Group for the interim period of 2023 amounted to approximately RMB331 million, representing a decrease of approximately RMB42 million as compared with that of approximately RMB373 million of the corresponding period of last year, which mainly due to: the decrease in the investment income of Dongfeng Nissan Auto Finance Co., Ltd. over the corresponding period.

## 11. Income Tax Expense

The income tax expense of the Group for the interim period of 2023 increased by approximately RMB69 million to approximately RMB42 million from approximately RMB-27 million in the corresponding period of last year.

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

The profit attributable to shareholders of the Group for the interim period of 2023 was approximately RMB1,270 million, representing a decrease of approximately RMB4,230 million, or approximately 76.9% as compared with that of approximately RMB5,500 million of the corresponding period of last year. The net profit margin (a percentage of profit attributable to shareholders to total revenue) was approximately 2.8%, representing a decrease of approximately 9.6 percentage point as compared with approximately 12.4% of the corresponding period of last year. The return on net assets (a percentage of profit attributable to shareholders to average net assets) was approximately 1.6%.

## 13. Total Assets

Total assets of the Group for the interim period of 2023 amounted to approximately RMB316,711 million, representing a decrease of approximately RMB13,325 million, or 4.0%, as compared with RMB330,036 million as at the end of the last year. This was mainly due to: (1) an increase in trade receivables of RMB2,378 million; (2) an increase in property, plant and equipment, right-of-use assets and intangible assets of RMB2,013 million; (3) an increase in deferred income tax assets of RMB345 million; (4) a decrease in prepayments, deposits and other receivables of RMB11,686 million (Changes in the balance of factoring business under finance company loans and trade financing decreased cash flow by RMB5,779 million, changes in the balance of loans granted with maturity of one year decreased cash flow by RMB4,363 million, changes in the balance of finance lease receivables with maturity of one year decreased cash flow by RMB2,711 million; prepayments increased by RMB450 million, other receivables increased by RMB450 million); (5) a decrease in amounts due from joint ventures of RMB3,947 million; (6) a decrease in bills receivable of RMB3,946 million; (7) a decrease in cash and cash equivalents, pledged bank balances and time deposits and financial assets at fair value through profit or loss of RMB3,873 million.

## Management Discussion and Analysis (Continued)

### 14. Total Liabilities

Total liabilities of the Group for the interim period of 2023 amounted to approximately RMB151,475 million, representing a decrease of approximately RMB13,025 million, or 7.92% as compared with approximately RMB164,500 million as at the end of the last year. The decrease was mainly due to: (1) a decrease in interest-bearing borrowings of RMB1,582 million; (2) an increase in trade payables and bills payable of RMB6,223 million; (3) an increase in contract liabilities of RMB1,111 million; (4) a decrease in amounts due to joint ventures of RMB19,352 million.

### 15. Total Equity

Total equity as at the end of June 2023 amounted to RMB165,236 million, representing a decrease of RMB300 million or 0.18% as compared with RMB165,536 million as at the end of last year, of which, equity attributable to equity holders of the Company amounted to RMB156,604 million, representing an increase of RMB752 million as compared with RMB155,852 million as at the end of last year; non-controlling interests amounted to RMB8,632 million, representing a decrease of RMB1,052 million as compared with RMB9,684 million as at the end of last year.

### 16. Liquidity and Sources of Capital

Net outflow of cash and cash equivalents for the interim period of 2023 was RMB3,722 million, representing a decrease of RMB16,892 million over the interim period of 2022. This includes a net cash outflow from operating activities of RMB7,954 million, a net cash inflow from investing activities of RMB4,107 million and a net cash inflow from financing activities of RMB125 million.

Net cash outflow from operating activities amounted to RMB7,954 million. The amount mainly consisted of: (1) an increase in cash flow of RMB11,734 million due to a decrease in the scale of loans granted by financial businesses; (2) an increase in trade payables, bills payable and other payables and accruals of RMB3,517 million; (3) an increase in trade receivables and prepayments and deposits of RMB2,144 million (an increase in trade receivables of RMB2,562 million, a decrease in bills receivables and receivables financing of RMB854 million, an increase in prepayments of RMB450 million); (4) profit before income tax amounted to RMB1,018 million, net of depreciation, impairment and other non-cash items; (5) the decrease in amounts due to joint ventures decrease in cash flow by RMB19,145 million; (6) decrease in cash flow of income tax payment by RMB1,512 million; (7) a decrease in cash flow of RMB1,338 million due to decrease in deposit taking of Dongfeng Motor Finance Co., Ltd.; (8) a decrease in interest payments decreased cash flow by RMB295 million.

