東風汽車集團股份有限公司

DONGFENG MOTOR GROUP COMPANY LIMITED*

Stock Code: 489

Care for everybody Care for every vehicle

2009
INTERIM REPORT

*For reference only

DONGFENG MOTOR GROUP COMPANY LIMITED

Interim Report 2009

Contents

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the interim report of the Company for 2009 for your review.

The PRC automobile industry experienced a lot of challenges, difficulties and volatility since the second half of 2008. Benefiting from the release of inelastic demand from domestic consumers and the timely implementation of adjustment and stimulus policies by the PRC government to revitalize auto industry, the automobile industry of the PRC began to recover despite the fact that the global financial crisis has not yet subsided. For the first half of 2009, the aggregate sales volume of vehicles of domestic automobile manufacturers was approximately 6.1 million units, representing an increase of approximately 17.7% over the corresponding period last year. Excluding the sales volume of the cross type passenger vehicles and mini trucks, the aggregate sales volume of vehicles was approximately 4.9 million units, representing an increase of approximately 11.9% over the corresponding period last year. The PRC has become the world's largest automobile market.

With the revival and growth of the industry and taking advantage of the Group's own products and sales edges, the aggregate sales volume of vehicles of the Dongfeng Motor Group was approximately 610,000 units for the first half of 2009, representing a comparable increase of 4.0%. The sales volumes of passenger vehicles were approximately 451,000 units, representing a comparable increase of approximately 23.0%. The sales volume of commercial vehicles were approximately 160,000 units, representing a comparable decrease of approximately 27.5%. The growth of sales volume of passenger vehicles of the Dongfeng Motor Group was approximately 3 percentage points higher than the average level of the industry (excluding the cross type passenger vehicles). Although the sales volume of commercial vehicles still saw a negative growth due to a number of factors including the revival of the real economy, the month-on-month decrease was apparently narrowed.

For the first half of 2009, the Group recorded consolidated sales revenue of approximately RMB39,046 million, representing a comparable increase of approximately 3.0%. Among which, the sales revenue from passenger vehicles and commercial vehicles amounted to approximately RMB30,200 million and approximately RMB8,482 million, representing a comparable increase of approximately 22.5% and a comparable decrease of approximately 33.7%, respectively. Profit attributable to shareholders was approximately RMB2,606 million, representing a comparable increase of approximately 5.4%.

In retrospect to its operation for the first half of the year, the Dongfeng Motor Group on one hand, reinforced risk prevention, cash and inventory management, budget and investment management, and cost and expense control. On the other hand, while launching new products as scheduled, in response to the government's adjustment of its policies in relation to consumption in the automobile industry, the Dongfeng Motor Group accelerated product mix adjustments and strengthened marketing efforts to introduce products that met market demands. As such, the Dongfeng Motor Group was able to weather the tough times of the macro economy and the industry and captured the opportunities of the rapid market recovery and industry growth in order to achieve growth in sales, production and financial results.

We are optimistic about the market in general as well as the Dongfeng Motor Group's production and sales in the second half of this year. The long-term healthy development of the PRC automobile industry is fuelled by the continued improvement and steady growth of the PRC macro economy, the general increase in household spending and the reaching of the popularisation stage of passenger vehicles. Nevertheless, we will remain alert to the challenges ahead, including uncertainties of the macro economy and the industry, intensified competition in the industry, cost fluctuations in the upstream industry, as well as eroding profit in the industry, diminishing of the impact of industry policy and the severe export situations. The Board of Directors believes that it is only with confidence and constant vigilance on risks and identification of opportunities in the industry that we will be able to make the right decisions and adopt effective initiatives for the Dongfeng Motor Group to overcome the challenges ahead and continue to secure overall improvements in its business.

Xu Ping
Chairman

Wuhan, the PRC
25 August 2009

Corporate Information

REGISTERED NAME

Dongfeng Motor Group Company Limited

REGISTERED ADDRESS

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PRINCIPAL PLACE OF BUSINESS IN THE PRC

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COMPANY SECRETARIES

Hu Xindong
Lo Yee Har Susan *(FCS, FCIS)*

QUALIFIED ACCOUNTANT

Chan Yuk Tong
(FCPA of HKICPA and CPA of CPA Australia)

AUDITORS

Ernst & Young

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PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

00489

Directors, Supervisors and Senior Management

During the reporting period of the 2009 Interim Report, the directors, supervisors and senior management of the Company include:

DIRECTORS

Xu Ping (徐平)	Executive Director and Chairman of the Board of Directors
Liu Zhangmin (劉章民)	Executive Director and President
Zhou Wenjie (周文杰)	Executive Director and Executive Vice President
Li Shaozhu (李紹燭)	Executive Director
Fan Zhong (范仲)	Executive Director
Tong Dongcheng (童東城)	Non-Executive Director
Ouyang Jie (歐陽潔)	Non-Executive Director
Liu Weidong (劉衛東)	Non-Executive Director
Zhu Fushou (朱福壽)	Non-Executive Director
Sun Shuyi (孫樹義)	Independent Non-executive Director
Ng Lin-fung (吳連烽)	Independent Non-executive Director
Yang Xianzu (楊賢足)	Independent Non-executive Director

SENIOR MANAGEMENT

Cai Wei (蔡瑋)	Vice President and the Secretary of the Board of Directors

SUPERVISORS

Ye Huicheng (葉惠成)	Chairman of the Supervisory Committee
Wen Shiyang (溫世揚)	Independent Supervisor
Deng Mingran (鄧明然)	Independent Supervisor
Zhou Qiang (周強)	Supervisor
Ren Yong (任勇)	Supervisor
Liu Yuhe (劉裕和)	Supervisor
Li Chunrong (李春榮)	Supervisor
Kang Li (康理)	Supervisor

HEADS OF DEPARTMENTS

The head of the Audit Department of the Company is Mr. Wang Shuou.

The head of the Personnel Department of the Company is Mr. Wang Xiangdong.

The head of the Financial Accounting Department of the Company is Mr. Qiao Yang.

The head of the Technical Development Department of the Company is Mr. Hou Yuming.

The head of the Operation Management Department of the Company is Mr. Yang Shaojie.

The head of the President's Office of the Company is Zhou Qiang.

The head of the Planning and Investment Department of the Company is Mr. Liao Zhenbo.

The head of the Corporate Culture Department of the Company is Mr. Chen Yun.

The head of the Supervisory Department of the Company is Mr. Zhang Changdong.

The head of the Staff Relation Department of the Company is Mr. Zhao Shuliang

The head of the Investors Relation Department of the Company is Mr. Hu Xindong.

The representative at Beijing Office of the Company is Mr. Xu Yaosheng.

The Secretary for the Communist Youth League of the Company is Mr. Zhang Kaijun.

Management's Discussion and Analysis on Interim Results

FINANCIAL RESULTS OVERVIEW

During the period, revenue of the Group amounted to approximately RMB39,046 million, representing an increase of approximately RMB1,150 million, or approximately 3.0%, when compared with approximately RMB37,896 million for the corresponding period last year. Profit attributable to shareholders of the Group amounted to approximately RMB2,606 million for the period, representing an increase of approximately RMB134 million, or approximately 5.4%, when compared with approximately RMB2,472 million for the corresponding period last year. Earnings per share were approximately RMB30.25 cents, up by approximately RMB1.56 cents, or approximately 5.4%, when compared with approximately RMB28.69 cents for the corresponding period last year.

During the period, net cash inflow from operating activities of the Group was strong and amounted to approximately RMB12,221 million, representing an increase of approximately RMB7,939 million, or approximately 185.4%, when compared with approximately RMB4,282 million for the corresponding period last year.

