東風汽車集團股份有限公司

DONGFENG MOTOR GROUP COMPANY LIMITED*

Stock Code: 489

2010 Annual Report

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

*For reference only

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Dongfeng Motor Group Company Limited
2010 Annual Report

Corporate Profile

Second Automotive Works (第二汽車製造廠), the predecessor of Dongfeng Motor Corporation, the parent of the Company, was established in September 1969.

In 2000, Dongfeng Motor Corporation underwent a debt restructuring arrangement, with China Huarong Asset Management Corporation, China Cinda Asset Management Corporation, China Orient Asset Management Corporation, China Great Wall Asset Management Corporation and China Development Bank to jointly form the Company. The Company was incorporated on 18 May 2001.

In 2004, the Company was transformed into a joint stock limited company after repurchasing all equity interests held by shareholders other than Dongfeng Motor Corporation.

The Company initially issued H shares overseas on 6 December 2005 and completed an over-allotment on 13 December 2005. As a result, the aggregate share capital of the Company was enlarged to RMB8,616,120,000, which comprised domestic shares and H shares of RMB5,760,388,000 (approximately 66.86%) and RMB2,855,732,000 (approximately 33.14%), respectively.

Currently, the Company has 14 subsidiaries, jointly-controlled entities and other companies in which the Company has direct equity interests, all of which constitute Dongfeng Motor Group. Dongfeng Motor Group is primarily engaged in the manufacture and sale of commercial vehicles, passenger vehicles and auto engines and parts, the manufacture of vehicle manufacturing equipment, finance businesses as well as other automotive-related businesses.

In 2010, the Dongfeng Motor Group commanded a market share of approximately 10.8% in terms of the total sales volume of domestic commercial and passenger vehicle manufacturers in the PRC, according to the statistics published by the China Association of Automobile Manufacturers.

Chairman's Statement

Xu Ping
Chairman

Dear Shareholders,

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

In 2010, PRC auto industry maintained its fast growth momentum. Approximately 18,060,000 vehicles were sold by domestic automobile manufacturers, representing an increase of approximately 32.4% over last year. Sales volume of passenger vehicles and commercial vehicles were approximately 13,760,000 units and 4,300,000 units respectively, representing an increase of 33.2% and 29.9% over last year. Chinese auto industry has entered a mass consumption stage, offering the industry an "Golden" development period. Both production and sales volume grew significantly with remarkable achievements in technology advancement. Meanwhile, industry profitability is further enhanced with improved management and cost control capability and optimized sales and distribution networks.

In 2010, Dongfeng Motor Group successfully grasped the market opportunities and achieved outstanding market performance with quantitative and qualitative growth in the financial results. In 2010, the aggregate number of vehicles sold by Dongfeng Motor Group was approximately 1,950,000 units, representing an increase of approximately 36.0% over last year, which was 3.6 percentage points higher than industrial average. Sales volume of passenger vehicles and commercial vehicles were approximately 1,420,000 units and 530,000 units, representing an increase of approximately 33.9% and 41.9%, respectively over last year, which were 0.7 percentage point and 12.0 percentage points higher than industry average. Aggregate sales of the parent company amounted to 2,620,000 units, accounting for 14.5% of PRC market share.

In 2010, the Group's sales revenue was approximately RMB122,395 million, representing an increase of approximately 33.4% over the last year. Profit attributable to shareholders of the Company was approximately RMB10,981 million, which was approximately 75.7% higher than that of last year. Profitability indicators such as the gross profit margin proved that operating efficiency of Dongfeng Motor Group kept enhancing and consolidating.

In 2010, major business segments of Dongfeng Motor Group achieved steady and coordinated development. By implementing its business strategy, Dongfeng Motor Co., Ltd achieved a strong sale of 1,280,000 units, successfully exceeding the 1 million units mark. Dongfeng Peugeot Citroen Automobile Co.,Ltd was back on a sound development track through upgrading its product mix and constant improvement of its brand value, and achieved sales volume of approximately 370,000 units in 2010. Dongfeng Honda Automibile Co., Ltd continued to deliver a remarkable performance with a sales volume of 260,000 units through fully exploiting potential of its existing products and enhancing its marketing capability.

In terms of investment, the Group continued to adhere to its prudent investment policy, which is to attach importance to cost control and investment quality while safeguarding steady expansion and advancement in each business segment. In 2010, total investment was RMB7.07 billion. As at the end of 2010, the Group's total production capacity was approximately 1,740,000 units with 5 brand new models and 2 face-lift models launched in the whole year.

Dongfeng Motor Group continued to exert effort in promoting its own brand of passenger vehicles, Dongfeng "Fengshen" in 2010. However, the annual targets were not reached due to various factors, such as brand recognition, quality and technology and the expansion of market networks. In the future, the Group will spare no efforts to improve the performance of its own brand passenger vehicle business through enhancing its management capability, inputting more capital and human resources, improving its brand image and constant expansion of distribution networks.

2011 is the first year of China's "Twelfth Five-Year Plan" and the development of automobile industry in the PRC will turn to a new page. China's automobile industry will maintain its rapid growth and the industrial restructuring progress will be faster with more apparent effects. Application of new energy technology will be further promoted. Facing both opportunities and challenges, Dongfeng Motor Group will uphold its cooperative and open attitude to enhance scientific management level and refine its product portfolio and business strategies. Furthermore, the Group will put more efforts in brand building and developing its own branded business. The Group will also speed up the research and development and application of new energy technology and strengthen the management system of the Group to cope with future competition. Entering into the new era, Dongfeng Motor Group will continue to adopt its "profit-oriented" principle and further improve its operation quality. In addition, the Group will further expand its operation scale, consolidate its competitive edge and improve its market share on basis of maintaining and enhancing its profitability, so as to create long term sustainable value for our shareholders.

Xu Ping
Chairman

Wuhan, the PRC
30 March 2011

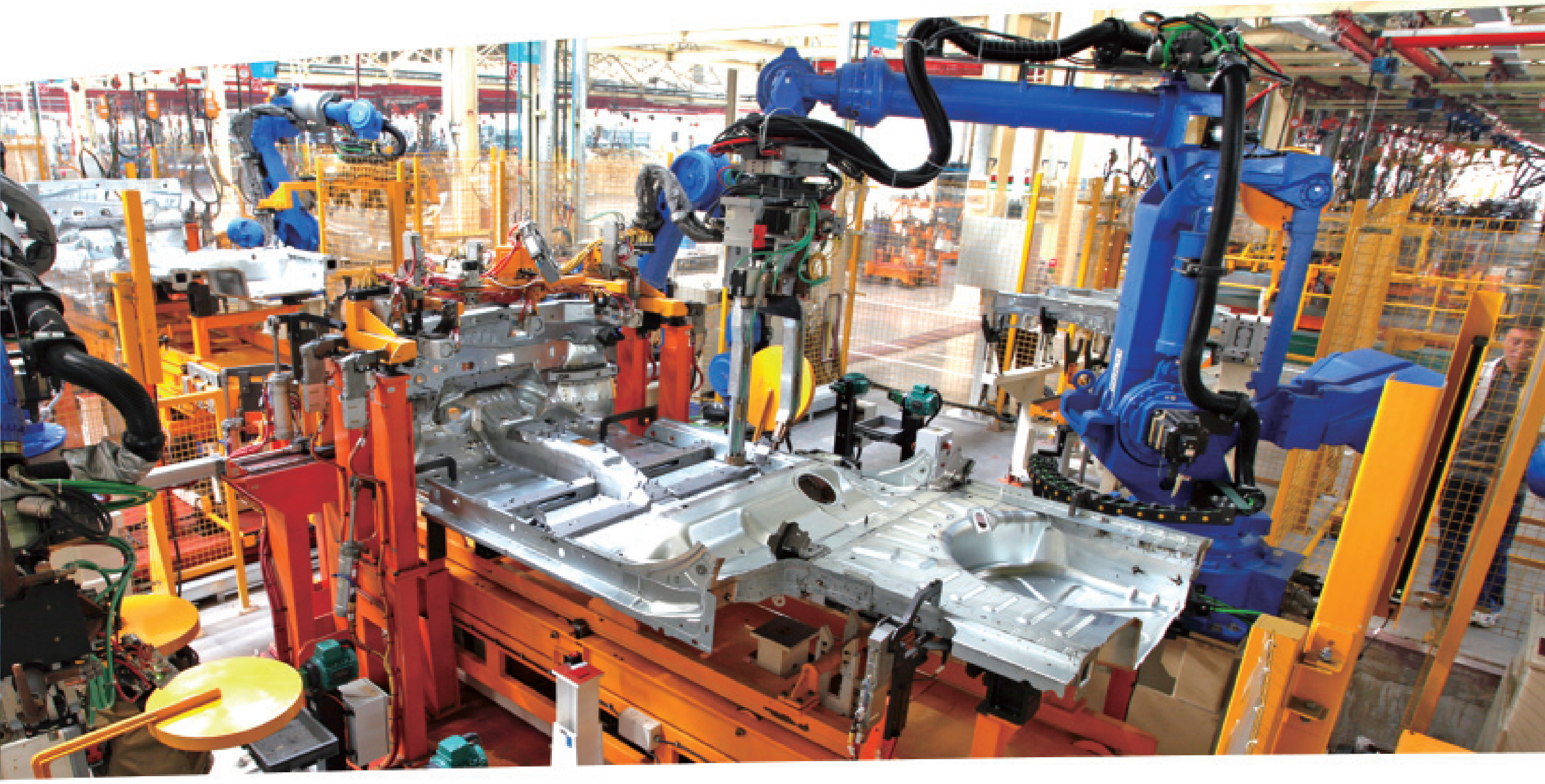
Business
Overview

Business Overview

I Major Businesses of the Dongfeng Motor Group

The principal products of the Dongfeng Motor Group include commercial vehicles (heavy duty trucks, medium trucks, light trucks, mini trucks and buses, and commercial vehicles engines, auto parts and vehicle manufacturing equipment of commercial vehicles) and passenger vehicles (sedans, MPVs, SUVs and passenger vehicles engines, auto parts and vehicle manufacturing equipment of passenger vehicles). In addition, the Dongfeng Motor Group is also engaged in the import/export of vehicles and equipment, finance, insurance agency and used car trading.

The Dongfeng Motor Group's commercial vehicle business, which was established in 1969, has secured a leading position in the PRC commercial vehicle industry for many years. Currently, the Dongfeng Motor Group's commercial vehicle business is principally operated by Dongfeng Motor Co., Ltd, the joint venture between the Company and Nissan Motor Co. Ltd (through Nissan (China) Investment Co, Ltd).



The Dongfeng Motor Group's passenger vehicle business is principally operated by the Company (through Dongfeng Passenger Vehicles Company) and the following Dongfeng Joint Venture Companies: Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobiles Company Ltd (the joint venture between the Company and the PSA Peugeot Citroën Group), and Dongfeng Honda Automobile Co., Ltd (the joint venture between the Company and Honda Motor Co., Ltd (partly through Honda Motor (China) Investment Co, Ltd). The passenger vehicle engines and auto parts business of the Dongfeng Motor Group is principally 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.

In recent years, the Dongfeng Motor Group has strengthened its new engergy vehicle business, which is principally operated by Dongfeng Electrical Motor Joint Stock Co., Ltd.

The Dongfeng Motor Group's auto parts and vehicle manufacturing equipment business is principally operated by Dongfeng Motor Co., Ltd.

The Dongfeng Motor Group's finance business is principally operated by the following companies: Dongfeng Nissan Auto Finance Co., Ltd (the joint venture company between the Company and Nissan Motor Co. Ltd), Dongfeng Motor Finance Co., Ltd (the joint venture company between the Company and Dongfeng Motor Co., Ltd) and Dongfeng Peugeot Citroën Auto Finance Co.,Ltd (the joint venture company between French Peugeot Citroën Hotland Finace Co.,Ltd and Dongfeng Peugeot Citroën Automobiles Company Ltd)

1. