東風汽車集團股份有限公司

DONGFENG MOTOR GROUP COMPANY LIMITED*

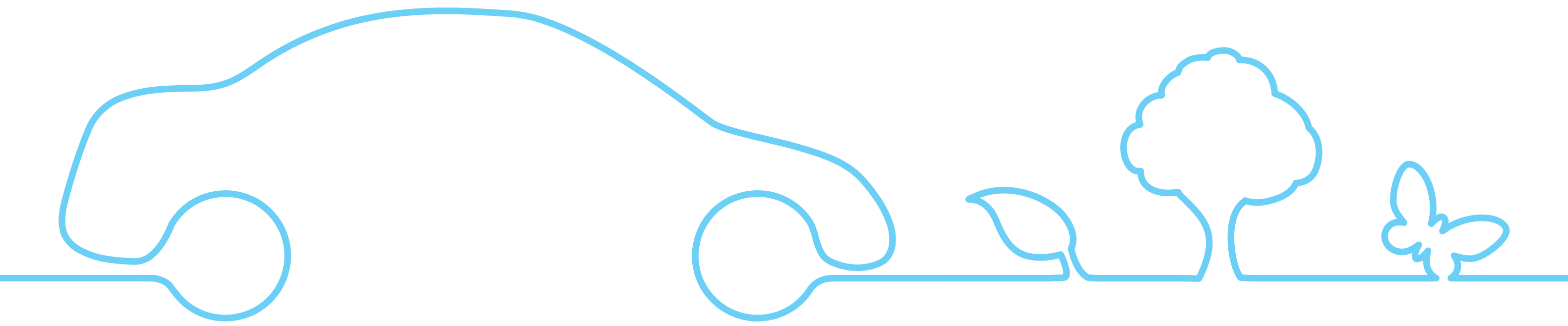
Stock Code: 489

2010

Interim Report

Care for **everybody** Care for **every vehicle**

*For reference only



DONGFENG MOTOR GROUP COMPANY LIMITED

Interim Report 2010

Contents

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the interim report of the Company for 2010 for your review.

In the first half of 2010, driven by the quantitative easing policy, proactive fiscal policy and various stimulus measures of the PRC for the automobile industry, the PRC automobile industry maintained its rapid growth momentum since the second half of 2009. The total sales volume of automobile manufacturers in the PRC for the first half of the year was approximately 9,016.2 thousands units, representing an increase of approximately 47.7% over the corresponding period last year. The sales of passenger vehicles and commercial vehicles were approximately 6,720.9 thousands units and 2,295.3 thousands units, representing increases of approximately 48.2% and 46.1% over the corresponding period last year, respectively. The significant growth in sales has improved the economy of scale of the PRC automobile enterprises and raised their profit margin.

In the first half of 2010, Dongfeng Motor Group has deployed operation in line with market development and adopted effective marketing strategies. Production process was streamlined while quality management and launch of new products were enhanced. As such, passenger vehicle and commercial vehicle business of the Group has achieved balanced development and its overall operation has picked up growth momentum. The Group has succeeded in consolidating its market competitiveness and strengthening its operations. In the first half of the year, the aggregate sales volume was approximately 972 thousands vehicles, representing an increase of approximately 59.2% over the corresponding period last year. The sales of passenger vehicles and commercial vehicles were approximately 685.9 thousands units and 286.1 thousands units, representing increases of approximately 52.1% and 79.5% over the corresponding period last year, respectively. The Group recorded consolidated sales revenue of approximately RMB61,853 million, representing an increases of approximately 58.5%. Among which, the sales revenue of passenger vehicles and commercial vehicles were approximately RMB42,403 million and RMB18,769 million, representing increases of approximately 40.5% and 121.3% over the corresponding period last year, respectively. Profit attributable to shareholders was approximately RMB6,529 million, representing an increase of 155.1% over the corresponding period last year.

The current economic environment is optimistic with the continuous growth in the PRC economy. Favourable factors such as rapid urbanisation, transformation of China from a major manufacturer to a major consumer, continuous development of infrastructure and rising income, will contribute to the enormous growth potential of the PRC automobile industry in the mid to long term. Nevertheless, the PRC economy will remain uncertain due to the adjustment of the PRC economic structure. The PRC automobile industry will remain challenging. Despite the fact that the industry is very likely to resume a reasonable growth rate after its previous rapid upward track, the Group believes that the industry will only see a temporary adjustment.

The Board of Directors is of the view that the Group will face more opportunities than challenges in the development of the automobile industry of the PRC. The Group will further enhance its management, optimise its product mix, strengthen the quality and cost control and improve its R&D capability. It will also accelerate the development of passenger vehicles of its own brand names and its new energy business. The Group will also strengthen the operation of Dongfeng Peugeot Citroen Automobile Company Ltd. and the business of heavy and medium commercial vehicles. The management and staff are very confident and well-prepared to further improve the Group's business and financial results.

Xu Ping
Chairman

Wuhan, the PRC
27 August 2010

Corporate Information

REGISTERED NAME

Dongfeng Motor Group Company Limited

REGISTERED ADDRESS

Special No. 1 Dongfeng Road
Wuhan Economic and Technology Development Zone
Wuhan, Hubei 430056, PRC

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Special No. 1 Dongfeng Road
Wuhan Economic and Technology Development Zone
Wuhan, Hubei 430056, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28/F., Three Pacific Place, 1 Queen's Road East,
Hong Kong SAR

COMPANY WEBSITE

www.dfmg.com.cn

COMPANY SECRETARIES

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

AUDITORS

ERNST & YOUNG

HONG KONG H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre, 183 Queen's Road East
Wan Chai, Hong Kong SAR

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

00489

Directors, Supervisors and Senior Management

During the reporting period of 2010 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
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 and President
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 Wang Shuou.

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

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

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

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

The head of the President's Office of the Company is He Wei.

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

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

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

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

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

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

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

Management Discussion and Analysis

On 1 July 2009, the Group purchased the Own-brand Business of DMC ("Own-brand Business") at a cash consideration of RMB797 million ("Business Combination"). The acquisition of the Own-brand Business was considered to be a business combination involving business under common control as the Group and the Own-brand Business are under common control of DMC both before and after the Business Combination. Accordingly, the consolidated financial statements of the Group prior to the acquisition of the Own-brand Business have been restated to include the results of operations and assets and liabilities of the Own-brand Business as if the business acquired had always been part of the Group.