Revenue

In the first half of 2009, sales of vehicles by domestic automobile manufacturers amounted to 6,098,812 units, representing a comparable increase of approximately 17.7%. Of which, sales of passenger vehicles amounted to 4,533,805 units, representing a comparable increase of approximately 25.6%; sales of the traditional passenger vehicles (excluding the cross type passenger vehicles) amounted to 3,598,288 units, representing a comparable increase of approximately 19.8%; sales of commercial vehicles amounted to 1,565,007 units, representing a comparable decrease of approximately 0.5%. Excluding mini trucks, sales of commercial vehicles amounted to 1,307,270 units, representing a comparable decrease of 5.6%.

The accumulated vehicle sales of the Dongfeng Motor Group during the period amounted to 611,111 units, representing a comparable increase of approximately 4.0%. Of which, sales of passenger vehicles (excluding the cross type passenger vehicles) was 450,998 units, representing a comparable increase of approximately 23.0%, and on a comparable basis, exceeding the industry level by approximately 3.2 percentage points. Sales of commercial vehicles (excluding mini trucks) amounted to 160,113 units, representing a comparable decrease of approximately 27.5%. The Dongfeng Motor Group had a market share of approximately 10.0% in terms of sales volume among the domestic automobile manufacturers in the PRC, with approximately 9.9% for passenger vehicles and approximately 10.2% for commercial vehicles. Excluding the cross type passenger vehicles and mini trucks, the Dongfeng Motor Group commanded a market share of approximately 12.5%, with approximately 12.5% for passenger vehicles and approximately 12.2% for commercial vehicles.

During the period, the total sales revenue of the Group amounted to approximately RMB39,046 million, representing an increase of approximately RMB1,150 million, or approximately 3.0%, from approximately RMB37,896 million in the corresponding period last year. Of which, revenue from sales of passenger vehicles was approximately RMB30,200 million, representing a comparable increase of approximately 22.5%; revenue from sales of commercial vehicles was approximately RMB8,482 million, representing a comparable decrease of approximately 33.7%.

	Six months ended 30 June 2009		Six months ended 30 June 2008	
	Sales revenue RMB million	**Units sold**	Sales revenue RMB million	Units sold
Passenger vehicles	**30,200**	**450,998**	24,649	366,569
Commercial vehicles	**8,482**	**160,113**	12,785	220,843
Others	**364**	**N/A**	462	N/A
Total	**39,046**	**611,111**	37,896	587,412

Note: It should be noted that the revenue figures in the above table reflect the proportionate combined revenue of the Group. However, the corresponding figures of the units of vehicles sold in the above table represent the actual units sold by the Dongfeng Motor Group, not adjusted on a proportionate combination basis, for the indicated periods.

During the period, the revenue of the Group from sales of passenger vehicles increased by approximately RMB5,551 million, representing a growth of approximately 22.5%, from approximately RMB24,649 million in the corresponding period last year to approximately RMB30,200 million. Of which, the revenue from sales of whole passenger vehicles increased by approximately RMB5,525 million, representing a growth of approximately 26.1%, from approximately RMB21,204 million in the corresponding period last year to approximately RMB26,729 million.

During the period, the revenue from sales of whole passenger vehicles recorded a substantial growth of approximately 26.1%. This is mainly due to an increase of 84,429 units or approximately 23.0% in the total sales volume of whole passenger vehicles (excluding the cross type passenger vehicles) to 450,998 units from 366,569 units for the same period last year, exceeding the industry level by approximately 3.2 percentage points on a comparable basis. During the first half of the year, vehicles market experienced rapid recovery. In view of the emerging market opportunities, the Group timely formulated its strategies of further enhancing marketing effort, expediting restructuring of product mix and accelerating the expansion of production and sales to create favourable conditions for sustainable growth. In addition, the Dongfeng Motor Group has met the market demands with its rich product lines and distinguished itself from the markets and proactively alleviated the impacts of purchase tax with branding and improved features and appearance. In addition to our prominent performance in the sales of various new and modified passenger vehicles models launched during the period, including Dongfeng Honda New CIVIC, Dongfeng Nissan New Sylphy, Dongfeng Peugeot 207 sedan and Dongfeng Citroën C-Quatre sedan, sales of the models released last year, such as Dongfeng Nissan Qashqai, Dongfeng Nissan LIVINA C-GEAR, Dongfeng Nissan New Teana, Dongfeng Nissan X-trail, Dongfeng Peugeot 307 hatchback and Dongfeng Citroën New C-Elysee, also maintained steady growth. Sales of Dongfeng Honda New Generation CR-V remained strong, continuously ranking the top of SUVs, and reached 48,592 units during the period, representing a significant increase of approximately 24.4% over the corresponding period last year, which was much higher than the growth in the industry. Besides, the Dongfeng Motor Group also increased the average selling price of passenger vehicles through fortifying the management of sales channels and improving the product mix.

During the period, the revenue from sales of commercial vehicles was approximately RMB8,482 million, representing a decrease of approximately RMB4,303 million, or approximately 33.7%, when compared with approximately RMB12,785 million for the same period last year. Of which, the revenue from sales of whole commercial vehicles was approximately RMB7,607 million, representing a decrease of approximately RMB4,187 million, or 35.5%, when compared with approximately RMB11,794 million for the same period last year. During the period, the sales volume of whole commercial vehicles of the Dongfeng Motor Group shrank from 220,843 units for the same period last year to 160,113 units due to the economic impact at home and abroad, representing a decrease of approximately 27.5%.

In particular, the impact on heavy duty truck series with higher unit prices was relatively significant. The change in product mix resulted in a drop in the average selling price of commercial vehicles as a whole.

Cost of Sales and Gross Profit

The total costs of sales of the Group for the period was approximately RMB32,071 million, representing an increase of approximately RMB714 million over approximately RMB31,357 million for the same period last year. The total gross profit of the Group for the period was approximately RMB6,975 million, representing an increase of approximately RMB436 million over approximately RMB6,539 million for the same period last year, representing a growth of approximately 6.7%. The gross profit margin increased by approximately 0.6 percentage points from approximately 17.3% for the same period last year to approximately 17.9% for the period. Of which, the gross profit margin of passenger vehicles increased by approximately 0.4 percentage points to approximately 19.3% for the period from approximately 18.9% for the same period last year, which had offset a decrease of approximately 1.3 percentage points of the gross profit margin of commercial vehicles from approximately 14.3% for the same period last year to approximately 13.0% for the period.

During the period, the gross profit margin of passenger vehicles increased by 0.4 percentage points to approximately 19.3% from approximately 18.9% for the same period last year, and that of whole passenger vehicles increased to approximately 19.6% from 18.5% for the same period last year. This was mainly due to: (1) the rise in the average selling prices of passenger vehicles as a result of the Dongfeng Motor Group's enhanced management of sales channels and improved product mix; and (2) the decrease of unit costs due to the drop of raw material prices, acceleration of localisation and the effect arising from cost control and optimisation of workflow of purchasing, logistics, technology and production management despite the negative impact of the appreciation of Japanese Yen on the costs.

During the period, the gross profit margin of commercial vehicles dropped to approximately 13.0% from approximately 14.3% for the same period last year, and that of whole commercial vehicles slightly decreased to approximately 12.8% from approximately 13.5% for the same period last year. This was mainly due to the decline in sales of heavy trucks with higher selling prices and gross profit margins as a result of the macro economic conditions. In addition, boosted by the stimulus policies, including the "Vehicle Subsidy Program", the percentage of sales of light commercial vehicles with lower selling prices and gross profit margins increased. Yet the Group continued to reduce the fixed costs and strengthened the management of raw materials, energy and staff costs.

Other Income

During the period, the other income of the Group totalled approximately RMB546 million, representing a slight decrease of approximately RMB43 million when compared with approximately RMB589 million for the same period last year, which was mainly due to the decline in sales of auto parts business.

Selling and Distribution Costs

During the period, the selling and distribution costs of the Group amounted to approximately RMB1,612 million, representing a decrease of approximately RMB271 million when compared with approximately RMB1,883 million for the same period last year. The selling and distribution costs as a percentage of sales revenue decreased by approximately 0.9 percentage points to approximately 4.1% from approximately 5.0% for the same period last year. This was mainly due to the reduction of advertising and exhibition expenses and market development expenses.

Administrative Expenses

During the period, the total administrative expenses of the Group amounted to approximately RMB1,248 million, representing a slight increase of approximately RMB21 million when compared with approximately RMB1,227 million for the same period last year. Administrative expenses as a percentage to sales revenue maintained at the level of the same period last year at 3.2%. During the period, an amortisation of the fair value of stock appreciation rights amounted to approximately RMB15 million was recorded, resulting in an increase of administrative expenses of approximately RMB103 million as compared with the write-back in the amortisation of the fair value of stock appreciation rights of approximately RMB88 million for the same period last year. Excluding the effect of the difference in amortising the fair value of stock appreciation rights, the total administrative expenses for the period decreased by approximately RMB82 million over the same period last year. The adjusted administrative expenses as a percentage of sales revenue decreased by 0.3 percentage points to 3.2% from 3.5% for the same period last year, which was mainly attributable to the proactive and effective control of the administrative expenses of the Group in response to the challenging external economic conditions.

Other Expenses

During the period, the other expenses of the Group were approximately RMB1,137 million, representing an increase of approximately RMB297 million when compared with approximately RMB840 million for the same period last year. The increase was mainly due to (1) the increase in technology development and transfer expenses by approximately RMB162 million to approximately RMB866 million from approximately RMB704 million for the same period last year; and (2) the reduction of the Group's borrowings denominated in foreign currencies in view of the ample cash flows during the period. Meanwhile, compared with the exchange gains of approximately RMB209 million for the same period last year, exchange gains decreased to approximately RMB19 million as the exchange rate of Renminbi against US dollars and Euro remained stable during the period. This resulted in a rise of other expenses of approximately RMB190 million.

Staff Costs

During the period, the staff costs (including directors' and supervisors' emoluments) of the Group amounted to approximately RMB1,783 million, representing an increase of approximately RMB255 million when compared with approximately RMB1,528 million for the same period last year. This was due to (1) higher demand for labour brought about by an increase in production and sales volume of motor vehicles; (2) a rise of staff cost by approximately RMB103 million as there was an amortisation of the fair value of stock appreciation rights of approximately RMB15 million for the period while a write-back in the amortisation of the fair value of stock appreciation rights of approximately RMB88 million was recorded for the same period last year.

Depreciation Charges

In recent years, with a view to expanding the business and continuously increasing the production capacity, more investments in plant and equipment were made. During the period, the depreciation charges amounted to approximately RMB1,051 million, representing an increase of approximately RMB102 million when compared with approximately RMB949 million for the same period last year.

Finance Costs

During the period, the finance costs of the Group amounted to approximately RMB143 million, representing a decrease of approximately RMB67 million when compared with approximately RMB210 million for the same period last year. The decrease was mainly because the effective interest rate slightly decreased and the Group reduced borrowings in view of ample cash flows during the period.

Income Tax

The income tax expenses of the Group during the period amounted to approximately RMB643 million, representing an increase of approximately RMB280 million when compared with approximately RMB363 million for the same period last year. The effective tax rate for the period was approximately 18.6%, representing an increase of approximately 6.5

percentage points as compared with approximately 12.1% for the same period last year. The increase in the effective tax rate was mainly due to the upward adjustment of the tax rates for certain companies of the Group arising from the tax reform and the expiry of the concession term.

Net Profit

Based on the foregoing reasons, the Group's profit attributable to equity holders amounted to approximately RMB2,606 million for the period, representing an increase of approximately RMB134 million, or a growth of approximately 5.4%, when compared with approximately RMB2,472 million for the same period last year. Earnings per share were approximately RMB30.25 cents, up by approximately RMB1.56 cents, or a growth of approximately 5.4%, when compared with approximately RMB28.69 cents for the same period last year.

During the period, the Group's net profit margin, as a percentage of profit attributable to equity holders to total revenue, was approximately 6.7%, representing an increase of approximately 0.2 percentage points when compared with approximately 6.5% for the same period last year.

During the period, the Group's return on net assets, as a percentage of profit attributable to equity holders to average net assets, was approximately 23.2%, representing a decrease of approximately 3.2 percentage points when compared with approximately 26.4% for the same period last year. However, when compared with the return on net assets of approximately 15.2% for the second half of 2008, it recorded a rise of approximately 8.0 percentage points.

Liquidity and Sources of Capital

	Six months ended 30 June 2009 RMB million	Six months wended 30 June 2008 RMB million
Net cash inflows from operating activities	**12,221**	4,282
Net cash outflows from investing activities	**(5,152)**	(3,677)
Net cash inflows/(outflows) from financing activities	**(352)**	727
Net increase in cash and cash equivalents	**6,717**	1,332

During the period, net cash inflows from operating activities amounted to approximately RMB12,221 million. This principally represents: (1) profit before tax amounting to approximately RMB3,458 million; (2) a decrease of approximately RMB2,350 million in trade receivables, bills receivable and prepayments, deposits and other receivables; (3) a decrease of approximately RMB2,700 million in inventories; and (4) an increase of approximately RMB3,580 million in trade payables, bills payable and other payables and accrued liabilities. During the period, cash inflows generated from operating activities of the Group were strong.

During the period, net cash used in investing activities of the Group amounted to approximately RMB5,152 million. This principally represents (1) the purchase of property, plant and equipment of approximately RMB1,245 million for the expansion of production capacity and development of new products; and (2) the increase of approximately RMB797 million and RMB3,455 million in pledged bank balances and unpledged time deposits with an original maturity of three months or above, respectively.

During the period, net cash outflows from financing activities of the Group amounted to approximately RMB352 million, mainly due to the decrease in borrowings of approximately RMB380 million.

During the period, the increase in cash and cash equivalents (excluding the pledged bank balances and unpledged time deposits with an original maturity of three months or above) of the Group amounted to approximately RMB6,717 million. As at 30 June 2009, cash and cash equivalents amounted to approximately RMB13,911 million, and cash and bank balances (including the pledged bank balances and unpledged time deposits with an original maturity of three months or above) amounted to approximately RMB25,082 million, representing a significant increase of approximately RMB10,969 million when compared with approximately RMB14,113 million as at 31 December 2008. As at 30 June 2009, net cash (cash and bank balances less borrowings) of the Group significantly increased to approximately RMB16,762 million from approximately RMB5,413 million as at 31 December 2008.

As at 30 June 2009, the Group's equity ratio, as a percentage of total borrowings to total shareholders' equity, was approximately 35.3%, representing an improvement from approximately 40.7% as at 31 December 2008.

As at 30 June 2009, the Group's current ratio was approximately 1.14 times, representing a rise over that of approximately 1.07 times as at 31 December 2008. As at 30 June 2009, the Group's quick ratio was approximately 0.96 times, representing an increase over that of approximately 0.79 times as at 31 December 2008.

The Group strengthened the inventory control and actively reduced inventories during the period and inventory turnover days amounted to approximately 38 days as at 30 June 2009, representing an improvement as compared with approximately 58 days and approximately 48 days as at 31 December 2008 and 30 June 2008, respectively.

The Group's turnover days of accounts receivable (including bills receivable) significantly decreased to approximately 34 days as at 30 June 2009 from that of approximately 61 days as at 30 June 2008, and the turnover days of accounts receivable (excluding bills receivable) decreased to approximately 9 days from that of approximately 16 days as at 30 June 2008. The turnover days of bills receivable significantly decreased to approximately 25 days from that of approximately 45 days as at 30 June 2008. The Group accepted acceptance bills issued by creditworthy banks for strengthening the marketing efforts. The Group adopted stringent policies for the management of bills receivable and only accepted applications by trustworthy customers with strong background, while the credit risks related to bank acceptance bills were assumed by the customers' banks.

I. MAJOR BUSINESSES

The Dongfeng Motor Group is mainly engaged in manufacture and sales of commercial vehicles and passenger vehicles. Its principal products include commercial vehicles, which comprise heavy trucks, medium trucks, light trucks and buses and engines and auto parts of commercial vehicles, and passenger vehicles, which comprise sedans, MPVs, SUVs and engines and auto parts of passenger vehicles. In addition, the Dongfeng Motor Group is engaged in production and import and export of vehicle manufacturing equipment, auto finance business, insurance agency and trading of used vehicles.

The Dongfeng Motor Group's engines and auto parts of commercial vehicles businesses are principally operated by Dongfeng Motor Co., Ltd, a joint venture of the Company and Nissan Motor Co., Ltd through Nissan (China) Investment Co., Ltd. As at 30 June 2009, the Dongfeng Motor Group manufactured 36 series of commercial vehicles, including 30 series of trucks and 6 series of buses. The production capacities of commercial vehicles and their engines were 402,000 units and 240,000 units, respectively.

The Dongfeng Motor Group's passenger vehicle business is principally operated by the following joint ventures: Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobiles Company Ltd (a joint venture of the Company and PSA Peugeot Citroën Group), and Dongfeng Honda Automobile Co., Ltd (a joint venture of the Company and Honda Motor Co., Ltd, partly through Honda Motor (China) Investment Co., Ltd). The engines and auto parts of passenger vehicles businesses are mainly operated by Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobiles Company Ltd, Dongfeng Honda Engine Co., Ltd., Dongfeng Honda Auto Parts Co., Ltd and Dongfeng Honda Automobile Co., Ltd. As at 30 June 2009, the Dongfeng Motor Group manufactured 27 series of passenger vehicles, including 18 series of sedans, 4 series of MPVs and 5 series of SUVs. The production capacities of passenger vehicles and their engines were 910,000 units and 1,220,000 units, respectively.

Major Operating Figures for the First Half of 2009

In the first half of 2009, 5,990,830 units and 6,098,812 units of vehicles were manufactured and sold by domestic automobile manufacturers of the PRC, respectively, representing respective comparable increases of approximately 15.2% and approximately 17.7%. The production and sales volume of passenger vehicles were 4,418,935 units and 4,533,805 units, respectively, representing respective comparable increases of approximately 20.7% and approximately 25.6%. The sales volume of traditional passenger vehicles (excluding the cross type passenger vehicles) was 3,598,288 units, representing a comparable increase of approximately 19.8%. The production and sales volume of commercial vehicles were 1,571,895 units and 1,565,007 units, respectively, representing a comparable increase of approximately 1.6% and a comparable decrease of approximately 0.5%, respectively. Excluding mini trucks, the sales volume of commercial vehicles amounted to 1,307,270 units, representing a comparable decrease of 5.6%.

The accumulated vehicle production and sales volume of the Dongfeng Motor Group in the first half of 2009 were 586,424 units and 611,111 units, respectively, representing respective comparable increases of approximately 10.5% and approximately 4.0%. Among which, the production and sales volume of passenger vehicles were 427,507 units and 450,998 units, respectively, representing respective comparable increases of approximately 14.9% and approximately 23.0%, and the production and sales volume of commercial vehicles were 158,917 units and 160,113 units, respectively, representing respective comparable decreases of approximately 25.6% and approximately 27.5%. The Dongfeng

Motor Group had a market share of approximately 10.0% in terms of sales volume among the domestic automobile manufacturers, of which passenger vehicles and commercial vehicles were approximately 9.9% and approximately 10.2%, respectively. Excluding the cross type passenger vehicles and mini trucks, the Dongfeng Motor Group had a market share of approximately 12.5% among the domestic automobile manufacturers, of which passenger vehicles and commercial vehicles were approximately 12.5% and approximately 12.2%, respectively.

Revenue of the Group for the six months ended 30 June 2009:

Business	**Sales revenue** (RMB million)	**Contribution to the sales revenue of the Group** (%)
Commercial vehicles	8,482	21.7
Passenger vehicles	30,200	77.3
Others	364	1.0
Total	39,046	100.0

Sales volume of commercial vehicles and passenger vehicles of the Dongfeng Motor Group and their market shares for the six months ended 30 June 2009:

		Sales volume (units)		**Market share (%)** (note 1)
Commercial vehicles		160,113		10.2 (note 2)
Trucks	141,642		10.0	
Buses	18,471		11.9	
Passenger vehicles		450,998		9.9 (note 3)
Sedans	357,516		11.0	
MPVs	12,843		12.5	
SUVs	80,639		32.0	
Total		611,111		10.0 (note 4)

Notes: (1) Based on the statistics of the China Automobile Industry Association.

(2) Based on 1,307,270 units of commercial vehicles (excluding mini trucks) sold by domestic automobile manufacturers, the Dongfeng Motor Group had a market share of approximately 12.2%.

(3) Based on 3,598,288 units of traditional passenger vehicles (excluding the cross type passenger vehicles) sold by domestic automobile manufacturers, the Dongfeng Motor Group had a market share of approximately 12.5%.

(4) Based on 4,905,558 units of commercial vehicles (excluding mini trucks) and traditional passenger vehicles (excluding the cross type passenger vehicles) sold by domestic automobile manufacturers, the Dongfeng Motor Group had a market share of approximately 12.5%.

New Products

In the first half of 2009, the Dongfeng Motor Group launched various new and modified passenger vehicle models, including Dongfeng Citroën C-Quatre sedan, Dongfeng Peugeot 207 sedan, Dongfeng Nissan New Sylphy and 2009 CIVIC. Since its debut, actively responding to the negative impact of the purchase tax policy, 2009 CIVIC has achieved an average monthly sales volume of approximately 7,000 units. The sales volume of C-Quatre sedan exceeded 5,000 units in the first month upon its launch. The sales volume of New Sylphy has secured a stable growing momentum after its debut due to proper market positioning and improved features and style.

In the first half of 2009, the Dongfeng Motor Group launched Dongfeng KingrunT2R40 ("Dongfeng Low Tonnage Kingrun") targeting at the transportation market of agricultural by-products and light bulky cargoes. It has achieved satisfactory results since its official launch on 28 April this year. In the first half of the year, modified 2009 models were launched based on the existing lines of Dongfeng commercial vehicles, including new "T-LIFT" construction vehicles as well as "Kinland" and "Kingrun" trucks employing LNG ("liquefied natural gas") hybrid power technology. "Kinland" D310 and the "T-LIFT" heavy trucks have become the backbone products contributing to the sales volume of heavy trucks. In the first half of the year, the accumulated sales volume of the two series amounted to 16,978 units.

Production Safety and Environment Protection

The Dongfeng Motor Group has strictly complied with laws and regulations of the PRC in respect of production safety and environment protection, and is committed to its social responsibilities. It has also established and optimised its management system and responsibility monitoring system, and persevered with the principle of continuous improvement.

In the first half of 2009, the Dongfeng Motor Group restrained the occurrence of fatal accidents, serious fire accidents and the explosion of boilers, high-pressure vessels and pipelines, and prevented the leakage of hazardous chemicals, explosions and serious occupational poisoning hazards. The Dongfeng Motor Group also enhanced energy saving and emission reduction. Under the circumstances that the vehicle output significantly increased in the first half of 2009, the comparable energy consumption per ten-thousand yuan added value improved by approximately 39% while COD and SO2 discharge also decreased by approximately 35% and approximately 39%, respectively, in the first half of 2009 when compared with the corresponding period of 2005. Such decline successfully fulfilled the interim goal of energy saving and emission reduction with high quality. Both Huadu Plant of Dongfeng Nissan Passenger Vehicle Company and Wuhan Plant of Dongfeng Peugeot Citroën Automobiles Company Ltd achieved zero discharge of sewage.

Sales and Service Networks

Members of the Dongfeng Motor Group have established their own independently managed sales and after-sales service networks under their brands. They distribute and provide after-sales services through these networks.

As at 30 June 2009, the sales and service networks of the Dongfeng Motor Group were as follows:

	Number of sales outlets	Number of service outlets	Number of provinces covered
Commercial vehicles	2,186	3,645	31
Passenger vehicles	2,322	1,926	31
Total	4,508	5,571	31

Business Outlook

In the second half of 2009, it is expected that the domestic automobile market in general will maintain the upward trend of the first half of the year as a result of the further release of inelastic demands and driven by the impact of the revival of the domestic economy and a series of favourable policies. Affected by the international market, however, the outlook for the automobile export market of the PRC will remain severe in the second half of the year. The growing demand for vehicles driven by small capacity vehicles and mini vehicles and the uncertainty in steel and oil price trends will pose new challenges against the enterprises' cost control and earnings models.

The Dongfeng Motor Group will pay close attention to the market situation and the changes in policies. Firstly, we will grasp every opportunity and adjust our product mix to meet market demands and maximise sales volume. Secondly, we will persevere with the principle of sound operation and strengthen our management in cash, investment and controllable expenses to avoid all kinds of risks. Thirdly, stringent cost control will be implemented to enhance our profitability. Fourthly, we will expedite the development of the own-brand businesses to ensure sustainable healthy growth of various brands of the Company.

II. INTERIM RESULTS AND DIVIDENDS

The results for the six months ended 30 June 2009 of the Group and the financial states of affairs of the Group as at that date are set out in the unaudited condensed consolidated financial statements on page 21 to 42 of this interim report.

The Board of Directors resolved not to distribute any dividends for the earnings of the Company for the first half of 2009.

III. MATERIAL LEGAL PROCEEDINGS

As at 30 June 2009, the Dongfeng Motor Group was not involved in any material litigation or arbitration and, as far as the Company was aware, no material litigation or claim was pending or threatened or made against the Dongfeng Motor Group.

IV. SHARE CAPITAL

As at 30 June 2009, the aggregate share capital of the Company was RMB8,616,120,000 divided into 8,616,120,000 ordinary shares of RMB1 each, of which 5,760,388,000 shares were Domestic Shares, representing approximately 66.86% of the total number of shares in issue, and 2,855,732,000 shares were H Shares, representing approximately 33.14% of the total number of shares in issue.

V. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, the interests and short positions of the persons (other than directors and supervisors of the Company) interested in 5% or more in the respective classes of issued share capital, as recorded in the register required to be kept pursuant to Section 336 of the SFO are set out below:

Long positions and lending pool

Name	Class of shares	Number of shares interested	Percentage in the class of issued share capital (%)	Percentage in the total share capital (%)
Dongfeng Motor Corporation	Domestic Shares	5,760,388,000	100	66.86
SCMB Overseas Limited	H Shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Asia Limited	H Shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Bank	H Shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Holding Limited	H Shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Holdings (International) B.V.	H Shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered MB Holdings B.V.	H Shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Private Equity Limited	H Shares	242,282,000(L)	9.76(L)	2.81
Morgan Stanley	H Shares	261,730,048(L)	9.17(L)	3.04
		9,894,643(S)	0.35(S)	0.11
JPMorgan Chase & Co.	H Shares	195,934,443(L)	6.86(L)	2.27
		184,050,908(P)	6.44(P)	2.14
UBS AG	H Shares	163,526,917(L)	5.73(L)	1.90
		4,307,566(S)	0.15(S)	0.05

Note:

L — Long Position

S — Short Position

P — Lending Pool

VI. DIRECTORS' AND SUPERVISORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2009, the Company had not been notified that the directors and supervisors of the Company were interested in any share capital of the Company, or were involved in any sales and purchase of the interests in the share capital of the Company for the six months ended 30 June 2009.

VII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

VIII. MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

There were no major acquisitions or disposals of subsidiaries, jointly-controlled entities and associates by the Company for the period.

IX. EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 27 May 2009, the Company entered into an agreement (the "Acquisition") with its parent, Dongfeng Motor Corporation (the "Parent"), pursuant to which the Company would acquire the Parent's own-brand passenger vehicles business and related assets other than land and property for a consideration of RMB797,118,175 (equivalent to approximately HK$905,579,423). Information regarding the Acquisition has been set out in the Company's announcement dated 27 May 2009. The Acquisition was completed in the second half of 2009.

X. STOCK APPRECIATION RIGHTS

The shareholders of the Company have adopted a plan of stock appreciation rights, or SARs, for the senior management. The plan is designed to link the financial interests of the senior management with the Dongfeng Motor Group's future results of operations and the price performance of the H Shares. No Shares are to be issued under the SAR plan. Therefore, the interests of the Company's shareholders will not be diluted as a result of the granting of SARs.

Initially, 55,665,783 SAR units were granted on 23 January 2006 at HK$2.01 each. There is a minimum vesting period of two years from the date of grant before the SARs can be exercised subject to the following restrictions:

(a) in the third year following the date of grant, a maximum of 30% of the SARs granted may be exercised;

(b) in the fourth year following the date of grant, a further 35% of the SARs granted may be exercised; and

(c) in the fifth year following the date of grant, the remaining 35% of the SARs granted may be exercised.

The first round of grant has been approved by the State-owned Assets Supervision and Administration Commission of the State Council, and was approved at the meeting of the Board of Directors held on 19 April 2006.

The Company further granted SARs in 2007. On 15 January 2007, 31,417,405 SAR units were granted at HK$4.09 each. There is a minimum vesting period of two years from the date of grant before the SARs can be exercised subject to the following restrictions:

(a) in the third year following the date of grant, a maximum of 40% of the SARs granted may be exercised;

(b) in the fourth year following the date of grant, a further 30% of the SARs granted may be exercised; and

(c) in the fifth year following the date of grant, the remaining 30% of the SARs granted may be exercised.

The second round of grant has been approved by the State-owned Assets Supervision and Administration Commission of the State Council, and was approved at the meeting of the Board of Directors held on 18 April 2007.

19,483,009 units of SAR granted in the first round are vested during the year, representing 35% of the total SARs granted in the first round. As at 30 June 2009, accumulated 36,182,740 units of SARs were vested, representing 65% of the total SARs granted in the first round. 3,001,742 units of SARs are exercised during the year, representing 5.39% of the total SARs granted in the first round. As at 30 June 2009, accumulated 3,041,942 units of SARs were exercised, representing 5.46% of the total SARs granted in the first round.

12,566,961 units of SARs granted in the second round are vested during the year, representing 40% of the total SARs granted in the second round. As at 30 June 2009, accumulated 12,566,961 units of SARs were vested, representing 40% of the total SARs granted in the second round. 770,585 units of SARs are exercised during the year, representing 2.45% of the total SARs granted in the second round. As at 30 June 2009, accumulated 770,585 units of SARs were exercised, representing 2.45% of the total SARs granted in the second round.