Net cash inflow from investing activities amounted to RMB4,107 million. The amount mainly consisted of: (1) increase in cash flow of RMB7,312 million due to the receipt of dividend (dividends of RMB1,013 million from the equity investment in the listed company Stellantis, dividends of RMB1,667 million from Dongfeng Motor Co., Ltd., and dividends of RMB4,351 million from Dongfeng Honda Automobile Co., Ltd.); (2) cash out-flow of RMB4,400 million for the purchase of fixed assets and intangible assets.

## Management Discussion and Analysis (Continued)

Net cash inflow from financing activities amounted to RMB125 million. This amount mainly reflected: (1) increase of bank borrowings, resulting in a cash inflow of RMB12,140 million; (2) repayment of bank borrowings and redemption of bonds, resulting in a cash outflow of RMB11,722 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) in the cash flow statement amounted to RMB61,660 million as at 30 June 2023, representing a decrease of RMB3,584 million as compared with RMB65,244 million as at the end of the previous period. Cash and cash equivalents (including non-pledged time deposits with original maturity of three months or more when acquired) in the balance sheet amounted to RMB62,708 million, representing a decrease of RMB5,338 million as compared with RMB68,046 million as at the end of the previous period.

### **17. Major Financial Figures Based on Proportionate Consolidation**

Based on proportionate consolidation, the revenue of the Group for the six months ended 30 June 2023 was approximately RMB93,718 million, representing a decrease of approximately RMB14,012 million, or approximately 13.01%, as compared with approximately RMB107,730 million of the corresponding period of last year. Profit before income tax was approximately RMB753 million, representing a decrease of approximately RMB6,119 million, or approximately 89.05%, as compared with approximately RMB6,872 million of the corresponding period of last year. Total assets were approximately RMB364,262 million, representing a decrease of RMB5,861 million, or approximately 1.58%, as compared with approximately RMB370,123 million as at the end of last year.

# Directors, Supervisors and Senior Management

During the disclosure period, of 2023 interim report, the directors, supervisors and senior management of the Company include:

Zhu Yanfeng (竺延風)	Executive Director and Chairman of the Board of Directors
Yang Qing (楊青)	Executive Director, President
You Zheng (尤擘)	Executive Director, Vice President
Huang Wei (黃偉)	Non-executive Director (resigned with effect from 17 May 2023)
Zong Qingsheng (宗慶生)	Independent Non-executive Director
Leung Wai Lap, Philip (梁偉立)	Independent Non-executive Director
Hu Yiguang (胡裔光)	Independent Non-executive Director

## SENIOR MANAGEMENT

Qiao Yang (喬陽)	Vice President
Feng Changjun (馮長軍)	Vice President
Yin Yaoliang (殷耀亮)	Joint Company Secretary (Resigned on 28 August 2023)
Liao Xianzhi	Joint Company Secretary (Appointed on 28 August 2023)
Li Jun (李軍)	Secretary to the Board of Directors

## SUPERVISORS

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

# Directors, Supervisors and Senior Management (Continued)

## HEADS OF DEPARTMENTS

The head of Office of the Company (Party committee of the Board) is Mr. Mao Jing

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

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

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

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

The head of the International Business Department of the Company is Mr. Ma Lei

The head of the Compliance Audit Department of the Company is Mr. Zhou Changling

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

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

The head of the Staff Relation Department of the Company is Mr. Sun Sanbao

The head of the Deepening Reform Promotion Office of the Company is Mr. Guotao

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

# Independent review report

## To the Board of Directors of Dongfeng Motor Group Company Limited

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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 29 to 59, which comprises the condensed consolidated statement of financial position of Dongfeng Motor Group Company Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board ("IASB"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

### Ernst & Young

*Certified Public Accountants*

Hong Kong, 28 August 2023

# Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB million (Unaudited)	2022 RMB million (Unaudited and restated)
Revenue	2	45,677	44,396
Cost of sales		(40,691)	(39,184)
Gross profit		4,986	5,212
Other income and gain	3	2,448	3,342
Selling and distribution expenses		(3,589)	(3,027)
Administrative expenses		(2,022)	(2,235)
Impairment losses on financial assets	6	29	(600)
Other expenses	7	(2,709)	(2,894)
Finance expenses	5	(629)	(305)
Share of profits and losses of:			
Joint ventures		1,403	5,225
Associates		331	373
<b>PROFIT BEFORE INCOME TAX</b>	4	<b>248</b>	5,091
Income tax expense	8	(42)	27
<b>PROFIT FOR THE PERIOD</b>		<b>206</b>	5,118
Attributable to:			
Equity holders of the Company		1,270	5,500
Non-controlling interests		(1,064)	(382)
		<b>206</b>	5,118
Earnings per share attributable to ordinary equity holders of the Company:	10		
Basic and diluted earnings per share		<b>14.79 cents</b>	63.84 cents

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

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	<b>Six months ended 30 June</b>	
	<b>2023</b> <i>RMB million</i> <b>(Unaudited)</b>	2022 <i>RMB million</i> (Unaudited and restated)
<b>PROFIT FOR THE PERIOD</b>	<b>206</b>	5,118
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>		
Share of other comprehensive income of joint ventures and associates	-	(40)
Changes in fair value of financial assets at fair value through other comprehensive income	<b>3,010</b>	(3,931)
Others	<b>(5)</b>	-
	<b>3,005</b>	(3,971)
<i>Other comprehensive income that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	<b>(1)</b>	(14)
Income tax effect		
Item that will not be reclassified subsequently to profit or loss	<b>(752)</b>	983
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>2,252</b>	(3,002)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>2,458</b>	2,116
Attributable to:		
Equity holders of the Company	<b>3,522</b>	2,498
Non-controlling interests	<b>(1,064)</b>	(382)
	<b>2,458</b>	2,116

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



# Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2023

		<b>30 June 2023</b>	31 December 2022
	<i>Notes</i>	<b><i>RMB million</i></b> <b>(Unaudited)</b>	<i>RMB million</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>22,927</b>	21,672
Investment properties		<b>2,822</b>	2,698
Right-of-use assets		<b>5,063</b>	4,799
Goodwill		<b>3,155</b>	3,155
Intangible assets		<b>9,047</b>	8,553
Investments in joint ventures		<b>40,372</b>	40,880
Investments in associates		<b>16,156</b>	15,714
Financial assets at fair value through other comprehensive income	13	<b>13,394</b>	10,384
Other non-current assets		<b>30,600</b>	34,350
Deferred tax assets		<b>5,172</b>	4,827
Total non-current assets		<b>148,708</b>	147,032
<b>Current assets</b>			
Inventories		<b>13,235</b>	13,132
Trade receivables	12	<b>12,776</b>	10,398
Bills receivable		<b>1,365</b>	5,311
Due from joint ventures		<b>6,920</b>	10,867
Prepayments, deposits and other receivables		<b>39,090</b>	50,776
Financial assets at fair value through other comprehensive income	13	<b>12,747</b>	6,777
Financial assets at fair value through profit or loss		<b>16,901</b>	15,743
Pledged bank balances and time deposits	14	<b>2,261</b>	1,954
Cash and bank balances	14	<b>62,708</b>	68,046
Total current assets		<b>168,003</b>	183,004
<b>TOTAL ASSETS</b>		<b>316,711</b>	330,036

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

# Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2023

	Notes	<b>30 June 2023 RMB million (Unaudited)</b>	31 December 2022 RMB million
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital		8,531	8,616
Reserves		27,116	25,082
Treasury stock		–	(93)
Retained profits		<u>120,957</u>	<u>122,247</u>
		<b>156,604</b>	155,852
<b>Non-controlling interests</b>		<u>8,632</u>	<u>9,684</u>
<b>TOTAL EQUITY</b>		<u><b>165,236</b></u>	<u><b>165,536</b></u>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	16	28,380	24,344
Lease liabilities		1,961	1,928
Other long term liabilities		1,978	2,285
Government grants		2,342	2,499
Deferred tax liabilities		2,336	1,621
Provisions		<u>1,704</u>	<u>1,754</u>
Total non-current liabilities		<u><b>38,701</b></u>	<u>34,431</u>

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

# Interim Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2023

	<i>Notes</i>	<b>30 June 2023 RMB million (Unaudited)</b>	31 December 2022 RMB million
<b>Current liabilities</b>			
Trade payables	15	<b>21,807</b>	18,568
Bills payable		<b>25,823</b>	22,839
Other payables and accruals		<b>19,518</b>	18,168
Contract liabilities		<b>4,921</b>	3,810
Due to joint ventures		<b>16,682</b>	36,034
Interest-bearing borrowings	16	<b>22,464</b>	28,082
Lease liabilities		<b>314</b>	300
Income tax payables		<b>83</b>	1,139
Provisions		<b>1,162</b>	1,129
		<hr/>	<hr/>
Total current liabilities		<b>112,774</b>	130,069
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		<b>151,475</b>	164,500
		<hr/> <hr/>	<hr/> <hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>316,711</b>	330,036
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*Director*