FINANCIAL RESULTS OVERVIEW

During the period, revenue of the Group amounted to approximately RMB61,853 million, representing an increase of approximately RMB22,822 million, or 58.5%, when compared with approximately RMB39,031 million for the corresponding period last year. Profit attributable to shareholders of the Group amounted to approximately RMB6,529 million for the period, representing an increase of approximately RMB3,970 million, or 155.1%, when compared with approximately RMB2,559 million for the corresponding period last year. Earnings per share were approximately RMB75.78 cents, up by approximately RMB46.08 cents, or 155.1%, when compared with approximately RMB29.70 cents for the corresponding period last year.

During the period, net cash inflow from operating activities of the Group amounted to approximately RMB5,813 million, representing a decrease of approximately RMB6,357 million, or 52.2%, when compared with approximately RMB12,170 million for the corresponding period last year. The decrease was mainly attributable to (1) the increase of bills receivable by RMB4,670 million resulting from the continuous expansion of the sales of the Group and the increase of the settlement of trade balances with bank notes by distributors; and (2) the increase of inventory of raw materials and whole vehicles by RMB1,559 million to cope with the increasing sales volume.

Revenue

In the first half of 2010, the overall PRC economy maintained its growth track since the second half of last year with a promising outlook. Driven by the quantitative easing policy, proactive fiscal policy and various stimulus measures of the PRC for the automobile industry, the rapid development of the overall PRC automobile industry remained. The sales of passenger vehicle and commercial vehicle achieved balanced growth while other types of vehicle also recorded growth in sales.

In the first half of 2010, sales of local made vehicles amounted to approximately 9,016.2 thousands units, representing an increase of approximately 47.7% over the corresponding period last year. Of which, sales of passenger vehicles amounted to approximately 6,720.9 thousands units, representing an increase of approximately 48.2% over the corresponding period last year; and sales of commercial vehicles amounted to approximately 2,295.3 thousands units, representing an increase of approximately 46.1% over the corresponding period last year.

The total vehicle sales of Dongefeng Motor Group for the period amounted to approximately 972 thousands units, representing an increase of approximately 59.2% over the corresponding period last year. Of which, sales of passenger vehicles was approximately 685.9 thousands units, representing an increase of approximately 52.1% over the corresponding period last year; and sales of commercial vehicles amounted to approximately 286.1 thousands units, representing an increase of approximately 79.5% over the corresponding period last year. The Dongfeng Motor Group had a market share of approximately 10.8% in terms of sales volume, representing an increase of 0.8 percentage points over the corresponding period last year. Of which, the market shares of its passenger vehicles and commercial vehicles were approximately 10.2% and 12.5% respectively.

During the period, the total sales revenue of the Group was approximately RMB61,853 million, representing an increase of approximately RMB22,822 million, or 58.5%, as compared with approximately RMB39,031 million of the corresponding period last year.

	Six months ended 30 June 2010 Sales revenue RMB million	Six months ended 30 June 2010 Units sold	Six months ended 30 June 2009 Sales revenue RMB million	Six months ended 30 June 2009 Units sold
Passenger vehicles	**42,403**	**685,855**	30,185	450,997
Commercial vehicles	**18,769**	**286,122**	8,482	159,385
Others	**681**	**N/A**	364	N/A
Total	**61,853**	**971,977**	39,031	610,382

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 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 RMB12,218 million, or 40.5%, from approximately RMB30,185 million of the corresponding period last year to approximately RMB42,403 million. Of which, the revenue from sales of whole passenger vehicles increased by approximately RMB10,233 million, or 38.3%, from approximately RMB26,729 million of the corresponding period last year to approximately RMB36,962 million for the period.

In the first half of the year, the Group enhanced its marketing and sales of major products in key markets. By implementing a series of effective measures, such as order management, enhancement of network construction and a close linkage between production and sales, the effectiveness of the marketing activities has been improved to meet the changing market demands, and a better synergy has been formed between production, sales and inventory. Such measures had a satisfactory result and the Group was able to meet the strong demand from the market. In addition, the Group has put more efforts in launching new products and designing new models. With its well preparation, the Group launched new products, such as Dongfeng Peugeot 408, Dongfeng Citroën C5, Dongfeng Nissan New Livina and Zhengzhou Nissan NV200, and designed major models with monthly sales of more than 10,000 units, such as Teana, Sylphy and CR-V. With such efforts, the sales of passenger vehicles of the Group for the first half of the year increased by approximately 52.1% over the corresponding period last year, which was higher than the average growth of the industry of approximately 4 percentage points and supported the increase of the sales revenue of the Group.

During the period, the sales revenue from commercial vehicles increased by approximately RMB10,287 million, or 121.3%, from approximately RMB8,482 million of the corresponding period last year to approximately RMB18,769 million. Of which, the sales revenue from whole commercial vehicles increased by approximately RMB8,843 million, or 116.2%, from approximately RMB7,607 million of the corresponding period last year to approximately RMB16,450 million. Such increase was mainly attributable to: (1) the acceleration of growth of the commercial vehicle market benefiting from the strong development of the economy and the vehicle scrappage scheme; (2) the completion of restructuring and transformation of the commercial vehicles of the Group. New heavy truck model Dongfeng "Kinland T-LIFT" and new medium truck model Dongfeng "Kingrun" were the models with the highest growth in the domestic commercial vehicle market. Sales of these two models were 50,610 units and 15,878 units in the first half of 2010, representing an increase of 35,148 units and 12,432 units, or 2.3 times and 3.6 times, when compared with 15,462 units and 3,446 units of the corresponding period last year respectively, exceeding the annual sales volume of last year; and (3) a new marketing approach in light commercial vehicle business of the Group. Through the synergy and complementing of market research, product planning, research and development, procurement, logistics and sales and services, the sales have increased stably.

Cost of Sales and Gross Profit

The total costs of sales of the Group for the period was approximately RMB47,796 million, representing an increase of approximately RMB15,740 million over approximately RMB32,056 million for the corresponding period last year. The total gross profit of the Group for the period was approximately RMB14,057 million, representing an increase of approximately RMB7,082 million, or approximately 101.5%, over approximately RMB6,975 million for the corresponding period last year. The gross margin increased by 4.8 percentage points from 17.9% for the corresponding period last year to 22.7% for the period.

During the period, the gross profit margin of passenger vehicles of the Group increased to approximately 25.5% from approximately 19.3% of the previous year, and that of whole passenger vehicles increased to approximately 26.2% from approximately 19.6% of the previous year. These increases were mainly attributable to: (1) economic of scales and amortisation of fixed costs resulting from the continuous expansion of sales; (2) the further rise in the sales proportion of popular products with higher gross profit margin and profitability such as Dongfeng Citroën C-Quatre, Dongfeng Nissan Teana, Sylphy and Dongfeng Honda CR-V through optimization of product mix; and (3) the substantial decrease in unit production cost compared with the corresponding period last year as a result of the Group's continuous cost control plan through measures including increasing domestic production proportion and reducing procurement and technology costs.

During the period, the gross profit margin of commercial vehicles of the Group increased to approximately 16.5% from approximately 12.7% of the corresponding period last year, and that of whole commercial vehicles of the Group increased to approximately 16.8% from approximately 12.5% of the corresponding period last year. The increase in gross profit margin was mainly attributable to: (1) the improvement in overall gross profit margin due to the sales expansion of products with higher gross profit margin such as new heavy truck model Dongfeng "Kinland T-LIFT" and new medium truck model Dongfeng "Kingrun" through an adjustment of sales structure; and (2) the decrease in unit production cost and the increase of profitability resulting from the sales expansion and the continuous implementation of cost reducing measures.

Other Income

During the period, the total other income of the Group amounted to approximately RMB955 million, representing an increase of approximately RMB409 million when compared with approximately RMB546 million for the corresponding period last year. The increase in other income was mainly attributable to: (1) an increase of approximately RMB48 million in grants received from the government for the purpose of supporting the development of automotive technologies and automobile projects; (2) an increase of approximately RMB219 million in the sales of steels and auto parts; and (3) the increase of approximately RMB108 million in bank deposit interest due to an increase in fixed bank deposits from satisfactory sales and adequate cash flows for the year.

Selling and Distribution Costs

During the period, the selling and distribution costs of the Group amounted to approximately RMB2,936 million, representing an increase of approximately RMB1,309 million when compared with approximately RMB1,627 million of the corresponding period last year. The selling and distribution costs as a percentage of sales revenue increased by approximately 0.5 percentage points to approximately 4.7% from 4.2% of the corresponding period last year. The increase in the selling and distribution costs was mainly due to the increase in transportation costs and the robust production and sales. Moreover, there was an increase in the advertising and exhibition expenses and the incentives to distributors as a result of the launch of various new models and increase of sales.

Administrative Expenses

During the period, the total administrative expenses of the Group amounted to approximately RMB1,801 million, representing an increase of approximately RMB521 million when compared with approximately RMB1,280 million for the corresponding period last year. This was mainly due to the increase of staff costs, depreciation charges and amortisation expenses of intangible assets. During the period, the administration expenses as a percentage of sales revenue decreased by 0.4 percentage points to approximately 2.9%, down from 3.3% of the corresponding period last year due to the increase in sales, the Group's control over administration expenses.

Other Expenses

During the period, other net expenses of the Group were approximately RMB1,682 million, representing an increase of approximately RMB545 million when compared with approximately RMB1,137 million for the corresponding period last year. The increase was mainly due to: (1) the increase in technology development and transfer expenses by approximately RMB348 million from those of the corresponding period last year; (2) the decrease of other net expenses by RMB179 million due to the increase of the exchange gain resulting from changes in foreign exchange rates in the period; and (3) the increase in warranty provisions by approximately RMB229 million as a results of sales increase.

Staff Costs

During the period, the staff costs (including directors' and supervisors' emoluments) of the Group amounted to approximately RMB2,533 million, representing an increase of approximately RMB750 million when compared with approximately RMB1,783 million for the corresponding period last year. This was due to higher demand for labour and a general rise in salaries brought by an increase in market demand for automobiles.

Depreciation Charges

With a view to expanding its business and increasing its production capacity, more investments in plant and equipment were made. During the period, the depreciation charges amounted to approximately RMB1,265 million, representing an increase of approximately RMB214 million when compared with approximately RMB1,051 million for the corresponding period last year.

Finance Costs

During the period, the finance costs of the Group amounted to approximately RMB110 million, representing an decrease of approximately RMB33 million when compared with approximately RMB143 million for the corresponding period last year, which was mainly attributable to the decrease of the interests for the decreasing of the loan.

Income Tax

During the period, the income tax of the Group amounted to approximately RMB1,750 million, representing an increase of approximately RMB1,107 million when compared with approximately RMB643 million for the corresponding period last year. The effective tax rate for the year was approximately 20.3%, representing an increase of approximately 1.4 percentage points when compared to 18.9% for the corresponding 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.

Profit for the Period

Based on the foregoing reasons, the Group's profit attributable to shareholders of the Company amounted to approximately RMB6,529 million for the period, representing an increase of approximately RMB3,970 million, or 155.1%, when compared with approximately RMB2,559 million for the corresponding period last year. Earnings per share were approximately RMB75.78 cents, up by approximately RMB46.08 cents, or 155.1%, when compared with approximately RMB29.70 cents for the corresponding period last year.

During the period, the Group's net profit margin, as a percentage of profit attributable to shareholders of the Company to total revenue, was approximately 10.6%, representing an increase of approximately 4 percentage points when compared with that of 6.6% for the corresponding period last year.

During the period, the Group's return on net assets, as a percentage of profit attributable to shareholders of the Company to average net assets, was approximately 43.3%, representing an increase of approximately 20.5 percentage points when compared with that of 22.8% for the corresponding period last year.

Liquidity and Sources of Capital

	Six months ended 30 June 2010	Six months ended 30 June 2009
Net cash inflows from operating activities	**5,813**	12,170
Net cash inflows/(outflows) from investing activities	**1,471**	(5,266)
Net cash outflows from financing activities	**(1,847)**	(202)
Net increase in cash and cash equivalents	**5,437**	6,702

During the period, net cash inflows from operating activities of the Group amounted to approximately RMB5,813 million. This principally represents: (1) profit before tax less non-cash items of depreciation and impairment amounting to approximately RMB10,212 million; (2) an increase of approximately RMB6,591 million in trade receivables, bills receivable and prepayments, deposits and other receivables; (3) an increase of RMB1,559 million in inventory; and (4) an increase of approximately RMB5,946 million in trade, bills and other payables and accrued liabilities.

During the period, net cash inflows from investing activities of the Group amounted to approximately RMB1,471 million. This principally represents: (1) the purchase of property, plant and equipment of approximately RMB1,187 million for the expansion of production capacity and development of new products; (2) the decrease of approximately RMB2,006 million in time deposits with an original maturity of three months or more; and (3) the proceeds from the disposal of financial assets of RMB1,107 million.

During the period, net cash outflows from financing activities of the Group amounted to approximately RMB1,847 million, mainly due to: (1) the repayment of bank borrowings of RMB1,616 million; and (2) payment of dividends of approximately RMB239 million to the shareholders.

During the period, the increase in cash and cash equivalents (excluding the time deposits with an original maturity of three months or more) of the Group increased by approximately RMB5,437 million. As at 30 June 2010, cash and cash equivalents amounted to approximately RMB22,806 million, and cash and bank balances (including the time deposits with an original maturity of three months or more) amounted to approximately RMB36,639 million, representing an increase of approximately RMB3,855 million when compared with approximately RMB32,784 million as at 31 December 2009. As at 30 June 2010, net cash (cash and bank balances less borrowings) of the Group significantly increased to approximately RMB26,702 million from approximately RMB21,143 million as at 31 December 2009.

Management Discussion and Analysis

As at 30 June 2010, the Group's equity ratio, as a percentage of total borrowings to total shareholders' equity, was 30.1%, representing a significant increase over 42.7% as at 31 December 2009.

As at 30 June 2010, the Group's liquidity ratio for the period was 1.27 times, representing an increase over 1.19 times as at 31 December 2009. The Group's quick ratio for the year was 1.09 times, representing an improvement from 1.02 times as at 31 December 2009.

Inventory turnover days of the Group for the period was 39 days, representing an increase of approximately 1 day over the turnover days of 38 for the corresponding period last year.

During the period, the Group's turnover days of receivables (including bills receivable) increased to 54 days from 34 days of the corresponding period last year, and the turnover days of receivables (excluding bills receivable) remained the same level as 9 days of the corresponding period last year. The turnover days of bills receivable were 45 days, representing an increase of approximately 20 days over the turnover days of 25 days of the corresponding period last year. The Group accepted promissory notes issued by creditworthy banks for strengthening the marketing efforts. The Group adopts stringent polices for the management of bills receivable and only accepts applications by trustworthy customers with financial strengths, while the credit risks related to bank promissory notes are assumed by the customers banks.

Business Overview

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 commercial vehicles as well as 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 2010, the Dongfeng Motor Group manufactured 38 series of commercial vehicles, including 32 series of trucks and 6 series of buses. Current annual 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 Company (through Dongfeng Passenger Vehicle Company) and 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 2010, the Dongfeng Motor Group manufactured 31 series of passenger vehicles, including 20 series of sedans, 6 series of MPVs and 5 series of SUVs. Current annual production capacities of passenger vehicles and their engines were 1,320,000 units and 1,420,000 units, respectively.

Major Operating Information for the First Half of 2010

In the first half of 2010, 8,927,280 units and 9,016,158 units of vehicles were manufactured and sold by domestic automobile manufacturers of the PRC, respectively, representing respective comparable increases of approximately 48.8% and approximately 47.7%. The production and sales volume of passenger vehicles were 6,683,743 units and 6,720,850 units, respectively, representing an increase of approximately 51.2% and 48.2%. The sales volume of traditional passenger vehicles (excluding the cross type passenger vehicles) was 5,384,248 units, representing an increase of approximately 49.6%. The production and sales volume of commercial vehicles were 2,243,537 units and 2,295,308 units, respectively, representing an increase of approximately 42.2% and 46.1%. Excluding mini trucks, the sales volume of commercial vehicles amounted to 1,981,327 units, representing an increase of 51.6%.

The accumulated vehicle production and sales volume of the Dongfeng Motor Group in the first half of 2010 were 969,952 units and 971,977 units, respectively, representing an increase of approximately 65.6% and 59.2% respectively. Among which, the production and sales volume of passenger vehicles were 685,928 units and 685,855 units, respectively, representing an increases of approximately 60.5% and 52.1% respectively, and the production and sales volume of commercial vehicles were 284,024 units and 286,122 units, respectively, both representing an increases of approximately 79.5%. The Dongfeng Motor Group had a market share of approximately 10.8% in terms of sales volume among the domestic automobile manufacturers, of which passenger vehicles and commercial vehicles were approximately 10.2% and 12.5%, respectively.

Business Overview

Revenue of the Group for the six months ended 30 June 2010:

Business	**Sales revenue** (RMB millions)	**Contribution to the Group's sales revenue** (%)
Commercial vehicles	18,769	30.3
Passenger vehicles	42,403	68.6
Others	681	1.1
Total	61,853	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 2010:

		Sales volume (units)		**Market share** (%)
Commercial vehicles		286,122		12.5
Trucks	268,592		12.88	
Buses	17,530		8.32	
Passenger vehicles		685,855		10.2
Sedans	539,219		11.75	
MPVs	32,182		15.37	
SUVs	114,454		19.49	
Total		971,977		10.8

New Products

In the first half of 2010, the Dongfeng Motor Group launched various new and modified passenger vehicle models, including Dongfeng Citroën C5, Dongfeng Peugeot 408, Dongfeng Nissan Livina 2010, Dongfeng Fengshen H30 and Zhenzhou Nissan NV200.

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 2010, 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 its effort in energy saving and emission reduction. Under the circumstances that the vehicle output significantly increased in the first half of 2010, the comparable energy consumption per ten-thousand yuan added value was reduced by approximately 72.5% while COD and SO2 discharge also decreased by approximately 26.2% and approximately 38.6%, respectively, in the first half of the year when compared with the corresponding period of 2005. Such decline successfully fulfilled the interim goal of energy saving and emission reduction with high quality.

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 2010, 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	2,655	4,019	32
Passenger vehicles	2,454	2,250	32
Total	5,109	6,269	32

Business Outlook

The second half of 2010 will face various uncertainties in the macro-economy level. The automobile industry tends to grow at normal speed but the seasonal fluctuation will aggravate. Meanwhile, the upward growth of national economy will continue. The increasing consumption capacity will also provide a solid foundation for the sustainable growth of the automobile industry. The new subsidy policy on energy-efficient and new energy automobiles will further stimulate the market. As the urbanization process accelerates, the second and third tier automobile market will grow fast and boost opportunities for the industry.

The Dongfeng Motor Group will endeavor to control its operational risks, continue to improve its operation and enhance its R&D capability to proactively cope with the market changes. The Dongfeng Motor Group is expected to keep on a rapid and stable development for the second half of the year.

II. INTERIM RESULTS AND DIVIDENDS

The results for the six months ended 30 June 2010 of the Group and the financial states of affairs of the Group as at that date are set out in the unaudited interim condensed consolidated financial statements on page 20 to 44 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 2010.

III. MATERIAL LEGAL PROCEEDINGS

As at 30 June 2010, 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 2010, the total 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 66.86% of the total number of shares in issue, and 2,855,732,000 shares were H Shares, representing 33.14% of the total number of shares in issue.

V. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the interests and short positions of the persons (other than directors and supervisors of the Company) interested in 5% or more of 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	Percentage in the class of issued share capital (%)	Percentage of 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
JPMorgan Chase & Co.	H shares	182,332,447(L)	6.38(L)	2.12
		14,536,131(S)	0.51(S)	0.17
		133,690,385(P)	4.68(P)	1.55
UBS AG	H shares	174,940,056(L)	6.13(L)	2.03
		1,414,840(S)	0.05(S)	0.02

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 2010, 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 sale and purchase of the interests in the share capital of the Company during the six months ended 30 June 2010.

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 during the period.

IX. SUBSEQUENT EVENT

On 25 June 2010, the Company entered into an acquisition agreement (the "Acquisition") with its parent company, Dongfeng Motor Corporation (the "Parent Company"), pursuant to which the Company would acquire the lands and related properties of own-brand business from the Parent Company for a consideration of RMB575,220,319.73 (equivalent to approximately HK$655,751,164). Details of the Acquisition were set out in an announcement of the Company dated 25 June 2010. The Acquisition is expected to complete in the second half of the year.

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 future results of operations and the price performance of the H Shares of Dongfeng Motor Group. 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, 55,665,782 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 units of SAR 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.

19,483,042 units of SAR granted in the first round were vested during the period, representing 35% of the total SARs granted in the first round. As at 30 June 2010, 55,665,782 units of SARs were vested, representing 100% of the total SARs granted in the first round. 76,000 units of SARs were exercised during the first half of the year, representing 0.14% of the total SARs granted in the first round. As at 30 June 2010, 3,117,942 units of SARs were exercised, representing 5.6% of the total SARs granted in the first round.

9,425,224 units of SARs granted in the second round were vested during the period, representing 30% of the total SARs granted in the second round. As at 30 June 2010, 21,992,185 units of SARs were vested, representing 70% of the total SARs granted in the second round. 126,000 units of SARs were exercised during the first half of the year, representing 0.4% of the total SARs granted in the second round. As at 30 June 2010, 896,585 units of SARs were exercised, representing 2.85% of the total SARs granted in the second round.

During the year ended 31 December 2009, the Company received notices from all grantees of the above plans of SARs which confirmed that each grantee has unconditionally waived for the portion of benefits received by each grantee in excess of 50% of the annual remuneration (including benefits receivable from the plans of SARs) of the respective grantee at the grant date of each plan of SARs.

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 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 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 accordance 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 in this respect. 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 interim financial reports of the Group for the six months ended 30 June 2010.

Unaudited Interim Condensed Consolidated Financial Statements and Notes

For the six months ended 30 June 2010

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June **2010** **RMB million** **(Unaudited)**	 2009 RMB million (Unaudited and restated)
Revenue — Sale of goods	2	**61,853**	39,031
Cost of sales		**(47,796)**	(32,056)
Gross profit		**14,057**	6,975
Other income	3	**955**	546
Selling and distribution costs		**(2,936)**	(1,627)
Administrative expenses		**(1,801)**	(1,280)
Other expenses, net		**(1,682)**	(1,137)
Finance costs	5	**(110)**	(143)
Share of profits and losses of associates		**149**	77
Profit before tax	4	**8,632**	3,411
Income tax expense	6	**(1,750)**	(643)
Profit for the period		**6,882**	2,768
Attributable to:			
Owners of the parent		**6,529**	2,559
Non-controlling interests		**353**	209
		6,882	2,768
Dividend	7	**—**	—
Earnings per share attributable to ordinary equity holder of the parent:	8		
Basic for the period		**75.78 cents**	29.70 cents
Diluted for the period		**N/A**	N/A

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2010	2009
	RMB million	RMB million
	(Unaudited)	(Unaudited and restated)
Profit for the period	**6,882**	2,768
OTHER COMPREHENSIVE INCOME		
Available-for-sale financial assets:		
Changes in fair value	**6**	—
Income tax effect	**(2)**	—
OTHER COMPRHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**4**	—
TOTAL COMPRHENSIVE INCOME FOR THE PERIOD	**6,886**	2,768
Total comprehensive income attributable to:		
Owners of the parent	**6,531**	2,559
Non-controlling interests	**355**	209
	6,886	2,768

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2010 RMB million (Unaudited)**	31 December 2009 RMB million (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	**18,397**	18,703
Lease prepayments		**743**	754
Intangible assets		**2,017**	2,001
Goodwill		**479**	479
Investments in associates		**1,008**	896
Available-for-sale financial assets		**170**	164
Other long term assets		**1,283**	1,081
Deferred income tax assets		**1,699**	1,366
Total non-current assets		**25,796**	25,444
Current assets			
Inventories		**10,267**	8,741
Trade receivables	10	**2,904**	1,685
Bills receivables		**15,337**	10,667
Prepayments, deposits and other receivables		**5,351**	4,649
Due from jointly-controlled entities		**736**	592
Available-for-sale financial assets		**—**	1,110
Financial assets at fair value through profit or loss		**21**	17
Pledged bank balances and time deposits	11	**3,829**	3,405
Cash and cash equivalents	11	**32,810**	29,379
Total current assets		**71,255**	60,245
TOTAL ASSETS		**97,051**	85,689
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital		**8,616**	8,616
Reserves		**6,570**	6,433
Retained profits		**17,853**	11,459
Proposed final dividend		**—**	776
		33,039	27,284

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	**30 June 2010 RMB million (Unaudited)**	31 December 2009 RMB million (Audited)
Non-controlling interests		**3,540**	3,271
Total equity		**36,579**	30,555
Non-current liabilities			
Interest-bearing borrowings		**4,152**	4,424
Other long term liabilities		**9**	16
Provisions		**86**	102
Government grants		**74**	94
Deferred tax liabilities		**53**	62
Total non-current liabilities		**4,374**	4,698
Current liabilities			
Trade payables	12	**21,902**	18,414
Bills payable		**8,769**	7,391
Other payables and accruals		**15,996**	14,391
Due to jointly-controlled entities		**553**	503
Interest-bearing borrowings		**5,785**	7,217
Income tax payables		**2,014**	1,673
Provisions		**1,079**	847
Total current liabilities		**56,098**	50,436
TOTAL LIABILITIES		**60,472**	55,134
TOTAL EQUITY AND LIABILTIES		**97,051**	85,689
NET CURRENT ASSETS		**15,157**	9,809
TOTAL ASSETS LESS CURRENT LIABILTIES		**40,953**	35,253

Unaudited Interim Condensed Consolidated Financial Statements and Notes (Continued)

For the six months ended 30 June 2010

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Capital reserves	Statutory reserves	Retained profits	Proposed dividend	Total		
	RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Unaudited)
As at 1 January 2010	**8,616**	**1,529**	**4,904**	**11,459**	**776**	**27,284**	**3,271**	**30,555**
Final 2009 dividend declared	**—**	**—**	**—**	**—**	**(776)**	**(776)**	**—**	**(776)**
Total comprehensive income for the period	**—**	**2**	**—**	**6,529**	**—**	**6,531**	**355**	**6,886**
Transfer to a reserve	**—**	**—**	**135**	**(135)**	**—**	**—**	**—**	**—**
Capital contribution from non-controlling shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**8**	**8**
Dividends paid to non-controlling shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**(94)**	**(94)**
As at 30 June 2010	**8,616**	**1,531**	**5,039**	**17,853**	**—**	**33,039**	**3,540**	**36,579**
As at 1 January 2009 (as previously reported)	8,616	1,363	3,540	7,458	388	21,365	2,837	24,202
Effect of Business Combination under common control	—	799	—	(109)	—	690	—	690
As at 1 January 2009 (restated)	8,616	2,162	3,540	7,349	388	22,055	2,837	24,892
Final 2008 dividend declared	—	—	—	—	(388)	(388)	—	(388)
Total comprehensive income for the period	—	—	—	2,559	—	2,559	209	2,768
Transfer to a reserve	—	—	59	(59)	—	—	—	—
Contribution to an acquiree of the Business Combination under common control by DMC	—	150	—	—	—	150	—	150
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	75	75
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	(88)	(88)
As at 30 June 2009 (restated)	8,616	2,312	3,599	9,849	—	24,376	3,033	27,409

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2010 RMB million (Unaudited)	2009 RMB million (Unaudited and restated)
Net cash flows generated from operating activities		**5,813**	12,170
Net cash flows generated from/(used in) investing activities		**1,471**	(5,266)
Net cash flows used in financing activities		**(1,847)**	(202)
Net increase in cash and cash equivalents		**5,437**	6,702
Cash and cash equivalents at 1 January		**17,369**	7,209
Cash and cash equivalents at 30 June	11	**22,806**	13,911

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 register office of the Company is located at Special No. 1 Dongfeng Road, Wuhan Economic Development Zone, Wuhan, the PRC.

During the period, the Company, its subsidiaries and jointly-controlled entities (collectively refered to as the "Group") were principally engaged in the manufacture and sale of automobiles, engines and other automotive parts.

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 enterprises established in the PRC.

1.2 BUSINESS COMBINATION INVOLVING BUSINESS UNDER COMMON CONTROL

Pursuant to an agreement entered into between the Company and DMC on 27 May 2009, the Company purchase the Own-brand Business of DMC (the "Own-brand Business") at a cash consideration of RMB797 million (the "Business Combination"). In accordance to the relevant PRC laws and regulations related to state-owned assets, the consideration for the Business Combination is required to be determined based on the appraised value of the Own-brand Business by a certified valuer registed in the PRC. The appraised value and the net asset value of the Own-brand Business as at 30 April 2009 were RMB797 million and RMB792 million, respectively. The Business Combination was completed on 1 July 2009.

The acquisition of the Own-brand Business was considered to be a business combination involving business under common control as the Company and the Own-brand Business are under common control of DMC both before and after the Business Combination. Accordingly, the assets and liabilities of the Own-brand Business have been accounted for at historical amounts and the consolidated financial statements of the Group prior to the acquisition of the Own-brand Business have been restated to include the results of operations and assets and liabilities of the Own-brand Business as if the business acquired had always been part of the Group.

The results of the operations for the six months ended 30 June 2009 as previously reported by the Group and the combined amounts presented in the accompanying interim condensed consolidated financial statements to reflect the acquisition of the Own-brand Business are set out below:

	The Group (as previously reported) RMB million	The Own-brand Business RMB million	Total RMB million	Consolidation adjustment RMB million	The Group (as restated) RMB million
Results of operations for the six months ended 30 June 2009:					
Revenue — Sale of goods	39,046	—	39,046	(15)	39,031
Profit/(loss) for the period	2,815	(47)	2,768	—	2,768

1.3 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The unaudited interim condensed consolidated 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 2009.

1.4 IMPACTS OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2009, 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 has had no significant financial effect to the financial position or performance of the Dongfeng Motor Group.

IFRS 1 (Revised)	*First-time Adoption of IFRSs*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs — Additional Exemptions for First-time Adoptors*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payments — Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business Combinations*
IFRS 5 Amendments included in improvements to IFRS (May 2008)	Amendments to IFRS5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendment	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
Improvements to IFRSs (April 2009)	Amendments to a number of IFRSs

IFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substances of accounting by first-time adoptors. As the Group is not a first time adopter of IFRSs, the amendment does not have any financial impact on the Group.

The IFRS 1 Amendments provided relief from the full retrospective application of IFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised. As the Group is not a first time adopter of IFRSs, the amendment does not have any financial impact on the Group.

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

The IFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2 — Group and Treasure Share Transactions*. The amendments do not have significant financial impact to the Group.

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The changes are applied prospectively and affect the accounting of acquisitions and loss of control since 1 January 2010.

The IFRS 5 Amendments clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The changes are applied prospectively and affect sale transactions or plans involving loss of control of a subsidiary since 1 January 2010.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on the goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*. The changes are applied prospectively and affect the accounting of future acquisitions and loss of control since 1 January 2010.

The IAS 39 Amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. As the Group has not entered into any such hedges, the amendment does not have any financial impact to the Group.

IFRIC 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorized and is no longer at the decretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to IAS 10 *Events after the Reporting Period* and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation results in changes in certain accounting policies, the interpretation does not have any financial impact to the Group.

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

Improvements to IFRSs 2009 issued in April 2009 sets out amendments to a number of IFRSs. The Group adopts the amendments from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact to the Group.

(a) IFRS 2 *Share-based Payment*: Clarifies that a contribution of a business on the formation of a joint venture and combination of entities or businesses under common control is not within the scope of IFRS 2 even though it is outside the scope of IFRS 3.

(b) IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that (i) the disclosures required in respect of non-current assets (or a disposal group) classified as held for sale or a discontinued operation are those set out in IFRS 5; (ii) the general requirements of IAS 1 still apply (e.g., source of estimation uncertainty); and (iii) the disclosures in other IFRSs are not required unless:

  (i) those IFRSs specifically require disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations; or

  (ii) the disclosures relate to the measurement of assets or liabilities within a disposal group that are outside the scope of measurement requirements of IFRS 5 and disclosures are not disclosed elsewhere in the financial statements.

(c) IAS 1 *Presentation of Financial Statements*: States that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

(d) IAS 7 *Statement of Cash Flows*: Require that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

(e) IAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in IAS 17.

(f) IAS 36 *Impairment of Assets*: Clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in IFRS 8 *Operating Segments* before aggregration for financial reporting purposes.

(g) IAS 38 *Intangible Assets*: Clarifies that (i) if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of assets as a single asset provided that the individual assets have similar useful lives; and (ii) the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

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

(h) IAS 39 *Financial Instruments: Recognition and Measurement*: Clarifies that (i) a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract; (ii) the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquire at a future date, applies only to binding forward contacts, and not derivative contracts where further actions by either party are still to be taken; and (iii) gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

(i) IFRIC 9 *Reassessment of Embedded Derivatives*: Clarifies that it does not apply to possible reassessment, at the date of acquisition, of embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

(j) IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*: Removes the restriction of where the hedging instruments may beheld in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

1.5 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 interim condensed consolidated financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards — Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters*[2]
IFRS 9	*Financial Instrument*[4]
IAS 24 (Revised)	*Related Party Disclosures*[3]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instuments: Presentation — Classification of Right Issues*[1]
IFRIC 14 Amendment	*Amendment to IFRIC 14 Prepayment of a Minimum Funding Requirement*[3]
IFRIC 19	*Extingishing Financial Liabilities with Equity Instruments*[2]

1.5 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Apart from above, the IASB has issued improvements to IFRS in May 2010 which sets out amendments to IFRS1, IFRS7, IAS1, IAS34 and IFRIC13 are effective for annual period beginning on or after 1 January 2011, while the amendments to IFRS3 and IAS27 are effective for annual period beginning on or after 1 July 2010.

1. Effective for annual periods beginning on or after 1 February 2010
2. Effective for annual periods beginning on or after 1 July 2010
3. Effective for annual periods beginning on or after 1 January 2011
4. Effective for annual periods beginning on or after 1 January 2013

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 these new and revised IFRSs and IFRICs 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 organized 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

Management monitors the results of its 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 operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

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

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

Segment information (continued)

During the six months ended 30 June 2009 and 2010, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

For the six months ended 30 June 2010

	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	18,769	42,403	681	61,853
Results				
Segment results	1,403	7,458	(533)	8,328
Interest income	30	185	50	265
Finance costs				(110)
Share of profit and losses of associates	73	37	39	149
Profit before tax				8,632
Income tax expense				(1,750)
Profit for the period				6,882

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

Segment information (continued)

For the six months ended 30 June 2009 (Restated)

	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	30,185	364	39,031
Results				
Segment results	55	3,637	(372)	3,320
Interest income	20	115	22	157
Finance costs				(143)
Share of profit and losses of associates	29	32	16	77
Profit before tax				3,411
Income tax expense				(643)
Profit for the period				2,768

3. OTHER INCOME

	Six months ended 30 June	
	2010	2009
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Government grants and subsidies	**176**	128
Net income from disposal of other materials	**307**	88
Interest income	**265**	157
Rendering of services	**18**	12
Others	**189**	161
	955	546

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2010	2009
	RMB million	RMB million
	(Unaudited)	(Unaudited and restated)
Cost of inventories recognised as expense	**47,796**	32,056
Provision/(reversal of provision) against inventories	**33**	(63)
Amortisation of intangible assets	**191**	196
Depreciation	**1,265**	1,051
Loss on disposal of items of property, plant and equipment, net	**13**	—
Loss on disposal of intangible assets	**1**	—
Gain on disposal of available-for-sale financial assets	**(11)**	—
Gain on disposal of a jointly-controlled entity's subsidiary	**(97)**	—
Impairment of property, plant and equipment, net	**105**	4
Impairment of trade and other receivables	**—**	13
Reversal of provision for sales rebates	**(599)**	(76)

5. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Interest on bank loans, and other borrowings wholly repayable:		
Within 5 years	**25**	87
Beyond 5 years	**12**	72
Interest on discounted bills	**8**	26
Interest on short term debentures	**19**	2
Interest on medium term notes	**57**	—
	121	187
Less: Amount capitalised in construction in progress	**(11)**	(44)
Total interest expense	**110**	143

6. INCOME TAX

	Six months ended 30 June	
	2010	2009
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Current income tax	**2,094**	804
Deferred income tax	**(344)**	(161)
Income tax charge for the period	**1,750**	643

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 7.5% 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. After the implementation of the New Enterprise Income Tax Law from 1 January 2008, these subsidiaries and jointly-controlled entities will continue to enjoy the preferential income tax rate up to the end of the transition period, after which, the 25% standard rate applies.

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 2009 and 2010.

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

According to IAS 12 Income Taxes, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the 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 2010 (six months ended 30 June 2009: 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	
	2010	2009
	RMB million	RMB million
	(Unaudited)	(Unaudited and restated)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent	**6,529**	2,559

	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 2010, the Group acquired property, plant and equipment in an aggregate amount of approximately RMB1,187 million (six months ended 30 June 2009: RMB1,350 million (restated)) and disposed of property, plant and equipment with an aggregate net book value of approximately RMB123 million (six months ended 30 June 2009: RMB337 million), resulting in a net loss on disposal of approximately RMB13 million (six months ended 30 June 2009: nil). Property, plant and equipment impairment of approximately RMB105 million (six months ended 30 June 2009: RMB4 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 offers 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 2010 RMB million (Unaudited)	31 December 2009 RMB million (Audited)
Within three months	**2,246**	1,351
More than three months but within one year	**615**	294
More than one year	**43**	40
	2,904	1,685

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

	30 June 2010 RMB million (Unaudited)	31 December 2009 RMB million (Audited)
Cash and bank balances	**18,395**	16,979
Time deposits	**18,244**	15,805
	36,639	32,784
Less: Pledged bank balances and time deposits for securing general banking facilities and restricted deposits with central bank	**(3,829)**	(3,405)
Cash and cash equivalents in the interim condensed consolidated statement of financial position	**32,810**	29,379
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(10,004)**	(12,010)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	**22,806**	17,369

12. TRADE PAYABLES

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

	30 June 2010 RMB million (Unaudited)	31 December 2009 RMB million (Audited)
Within three months	**19,900**	17,228
More than three months but within one year	**1,748**	935
More than one year	**254**	251
	21,902	18,414

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 2010 RMB million (Unaudited)	31 December 2009 RMB million (Audited)
Within one year	**158**	184
After one year but not more than five years	**529**	653
More than five years	**3,613**	3,447
	4,300	4,284

(b) Commitments

In addition to the operating lease commitments detailed in note 13(a) above, the Group had the following commitments at the end of the reporting period:

	30 June 2010 RMB million (Unaudited)	31 December 2009 RMB million (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**1,039**	1,638
Authorised, but not contracted for:		
Property, plant and equipment	**4,203**	3,584

14. CONTINGENT LIABILITIES

At the end of the reporting period, the Group's contingent liabilities not provided for in the financial statements were as follows:

	30 June 2010 RMB million (Unaudited)	31 December 2009 RMB million (Audited)
Bank acceptance bills discounted with recourse	**522**	997
Bank acceptance bills endorsed with recourse	**4,572**	5,411
Guarantees given to banks in connection with facilities granted to the following parties at nil consideration:		
— Jointly-controlled entities	**574**	571
— Associates	**45**	45
— Other third parties	**45**	18
Pending litigation	**2**	3
	5,760	7,045

No financial liabilities were recorded for the above guarantees given to banks as, in the opinion of the directors, the fair values of the financial guarantee contracts were not material as at 30 June 2010 and 31 December 2009.

As at 30 June 2010, the banking facilities guaranteed by the Group to the jointly-controlled entities, associates and other third parties were utilised to the extent of approximately RMB664 million (31 December 2009: RMB634 million).

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 non-controlling 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 2010 RMB million (Unaudited)	2009 RMB million (Unaudited and restated)
Purchases of automotive parts/raw materials from:	(i)		
DMC		**11**	5
Joint venture partners and their holding companies		**11,403**	8,546
Associates		**578**	354
Jointly-controlled entities		**3,111**	1,174
Non-controlling shareholders of a jointly-controlled entity's subsidiaries		**31**	14
Fellow subsidiaries		**1**	—
		15,135	10,093
Purchases of automobiles from	(i)		
Joint venture partners and their holding companies		**10**	—
Jointly-controlled entities		**205**	333
An associate		**78**	39
		293	372
Purchases of water, steam and electricity from DMC	(ii)	**533**	406
Rental expenses to DMC	(i)	**84**	87
Purchases of services from			
A jointly-controlled entity	(i)	**13**	13
Purchases of property, plant and equipment from	(i)		
Joint venture partners and their holding companies		**142**	17
Jointly-controlled entities		**29**	3
		171	20

15. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Notes	Six months ended 30 June **2010** **RMB million** **(Unaudited)**	2009 RMB million (Unaudited and restated)
Purchases of technology know-how from joint venture partners and their holding companies	(i)	**1,855**	1,291
Sales of automotive parts/raw materials to:	(i)		
DMC		**—**	32
Joint venture partners		**198**	39
Associates		**14**	12
Jointly-controlled entities		**775**	358
A non-controlling shareholder of a jointly-controlled entity		**19**	1
		1,006	442
Sales of automobiles to:	(i)		
A joint venture partner and their holding company		**—**	8
An associate		**227**	158
		227	166
Provision of services to:			
Jointly-controlled entities	(i)	**11**	12

In addition, Dongfeng Motor Company Ltd, a jointly-controlled entity of the Company, disposed its 51.69% interests in a subsidiary to DMC at a cash consideration of RMB2. As a result, a gain on disposal of this subsidiary attributable to the Group of RMB97 million is recognized in the Group's result for the six months ended 30 June 2010.

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 2010 RMB million (Unaudited)	31 December 2009 RMB million (Audited)
Receivables from related parties included in trade receivables:		
A joint venture partner	**13**	6
Associates	**16**	13
Fellow subsidiaries	**2**	4
Receivables from related parties included in prepayments, deposits and other receivables:		
Joint venture partners and their holding companies	**60**	9
Associates	**16**	1
Fellow subsidiaries	**—**	3
A non-controlling shareholder of a jointly-controlled entity's subsidiary	**—**	29
Payables to related parties included in trade payables:		
DMC	**49**	35
Joint venture partners and their holding companies	**2,114**	2,068
Associates	**114**	162
Fellow subsidiaries	**14**	26
Payables to related parties included in other payables and accrued liabilities:		
DMC	**153**	164
Joint venture partners	**855**	815
A non-controlling shareholder of a jointly-controlled entity's subsidiary	**6**	5
A fellow subsidiary	**12**	87
Associates	**4**	2

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	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employment benefits	**6,212**	1,537
Post-employment benefits	**285**	269
Total compensation paid/payable to key management personnel	**6,497**	1,806
Stock appreciation right credit recognised in the interim condensed consolidated income statement	—	(557)
	6,497	1,249

16. EVENTS AFTER THE BALANCE SHEET DATE

On 25 June 2010, the Company entered into an acquisition agreement with it parent company, Dongfeng Motor Corporation pursuant to which the Company would acquire the lands and related properties of own-brand business from Dongfeng Motor Corporation for a consideration of RMB575,220,319.73 (equivalent to a approximately HK$655,751,164). Details of the acquisition agreement were set out in an announcement of the Company dated 25 June 2010. The acquisition is expected to complete in the second half of the year.

17. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 27 August 2010.

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 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 Company"	a joint venture company is a company set up by contractual agreement, whereby joint venture parties undertake an economic activity. A joint venture company operates as a separate entity in which each party has an interest. The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, 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 company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with terms of the joint venture agreement. A joint venture company 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 company; (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 company; (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 company's registered capital and is in a position to exercise significant influence over the joint venture company; or (d) an investment, if the joint venture party holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company

Definitions

"Jointly-controlled Entity" or "JCE"	a jointly-controlled entity is a Joint Venture Company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity. A joint venture party's investments in its Jointly-controlled Entities can be accounted for by proportionate consolidation, which involve 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 to 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) 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.