XI. 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 Code on Corporate Governance Practices 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 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. Code on Corporate Governance Practices

The Company has fully complied with the requirements of the code provisions of the Code on Corporate Governance Practices throughout the period.

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 have fully complied with the Model Code throughout the period.

4. Independent Non-executive Directors

The Board of Directors of the Company has been in compliance with the requirement of Rule 3.10(1) of the Listing Rules, which requires a company to maintain at least three independent non-executive directors in the Board of Directors, and with Rule 3.10(2) of the Listing Rules, which requires one of those independent non-executive directors to be specialized in accounting or relevant financial management.

The Company has received the written confirmation from each of the independent non-executive directors confirming that they are in compliance with Rule 3.13 of the Listing Rules in respect of their independence. The Company is of the opinion that all of the independent non-executive directors are independent and are able to faithfully perform their duties in good faith and diligence under the requirements of relevant laws and regulations.

5. Audit Committee

The Company has established an audit committee in compliance with the Rules 3.21 and 3.22 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company and offer recommendation and advice to the Board of Directors. The audit committee consists of three members who are all non-executive directors (including two independent non-executive directors) of the Company. The Chairman of the audit committee is Mr. Sun Shuyi, a qualified public accountant certified by the PRC Institute of Certified Public Accountants. The other members of the audit committee are Mr. Ng Lin Fung and Mr. Ouyang Jie.

The audit committee has reviewed the unaudited financial reports of the Group for the six months ended 30 June 2009.

Unaudited Condensed Consolidated Interim Financial Statements and Notes

For the six months ended 30 June 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June **2009** **RMB million** **(Unaudited)**	 2008 RMB million (Unaudited)
Revenue — Sale of goods	2	**39,046**	37,896
Cost of sales		**(32,071)**	(31,357)
Gross profit		**6,975**	6,539
Other income	2, 3	**546**	589
Selling and distribution costs		**(1,612)**	(1,883)
Administrative expenses		**(1,248)**	(1,227)
Other expenses, net		**(1,137)**	(840)
Finance costs	5	**(143)**	(210)
Share of profits and losses of associates		**77**	33
Profit before tax	4	**3,458**	3,001
Income tax expense	6	**(643)**	(363)
Profit for the period		**2,815**	2,638
Attributable to:			
Equity holders of the parent		**2,606**	2,472
Minority interests		**209**	166
		2,815	2,638
Dividend	7	**—**	—
Earnings per share:	8		
Basic for the period		**30.25 cents**	28.69 cents

No consolidated comprehensive income statement is presented as "profit for the period" is the same as "total comprehensive income".

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2009 RMB million (Unaudited)	31 December 2008 RMB million (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	**18,086**	18,189
Lease prepayments		**707**	671
Intangible assets		**1,594**	1,627
Goodwill		**484**	483
Investments in associates		**810**	787
Available-for-sale financial assets		**137**	137
Other long term assets		**1,086**	1,128
Deferred income tax assets		**942**	795
Total non-current assets		**23,846**	23,817
Current assets			
Inventories		**6,719**	9,356
Trade receivables	10	**1,867**	2,101
Bills receivable		**5,401**	6,516
Prepayments, deposits and other receivables		**2,450**	3,470
Due from jointly-controlled entities		**511**	386
Financial assets at fair value through profit or loss		**64**	6
Pledged bank balances and time deposits	11	**2,494**	1,697
Cash and cash equivalents	11	**22,588**	12,416
Total current assets		**42,094**	35,948
TOTAL ASSETS		**65,940**	59,765
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Issued capital		**8,616**	8,616
Reserves		**4,962**	4,903
Retained profits		**10,005**	7,458
Proposed final dividend		**—**	388
		23,583	21,365

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	**30 June 2009 RMB million (Unaudited)**	31 December 2008 RMB million (Audited)
Minority interests		**3,033**	2,837
Total equity		**26,616**	24,202
Non-current liabilities			
Interest-bearing borrowings		**1,989**	1,781
Other long term liabilities		**17**	27
Provisions		**114**	129
Government grants		**108**	83
Deferred tax liabilities		**66**	80
Total non-current liabilities		**2,294**	2,100
Current liabilities			
Trade payables	12	**13,397**	10,259
Bills payable		**4,890**	6,308
Other payables and accruals		**10,575**	8,305
Due to jointly-controlled entities		**288**	333
Interest-bearing borrowings		**6,331**	6,919
Government grants		**7**	23
Income tax payables		**945**	779
Provisions		**597**	537
Total current liabilities		**37,030**	33,463
TOTAL LIABILITIES		**39,324**	35,563
TOTAL EQUITY AND LIABILTIES		**65,940**	59,765
NET CURRENT ASSETS		**5,064**	2,485
TOTAL ASSETS LESS CURRENT LIABILTIES		**28,910**	26,302

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the parent							
	Paid-up registered capital RMB million (Unaudited)	**Capital reserves** RMB million (Unaudited)	**Statutory reserves** RMB million (Unaudited)	**Proposed dividend** RMB million (Unaudited)	**Retained profits** RMB million (Unaudited)	**Total** RMB million (Unaudited)	**Minority interests** RMB million (Unaudited)	**Total equity** RMB million (Unaudited)
As at 1 January 2009	8,616	1,363	3,540	388	7,458	21,365	2,837	24,202
Final 2008 dividend declared	—	—	—	(388)	—	(388)	—	(388)
Total comprehensive income for the period	—	—	—	—	2,606	2,606	209	2,815
Transfer to reserves	—	—	59	—	(59)	—	—	—
Contributions from minority shareholders	—	—	—	—	—	—	75	75
Dividends paid to minority shareholders	—	—	—	—	—	—	(88)	(88)
As at 30 June 2009	8,616	1,363	3,599	—	10,005	23,583	3,033	26,616
As at 1 January 2008	8,616	1,363	2,792	388	4,554	17,713	2,686	20,399
Final 2007 dividend declared	—	—	—	(388)	—	(388)	—	(388)
Total comprehensive income for the period	—	—	—	—	2,472	2,472	166	2,638
Transfer to reserves	—	—	33	—	(33)	—	—	—
Dividends paid to minority shareholders	—	—	—	—	—	—	(81)	(81)
As at 30 June 2008	8,616	1,363	2,825	—	6,993	19,797	2,771	22,568

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Net cash flows generated from operating activities	**12,221**	4,282
Net cash flows used in investing activities	**(5,152)**	(3,677)
Net cash flows generated from/(used in) financing activities	**(352)**	727
Net increase in cash and cash equivalents	**6,717**	1,332
Cash and cash equivalents at 1 January	**7,194**	7,103
Cash and cash equivalents at 30 June	**13,911**	8,435

1.1 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2008.

1.2 IMPACTS OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2008, except for the adoption of new and amended International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee Interpretations ("IFRICs"), as noted below. Adoption of these Standards and Interpretations did not have any effect to the financial position or performance of the Group.

IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs and IAS 27 Consolidated and Separated Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payments*
IFRS 7 Amendments	*Financial Instruments: Disclosures*
IFRS 8	*Operating Segments*
IAS 1 (Revised)	*Presentation of Financial Statements*
IAS 23 (Revised)	*Borrowing Costs*
IAS 32 and IAS 1 Amendments	Amendments to IAS 39 *Financial Instruments: Presentation* and *IAS 1 Presentation of Financial Instruments — Puttable Financial Instruments and Obligations Arising on Liquidation*
IFRIC 13	*Customer Loyalty Programmes*
IFRIC 15	*Agreements for the Construction of Real Estate*
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*

1.2 IMPACTS OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The IAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognized in the income statement in the separate financial statements. The amendment is applied prospectively. The IFRS 1 Amendment allows a first-time adopter of IFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. The adoption of the amendments has no impact on the consolidated financial statements. As the Group is not the first time adopter of IFRSs, the IFRS 1 Amendment is not applicable to the Group.

The IFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, the amendments have no any significant implications on its accounting for share-based payments.

The IFRS 7 Amendments require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures.

IFRS 8, which replaces IAS 14 Segment Reporting, specifies how an entity should report information about is operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

IAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expenses recognised directly in equity, either in one single statement, or in two linked statements.

IAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying assets. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has no any financial impact on the Group.

1.2 IMPACTS OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The IAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. IAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group has no such financial instruments and obligations, the amendments have no financial impact on the Group.

IFRIC 13 requires customer loyalty award credits to be accounted for as a separate component of sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation is not applicable to the Group and therefore has no financial impact on the Group.

IFRIC 15 will replace interpretation 3 Revenue — Pre-completion Contracts for the Sale of Development Properties. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with IAS 11 Construction Contracts or an agreement for the sale of goods or services in accordance with IAS 18 Revenue. As the Group has not involved in any construction of real estates, the interpretation has no financial impact on the Group.

IFRIC 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities with a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group has no hedge of a net investment in a foreign operation, the interpretation has no financial impact on the Group.

1.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs and IFRICs, that have been issued but not yet effective, in these financial statements.

IAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
IAS 39 Amendment	Amendments to IAS 39 Financial Instruments: *Recognition and Measurement — Eligible Hedged Items* [1]
IFRS 1 (Revised)	*First-time Adoption of IFRSs* [1]
IFRS 3 (Revised)	*Business Combinations* [1]
IFRIC 9 and IAS 39 Amendment	Amendments to IFRIC 9 — *Reassessment of Embedded Derivatives and* IAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives* [1]
IFRIC 17	*Distribution of Non-cash Assets to Owners* [1]
IFRIC 18	*Transfer of Assets from Customers* [2]

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for transfers of assets from customers received on or after 1 July 2009

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that while the adoption of IAS 27 (Revised) may result in changes in accounting policies, these new and revised IFRSs are unlikely to have a significant impact on the Group's result of operations and financial position.

2. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION

Revenue on sale of goods

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

Segment information

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

— The commercial vehicles segment manufactures and sales of commercial vehicles, and its related engines and other automotive parts

— The passenger vehicles segment manufactures and sales of passenger vehicles, and its related engines and other automotive parts

— The corporate and others segment manufactures and sales of other automobile related products

2. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION (continued)

Segment information (continued)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

For the six months ended 30 June 2009

	Commercial vehicles RMB million (Unaudited)	Passenger vehicles RMB million (Unaudited)	Corporate and others RMB million (Unaudited)	Total RMB million (Unaudited)
Revenue				
Sales to external customers	8,482	30,200	364	39,046
Other income	59	449	38	546
Total	8,541	30,649	402	39,592
Results				
Segment results	75	3,799	(350)	3,524
Finance costs				(143)
Share of profit and losses of associates	29	32	16	77
Profit before tax				3,458
Income tax expense				(643)
Profit for the period				2,815

2. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION (continued)

Segment information (continued)

For the six months ended 30 June 2008

	Commercial vehicles RMB million (Unaudited)	Passenger vehicles RMB million (Unaudited)	Corporate and others RMB million (Unaudited)	Total RMB million (Unaudited)
Revenue				
Sales to external customers	12,785	24,649	462	37,896
Other income	121	355	113	589
Total	12,906	25,004	575	38,485
Results				
Segment results	663	2,837	(322)	3,178
Finance costs				(210)
Share of profit and losses of associates	17	22	(6)	33
Profit before tax				3,001
Income tax expense				(363)
Profit for the period				2,638

3. OTHER INCOME

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Government grants and subsidies	**128**	123
Net income from disposal of other materials	**88**	165
Interest income	**157**	140
Rendering of services	**12**	8
Others	**161**	153
	546	589

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expense	**32,071**	31,357
Provision/(reversal of provision) against inventories	**(63)**	19
Amortisation of intangible assets	**196**	114
Depreciation	**1,051**	949
Loss on disposal of items of property, plant and equipment, net	**—**	17
Impairment of property, plant and equipment, net	**4**	38
Impairment of trade and other receivables	**13**	23

5. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Interest on bank loans, and other borrowings wholly repayable:		
Within 5 years	**87**	101
Beyond 5 years	**72**	63
Interest on discounted bills	**26**	26
Interest on short-term debentures	**2**	56
	187	246
Less: Amount capitalised in construction in progress	**(44)**	(36)
Total interest expense	**143**	210

6. INCOME TAX

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Current income tax	**804**	531
Deferred income tax	**(161)**	(168)
Income tax charge for the period	**643**	363

Under the PRC Corporate Income Tax Law and the respective regulations, the corporate income tax for the Company, its subsidiaries and jointly-controlled entities is calculated at the rates ranging from 15% to 25%, on their estimated assessable profits for the period based on the existing legislation, interpretations and practices in respect thereof. As certain of the Company's subsidiaries and jointly-controlled entities are foreign investment enterprises, after obtaining authorisation from the respective tax authorities, these subsidiaries and jointly-controlled entities are subject to a full corporate income tax exemption for the first two years and a 50% reduction in the succeeding three years, commencing from the first profitable year.

6. INCOME TAX (continued)

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 2008 and 2009.

Deferred income tax is calculated on temporary differences under the liability method using the respective applicable rates.

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

7. DIVIDEND

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent	**2,606**	2,472
	million	million
Shares:		
Weighted average number of ordinary shares in issue during the period	**8,616**	8,616

No diluted earnings per share has been disclosed as no diluting events existed during the period.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2009, the Group acquired property, plant and equipment in an aggregate amount of approximately RMB1,289 million (six months ended 30 June 2008: RMB2,475 million) and disposed of property, plant and equipment with an aggregate net book value of approximately RMB337 million (six months ended 30 June 2008: RMB214 million), resulting in a net loss on disposal of approximately RMB0 million (six months ended 30 June 2008: RMB17 million). Property, plant and equipment impairment of approximately RMB4 million (six months ended 30 June 2008: RMB38 million) was made during the period.

10. 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 offer their customers credit terms that are generally between 30 and 180 days. Trade receivables are non-interest bearing.

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

	30 June 2009 RMB million (Unaudited)	31 December 2008 RMB million (Audited)
Within three months	**1,322**	1,493
More than three months but within one year	**501**	593
More than one year	**44**	15
	1,867	2,101

11. CASH AND CASH EQUIVALENTS

	30 June 2009 RMB million (Unaudited)	31 December 2008 RMB million (Audited)
Cash and bank balances	**12,259**	8,320
Time deposits	**12,823**	5,793
	25,082	14,113
Less: Pledged bank balances and time deposits for securing general banking facilities and restricted deposits with central bank	**(2,494)**	(1,697)
Cash and cash equivalents in the consolidated statement of financial position	**22,588**	12,416
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(8,677)**	(5,222)
Cash and cash equivalents in the consolidated cash flow statements	**13,911**	7,194

12. TRADE PAYABLES

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

	30 June 2009 RMB million (Unaudited)	31 December 2008 RMB million (Audited)
Within three months	**12,325**	9,361
More than three months but within one year	**854**	757
More than one year	**218**	141
	13,397	10,259

13. COMMITMENTS

(a) Operating lease commitments as lessee

The Group's future minimum rental payables under non-cancellable operating leases are as follows:

	30 June 2009 RMB million (Unaudited)	31 December 2008 RMB million (Audited)
Within one year or on demand	**151**	151
After one year but not more than five years	**495**	490
More than five years	**1,514**	1,783
	2,160	2,424

(b) Commitments

In addition to the operating lease commitments detailed in note 13(a) above, the Group had the following commitments at the balance sheet date:

	30 June 2009 RMB million (Unaudited)	31 December 2008 RMB million (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**1,903**	2,292
Authorised, but not contracted for:		
Property, plant and equipment	**2,254**	2,164

14. CONTINGENT LIABILITIES

At the balance sheet date, the Group's contingent liabilities not provided for in the financial statements were as follows:

	30 June 2009 RMB million (Unaudited)	31 December 2008 RMB million (Audited)
Bank acceptance bills discounted with recourse	**3,991**	816
Bank acceptance bills endorsed with recourse	**2,549**	3,958
Guarantees given to banks in connection with facilities granted to the following parties at nil consideration#:		
— Jointly-controlled entities	**559**	622
— Associates	**53**	53
— Other third parties	**—**	9
Pending litigation	**9**	6
	7,161	5,464

— No financial liabilities were recorded as, in the opinion of the directors, the fair values of the financial guarantee contracts were not material as at 30 June 2009 and 31 December 2008.

15. RELATED PARTY TRANSACTIONS

(a) Transactions with the Dongfeng Motor Corporation ("DMC"), fellow subsidiaries, the Group's jointly-controlled entities, associates, joint venture partners and their holding companies, and minority shareholders of jointly-controlled entities's subsidiaries.

During the period, the Group had the following significant transactions with their related parties:

	Notes	Six months ended 30 June **2009** **RMB million** **(Unaudited)**	 2008 RMB million (Unaudited)
Purchases of automotive parts/raw materials from:	(i)		
DMC		**5**	68
Joint venture partners and their holding companies		**8,546**	8,501
Associates		**354**	232
Jointly-controlled entities		**1,144**	2,751
Minority shareholders of a jointly-controlled entity's subsidiaries		**14**	74
		10,063	11,626
Purchases of automobiles from	(i)		
Jointly-controlled entities		**333**	472
An associate		**39**	91
		372	563
Purchases of water, steam and electricity from DMC	(ii)	**406**	476
Rental expenses to DMC	(i)	**87**	73

15. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Notes	Six months ended 30 June 2009 RMB million (Unaudited)	2008 RMB million (Unaudited)
Purchases of services from a jointly-controlled entity	(i)	**13**	6
Purchases of property, plant and equipment from joint venture partners and their holding companies	(i)	**17**	—
Purchases of technology know-how from joint venture partners and their holding companies	(i)	**1,291**	1,062
Sales of automotive parts/raw materials to:	(i)		
DMC		**32**	54
Joint venture partners		**39**	294
Associates		**12**	11
Jointly-controlled entities		**358**	739
A minority shareholder of a jointly-controlled entity		**1**	—
		442	1,098
Sales of automobiles to:	(i)		
A joint venture partner and their holding company		**8**	—
An associate		**158**	92
Jointly-controlled entities		**—**	1
		166	93
Provision of services to:	(i)		
Jointly-controlled entities		**12**	9

Notes:

(i) These transactions were conducted in accordance with terms agreed between the Dongfeng Motor Group and their related parties.

(ii) This transaction was conducted according to the prices and conditions regulated by the PRC government.

15. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	30 June 2009 RMB million (Unaudited)	31 December 2008 RMB million (Audited)
Receivables from related parties included in trade receivables:		
— A joint venture partner	**28**	46
— Associates	**13**	21
— DMC and its subsidiaries	**19**	4
Receivables from related parties included in prepayment, deposits and other receivables:		
— Joint venture partners and their holding companies	**—**	3
— Associates	**2**	12
— Fellow subsidiaries	**—**	2
— A minority shareholder of a jointly-controlled entity's subsidiary	**38**	62
— Dividend receivable from an associate	**7**	14
Payables to related parties included in trade payables:		
— DMC	**52**	40
— Joint venture partners and their holding companies	**1,255**	998
— Associates	**80**	167
— A minority shareholder of a jointly-controlled entity's subsidiary	**1**	1
— Fellow subsidiaries	**6**	12
Payables to related parties included in other payables and accrued liabilities:		
— DMC	**129**	80
— Joint venture partners	**864**	771
— A minority shareholder of jointly-controlled entity's subsidiary	**1**	1
— Fellow subsidiaries	**4**	1

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

15. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Short term employment benefits	**1,537**	2,313
Post-employment benefits	**269**	184
Total compensation paid/payable to key management personnel	**1,806**	2,497

16. EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 27 May 2009, the Company entered into an agreement (the "Acquisition") with its parent, Dongfeng Motor Corporation (the "Parent"), pursuant to which the Company would acquire the Parent's own-brand passenger vehicles business and related assets other than land and property for a consideration of RMB797,118,175 (equivalent to approximately HK$905,579,423). Information regarding the Acquisition has been set out in the Company's announcement dated 27 May 2009. The Acquisition was completed in the second half of 2009.

17. APPROVAL OF THE INTERIM FINANCIAL REPORT

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 24 August 2009.

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 owned and conducted by the Company upon its establishment.
"Dongfeng Motor Corporation" or "DMC"	東風汽車公司 (Dongfeng Motor Corporation), a state-owned enterprise incorporated under the laws of the PRC and the parent of the Company.
"Group" or "Dongfeng Motor Group"	the Company, its subsidiaries and Jointly-controlled Entities and their respective subsidiaries and Jointly-controlled Entities.
"Joint venture"	a joint venture is a company set up by contractual agreement, whereby joint venture parties undertake economic activities. A joint venture operates as a separate entity in which each party has an interest. The joint venture agreement between the joint venture parties stipulates the capital contributions of each party, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the parties, either in proportion to their respective capital contributions, or in accordance with terms of the joint venture agreement. A joint venture is treated by a joint venture party as: (a) a subsidiary, if the joint venture party has unilateral control, directly or indirectly, over the joint venture; (b) a jointly-controlled entity, if the joint venture party does not have unilateral control, but has joint control, directly or indirectly, over the joint venture; (c) an associate, if the joint venture party does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

	(d) an investment, if the joint venture party holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.
"jointly-controlled entity" or "JCE"	a jointly-controlled entity is a joint venture which is subject to joint control, resulting in none of the participating parties having unilateral control over its economic activity. A joint venture party's investments in its jointly-controlled entities can be accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements of the joint venture party on a line-by-line basis. When the profit sharing ratio is different from the joint venture party's equity interests in the jointly-controlled entities, the joint venture party's share of their assets, liabilities, income and expenses is determined based on the agreed profit sharing ratio. The results of jointly-controlled entities are included in the joint venture party's income statement to the extent of dividends received and receivable. The joint venture party's investments in jointly-controlled entities are treated as long term assets and are stated at cost less impairment losses.
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time.
"PRC" or "China"	the People's Republic of China. Except where the context requires, geographical references in this interim report to the PRC or China exclude Hong Kong, Macau or Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

In this interim report, unless otherwise specified, all references to revenues, profits and other financial information of the Group include those of the relevant jointly-controlled entities to the extent that such information has been proportionately consolidated or otherwise reflected in the financial information set out in this interim report. Subject to the above and unless otherwise specified, all information in this interim report relating to the Dongfeng Motor Group includes information of the Group and all companies (including jointly-controlled entities and associates of the Company) in which the members of the Group have direct or indirect equity interests, without regard to the ownership level of, or the proportion of interest held by, the members of the Group in such companies.