*Director*

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

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the company							Non-controlling interests	Total equity
	Issued capital	Capital reserves*	Treasury stock	Other comprehensive income*	Statutory reserves*	Retained profits	Total		
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>For the six months ended</b>									
<b>30 June 2023</b>									
As at 1 January 2023	8,616	6,004	(93)	(645)	19,723	122,247	155,852	9,684	165,536
Total comprehensive income for the period	-	-	-	2,252	-	1,270	3,522	(1,064)	2,458
Repurchase of shares	-	-	(207)	-	-	-	(207)	-	(207)
Cancellation of shares	(85)	(215)	300	-	-	-	-	-	-
2022 final dividend	-	-	-	-	-	(2,560)	(2,560)	-	(2,560)
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	(39)	(39)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	43	43
Other	-	(3)	-	-	-	-	(3)	8	5
As at 30 June 2023	<u>8,531</u>	<u>5,786</u>	<u>-</u>	<u>1,607</u>	<u>19,723</u>	<u>120,957</u>	<u>156,604</u>	<u>8,632</u>	<u>165,236</u>

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

# Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2023

	Attributable to owners of the company							
	Issued capital	Capital reserves*	Other comprehensive income*	Statutory reserves*	Retained profits	Total	Non-controlling interests	Total equity
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)
For the six months ended 30 June 2022								
As at 31 December 2021	8,616	3,220	2,216	18,387	114,903	147,342	4,722	152,064
Restatement for business combination under common control	-	77	-	4	6	87	27	114
As at 1 January 2022 as restated	8,616	3,297	2,216	18,391	114,909	147,429	4,749	152,178
Total comprehensive income for the period	-	-	(3,002)	-	5,500	2,498	(382)	2,116
Transfer to reserves	-	-	-	1,079	(1,079)	-	-	-
Share of capital reserve of investments accounted for using the equity method	-	45	-	-	-	45	-	45
2021 final dividend	-	-	-	-	(2,585)	(2,585)	-	(2,585)
Dividends declared to non-controlling interests	-	-	-	-	-	-	(5)	(5)
Capital contribution from non-controlling interests	-	-	-	-	-	-	21	21
Transactions with non-controlling interests	-	61	-	-	-	61	(61)	-
Other	-	72	(986)	-	987	73	10	83
As at 30 June 2022	<u>8,616</u>	<u>3,475</u>	<u>(1,772)</u>	<u>19,470</u>	<u>117,732</u>	<u>147,521</u>	<u>4,332</u>	<u>151,853</u>

\* These reserve accounts comprise the consolidated reserves of RMB27,116 million as at 30 June 2023 (30 June 2022: RMB21,172 million) in the consolidated statement of financial position.

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

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 RMB million (Unaudited)	2022 RMB million (Unaudited and restated)
<b>Cash flows from operating activities</b>			
Cash flows used in operating activities		(6,442)	(2,132)
Income tax paid		(1,512)	(1,763)
<b>Cash flows used in operating activities – net</b>		<b>(7,954)</b>	(3,895)
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, joint ventures and associates – net		(192)	(331)
Dividends from joint ventures and associates		6,299	6,803
Purchase of property, plant and equipment, right-of-use assets and intangible assets		(4,410)	(2,838)
Other investing cash flows – net		2,410	6,850
<b>Cash flows generated from investing activities – net</b>		<b>4,107</b>	10,484
<b>Cash flows from financing activities</b>			
Proceeds from borrowings and bonds		12,140	14,342
Repayments of borrowings and bonds		(11,722)	(7,700)
Dividends paid to non-controlling interests		(39)	(5)
Other financing cash flows – net		(254)	(56)
<b>Cash flows generated from financing activities – net</b>		<b>125</b>	6,581
<b>Net (decrease) /increase in cash and cash equivalents</b>		<b>(3,722)</b>	13,170
Effects of exchange rate changes on cash and cash equivalents		138	(159)
Cash and cash equivalents at beginning of the period		65,244	49,030
<b>Cash and cash equivalents at end of the period</b>	14	<b>61,660</b>	<b>62,041</b>

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

# Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 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 manufacturing and sales 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 28 August 2023.

## 1.2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

## 1.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards (“IFRS”) for the first time for the current period’s financial information.

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 1.3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (i) New and amended standards adopted by the Group

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

		<b>Effective for annual periods beginning on or after</b>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

The adoption of those amendments did not have any significant impact on the Group's interim financial information.

The Group does not early adopt the following amended standards that have been issued but are not yet effective for the financial year beginning 1 January 2023:

		<b>Effective for annual periods beginning on or after</b>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IAS 1	<i>Classification of liabilities as current or Non-current</i>	1 January 2024
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>	1 January 2024

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



# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 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 2022.

## 1.5 RESTATEMENT OF THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

In December 2022, the Group acquired 75.87% equity interest of Nandou Liuxing System Integration Co., Ltd. ("Nandou System") 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 System has been combined, by using the pooling of interests method, as if the Group had acquired Nandou System from the beginning of the earliest financial period presented. The net assets of the Group, Nandou System is 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 System's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. The difference between the acquisition consideration and book value of Nandou System at the time of common control combination is taken to the reserves of the Group. Accordingly, the Group has restated the comparative information in the interim financial information. The impact of restatement to the profit and loss account is as follows:

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

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

	For the six months ended 30 June 2022 consolidated statement of profit or loss		
	As per originally reported <i>RMB million</i>	Retrospective adjustments <i>RMB million</i>	As restated <i>RMB million</i>
Revenue	44,309	87	44,396
Cost of sales	<u>(39,105)</u>	<u>(79)</u>	<u>(39,184)</u>
Gross profit	5,204	8	5,212
Other income and gain	3,342	–	3,342
Selling and distribution expenses	(3,019)	(8)	(3,027)
Administrative expenses	(2,223)	(12)	(2,235)
Impairment losses on financial assets	(604)	4	(600)
Other expenses	(2,869)	(25)	(2,894)
Finance expenses	(300)	(5)	(305)
Share of profits and losses of:			
Joint ventures	5,225	–	5,225
Associates	<u>373</u>	<u>–</u>	<u>373</u>
<b>PROFIT BEFORE INCOME TAX</b>	<b><u>5,129</u></b>	<b><u>(38)</u></b>	<b><u>5,091</u></b>
Income tax expense	<u>27</u>	<u>–</u>	<u>27</u>
<b>PROFIT FOR THE PERIOD</b>	<b><u>5,156</u></b>	<b><u>(38)</u></b>	<b><u>5,118</u></b>
Profit attributable to:			
Equity holders of the company	5,529	(29)	5,500
Non-controlling interests	<u>(373)</u>	<u>(9)</u>	<u>(382)</u>
	<b><u>5,156</u></b>	<b><u>(38)</u></b>	<b><u>5,118</u></b>

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 2. REVENUE AND OPERATING 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, and the Group's consolidated assets are mainly located inside the PRC, no geographical information is presented.

During the six months ended 30 June 2022 and 2023, 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 2023

## 2. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2023

	Commercial vehicles <i>RMB million</i> (Unaudited)	Passenger vehicles <i>RMB million</i> (Unaudited)	Financing service <i>RMB million</i> (Unaudited)	Corporate and others <i>RMB million</i> (Unaudited)	Elimination <i>RMB million</i> (Unaudited)	Total <i>RMB million</i> (Unaudited)
<b>Segment revenue</b>						
Sales to external customers	25,474	16,002	3,094	1,107	-	45,677
Intersegment sales	52	108	20	12	(192)	-
	<u>25,526</u>	<u>16,110</u>	<u>3,114</u>	<u>1,119</u>	<u>(192)</u>	<u>45,677</u>
<b>Results</b>						
Segment results	<u>(1,814)</u>	<u>(2,456)</u>	<u>1,573</u>	<u>512</u>	<u>994</u>	<u>(1,191)</u>
Interest income	234	115	-	1,061	(1,076)	334
Finance expenses						(629)
Share of profits and losses of:						
Associates	(10)	33	433	(125)	-	331
Joint ventures	232	1,174	-	(3)	-	1,403
Profit before income tax						248
Income tax expense						<u>(42)</u>
Profit for the period						<u>206</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 2023

## 2. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2022

	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)
<b>Segment revenue</b>						
Sales to external customers	20,794	19,788	3,210	604	–	44,396
Intersegment sales	14	131	12	33	(190)	–
	<u>20,808</u>	<u>19,919</u>	<u>3,222</u>	<u>637</u>	<u>(190)</u>	<u>44,396</u>
<b>Results</b>						
Segment results	<u>(769)</u>	<u>(2,228)</u>	<u>1,060</u>	<u>256</u>	<u>1,059</u>	<u>(622)</u>
Interest income	317	153	–	987	(1,037)	420
Finance expenses						(305)
Share of profits and losses of:						
Associates	(49)	11	493	(82)	–	373
Joint ventures	<u>(51)</u>	<u>5,221</u>	<u>60</u>	<u>(5)</u>	<u>–</u>	<u>5,225</u>
Profit before income tax						5,091
Income tax expense						<u>27</u>
Profit for the period						<u>5,118</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 2023

## 3. OTHER INCOME AND GAIN

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB million</b>	RMB million
	<b>(Unaudited)</b>	(Unaudited)
Investment income/(loss) from disposal of subsidiaries, joint ventures and associates	<b>79</b>	1,015
Interest income	<b>374</b>	420
Government grants and subsidies	<b>256</b>	344
Dividends from financial assets at fair value through other comprehensive income	<b>1,013</b>	719
Stationing fee received from the joint ventures	<b>101</b>	105
Others	<b>625</b>	739
	<b>2,448</b>	3,342

## 4. PROFIT BEFORE INCOME TAX

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB million</b>	RMB million
	<b>(Unaudited)</b>	(Unaudited and restated)
Cost of inventories sold	<b>40,045</b>	38,801
Interest expense for financing services (included in cost of sales)	<b>354</b>	354
Write-down of inventories to net realisable value	<b>292</b>	29
Research and development costs	<b>2,001</b>	2,488
Depreciation of property, plant and equipment	<b>1,260</b>	1,322
Amortisation of intangible assets	<b>684</b>	592
Amortization of long-term deferred expenses	<b>56</b>	12
Depreciation of right-of-use assets	<b>153</b>	174
Depreciation of investment properties	<b>42</b>	26
(Reversal of impairment)/impairment losses on financial assets	<b>(29)</b>	600
Gain on disposal of items of property, plant and equipment, net	<b>(63)</b>	(178)
Government grants	<b>(256)</b>	(334)
Employee benefit expense	<b>3,479</b>	3,453
Exchange differences, net	<b>309</b>	(147)

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 5. FINANCE EXPENSES

	Six months ended 30 June	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited and restated)
Interest expenses on bank loans and other borrowings	288	476
Interest expenses on lease liabilities	55	57
Exchange loss/(gain) of financing activities, net	286	(228)
Finance expenses	<u>629</u>	<u>305</u>

## 6. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Six months ended 30 June	
	2023 RMB million (Unaudited)	2022 RMB million (Unaudited and restated)
(Reversal of impairment)/impairment losses of trade receivables	(23)	243
(Reversal of impairment)/impairment losses of other receivables	(5)	10
(Reversal of impairment)/impairment losses of loans and receivables from financing services	(1)	347
	<u>(29)</u>	<u>600</u>

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 7. OTHER EXPENSE

	Six months ended 30 June	
	2023	2022
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited and restated)
Research costs	2,001	2,488
Others	708	406
	<u>2,709</u>	<u>2,894</u>

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)
Current income tax	424	882
Deferred income tax	(382)	(909)
Income tax expense for the period	<u>42</u>	<u>(27)</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%, based on their respective 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 2023 and 30 June 2022.

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 2023

## 11. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Equipment	Construction in progress	Total
At 31 Dec 2022, net of accumulated depreciation and impairment	6,749	12,001	2,922	<b>21,672</b>
Additions	429	708	2,150	<b>3,287</b>
Disposals	(57)	(28)	–	<b>(85)</b>
Transfer	500	1,353	(1,853)	<b>–</b>
Transfer to investment properties and intangible assets	(384)	–	(39)	<b>(423)</b>
Depreciation during the period	(124)	(1,388)	–	<b>(1,512)</b>
Impairment	–	(12)	–	<b>(12)</b>
	<u>7,113</u>	<u>12,634</u>	<u>3,180</u>	<u><b>22,927</b></u>
At 30 Jun 2023, net of accumulated depreciation and impairment	<u>7,113</u>	<u>12,634</u>	<u>3,180</u>	<u><b>22,927</b></u>
	Buildings	Equipment	Construction in progress	Total
At 31 Dec 2021, net of accumulated depreciation and impairment	6,182	10,761	1,884	<b>18,827</b>
Additions	39	280	2,028	<b>2,347</b>
Disposals	(113)	(225)	–	<b>(338)</b>
Transfer	323	1,115	(1,438)	<b>–</b>
Transfer to investment properties and intangible assets	(167)	–	(67)	<b>(234)</b>
Disposal of subsidiaries	(125)	(89)	(49)	<b>(263)</b>
Depreciation during the period	(200)	(1,122)	–	<b>(1,322)</b>
	<u>5,939</u>	<u>10,720</u>	<u>2,358</u>	<u><b>19,017</b></u>
At 30 Jun 2022, net of accumulated depreciation and impairment	<u>5,939</u>	<u>10,720</u>	<u>2,358</u>	<u><b>19,017</b></u>

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 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 Group's trade receivables, net of provision for impairment, based on the invoice date, is as follows:

	<b>30 June 2023 RMB million (Unaudited)</b>	31 December 2022 RMB million
Within three months	<b>5,304</b>	4,839
More than three months but within one year	<b>3,924</b>	2,483
More than one year	<b>3,548</b>	3,076
	<b>12,776</b>	10,398

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>30 June 2023 RMB million (Unaudited)</b>	31 December 2022 RMB million
Non-current:		
Listed equity investments at fair value through other comprehensive income		
– Stellantis N.V. (i)	<b>12,568</b>	9,774
– FORVIA SE	<b>659</b>	407
Unlisted equity investments at fair value through other comprehensive income	<b>167</b>	203
	<b>13,394</b>	10,384
Current:		
Unlisted debt instruments at fair value through other comprehensive income	<b>12,747</b>	6,777
	<b>26,141</b>	17,161

- (i) The Group held 99,223,907 shares of Stellantis, with a shareholding of 3.17%. The Group cannot directly participate in or influence over the financial and operating decisions of Stellantis and hence cannot exercise significant influence on Stellantis and the investment is accounted for as financial assets at fair value through other comprehensive income.

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

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

	<b>30 June 2023</b>	31 December 2022
	<i>RMB million</i>	<i>RMB million</i>
	<b>(Unaudited)</b>	
Cash and bank deposits	<b>49,523</b>	53,391
Time deposits	<b>15,446</b>	16,609
	<b>64,969</b>	70,000
Less: Pledged bank balances and time deposits for securing general banking facilities	<b>(2,261)</b>	(1,954)
Cash and bank balances in the consolidated statement of financial position	<b>62,708</b>	68,046
Less: Non-pledged time deposits with original maturity of three months or more when acquired	<b>(1,048)</b>	(2,802)
Cash and cash equivalents in the consolidated statement of cash flow	<b>61,660</b>	65,244

## 15. TRADE PAYABLES

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

	<b>30 June 2023</b>	31 December 2022
	<i>RMB million</i>	<i>RMB million</i>
	<b>(Unaudited)</b>	
Within three months	<b>19,108</b>	17,043
More than three months but within one year	<b>2,275</b>	773
More than one year	<b>424</b>	752
	<b>21,807</b>	18,568

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 16. INTEREST-BEARING BORROWINGS

Interest expense on borrowings for the six months ended 30 June 2023 was RMB288 million (the restated amount for the six months ended 30 June 2022: RMB476 million).

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

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

The unsecured notes were public issued in amount of RMB3,000 million on 26 February 2020 and were offered in the denomination of RMB100 each and to be expired in 3 years. The notes bear interest from 27 February 2020 at a rate of 3.05% per annum. Interest on the notes is payable annually on 27 February each year. The notes were fully paid in February 2023.

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

The unsecured notes were public issued in amount of RMB2,000 million on 15 March 2022 and were offered in the denomination of RMB100 each and to be expired in 3 years. The notes bear interest from 15 March 2022 at a rate of 3.00% per annum. Interest on the notes is payable annually on 15 March 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 2023

## 17. SHARE CAPITAL

The Company repurchased 84,850,000 shares of its shares on the Hong Kong Stock Exchange at a total consideration of RMB300 million, which was paid wholly out of retained profits in accordance with section 257 of the Hong Kong Companies Ordinance. The repurchased shares were cancelled during the period, resulting in a decrease in share capital of RMB85 million and capital reserve of RMB215 million.

## 18. COMMITMENTS

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

	<b>30 June 2023</b>	31 December 2022
	<i>RMB million</i>	<i>RMB million</i>
	<b>(Unaudited)</b>	
Contracted, but not provided for: Property, plant and equipment	<u><b>786</b></u>	<u>901</u>

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 19. RELATED PARTY TRANSACTIONS

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

Save as disclosed elsewhere in this interim condensed consolidated financial information, during the six months ended 30 June 2023, the Group had the following significant transactions with its related parties:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB million</b>	RMB million
	<b>(Unaudited)</b>	(Unaudited)
Purchases of automotive parts/raw materials from and the payment of royalty fee to:		
DMC, its subsidiaries, associates and joint ventures	<b>198</b>	307
Joint ventures	<b>2,384</b>	4,179
Associates	<b>207</b>	72
Subsidiaries' joint ventures	<b>3,890</b>	1,248
	<b>6,679</b>	5,806
Purchases of automobiles from:		
DMC, its subsidiaries, associates and joint ventures	<b>3</b>	2
Joint ventures	<b>4,462</b>	5,456
	<b>4,465</b>	5,458
Purchases of items of property, plant and equipment and intangible assets from:		
DMC, its subsidiaries, associates and joint ventures	<b>1</b>	60
Joint ventures	<b>323</b>	482
	<b>324</b>	542



# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 19. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB million</b>	RMB million
	<b>(Unaudited)</b>	(Unaudited)
Purchases of services from:		
DMC, its subsidiaries, associates and joint ventures	<b>373</b>	399
Joint ventures	<b>279</b>	411
Associates	<b>5</b>	–
Subsidiaries' joint ventures	<b>–</b>	27
Non-controlling shareholders of a subsidiary and their subsidiaries	<b>1</b>	2
	<b>658</b>	839
Sales of automotive parts/raw materials to:		
DMC, its subsidiaries, associates and joint ventures	<b>21</b>	53
Joint ventures	<b>1,033</b>	1,384
Associates	<b>18</b>	–
Subsidiaries' joint ventures	<b>50</b>	6
	<b>1,122</b>	1,443
Sales of automobiles to:		
DMC, its subsidiaries, associates and joint ventures	<b>336</b>	63
Joint ventures	<b>125</b>	155
Non-controlling shareholders of a subsidiary and their subsidiaries	<b>5</b>	99
	<b>466</b>	317

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 19. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	<u>Six months ended 30 June</u>	
	<b>2023</b>	2022
	<i>RMB million</i>	<i>RMB million</i>
	<b>(Unaudited)</b>	(Unaudited)
Provision of services to and rental income from:		
DMC, its subsidiaries, associates and joint ventures	<b>47</b>	28
Joint ventures	<b>279</b>	112
Associates	<b>6</b>	4
	<b>332</b>	144
Interest expense paid to:		
DMC, its subsidiaries, associates and joint ventures	<b>117</b>	109
Joint ventures	<b>166</b>	202
Subsidiaries' joint ventures	<b>-</b>	1
	<b>283</b>	312
Interest incomes from:		
DMC, its subsidiaries, associates and joint ventures	<b>29</b>	26
Joint ventures	<b>64</b>	13
	<b>93</b>	39
Fee and commission incomes from joint ventures	<b>5</b>	5
Stationing Fee received from joint ventures	<b>101</b>	105
Interest expenses of lease liabilities to DMC	<b>39</b>	42

These transactions were conducted in accordance with the terms and conditions agreed between the Group and its related parties.

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 19. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Outstanding balances with related parties

	<b>30 June 2023 RMB million (Unaudited)</b>	31 December 2022 RMB million
Receivables from related parties included in trade receivables:		
DMC, its subsidiaries, associates and joint ventures	<b>69</b>	66
Associates	<b>41</b>	–
Non-controlling shareholders of a subsidiary and their subsidiaries	<b>1</b>	114
	<b>111</b>	180
Receivables from related parties included in prepayments, deposits, other receivables:		
DMC, its subsidiaries, associates and joint ventures	<b>933</b>	993
Associates	<b>54</b>	171
Non-controlling shareholders of a subsidiary and their subsidiaries	<b>1</b>	–
	<b>988</b>	1,164

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 19. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Outstanding balances with related parties (Continued)

	30 June 2023 <i>RMB million</i> (Unaudited)	31 December 2022 <i>RMB million</i>
Payables to related parties included in trade payables:		
DMC, its subsidiaries, associates and joint ventures	579	691
Associates	253	144
	<u>832</u>	<u>835</u>
Payables to related parties included in other payables and accruals and contract liabilities:		
DMC, its subsidiaries, associates and joint ventures	205	332
Associates	11	18
	<u>216</u>	<u>350</u>
Payables to DMC, its subsidiaries, associates and joint ventures included in lease liabilities:	<u>1,654</u>	<u>1,570</u>
Payables to non-controlling shareholders of a subsidiary and their subsidiaries included in other long term liabilities:	<u>172</u>	<u>171</u>
Payables to related parties included in interest-bearing borrowings		
DMC, its subsidiaries, associates and joint ventures	9,136	11,053
Associates	-	18
	<u>9,136</u>	<u>11,071</u>

Receivables and payables from and to related parties are non-interest-bearing, except for those deposit-taking from related parties and loans granted to related parties which are operated by the subsidiaries engaged in financial businesses. For the deposit-taking from and loans granted to related parties, the repayment terms and the interest rates were mutually agreed.

# Notes to Interim Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2023

## 19. RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2023 <i>RMB thousand</i> (Unaudited)	2022 <i>RMB thousand</i> (Unaudited)
Short-term employee benefits	3,629	3,752
Post-employment benefits	195	213
Total compensation to key management personnel	<u>3,824</u>	<u>3,965</u>

## Definitions

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

“Company”	東風汽車集團股份有限公司(Dongfeng Motor Group Company Limited), a joint stock limited company registered in the PRC on 12 October 2004 in accordance with the laws of the PRC or where the context refers to any time prior to the date of incorporation, those entities and businesses which were contributed to and conducted by the Company upon its establishment
“Dongfeng Joint Venture Companies”	Jointly-venture Entities in which the Company, its subsidiaries or Jointly-venture Entities (including their respective subsidiaries and Jointly-venture Entities) have equity interests as at 30 June 2023.
“Group” or “Dongfeng Motor Group”	the Company and its subsidiaries, the Dongfeng Joint Venture Companies and their respective subsidiaries and associates.
“Joint Venture Company”	A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
“Dongfeng Motor Corporation” or “DMC”	東風汽車集團有限公司(Dongfeng Motor Corporation) , a state-owned enterprise incorporated under the laws of the PRC and the parent of the Company.
“PRC” or “China”	the People’s Republic of China. Except where the context requires, geographical references in this interim report to the PRC or China exclude Hong Kong, Macau or Taiwan
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time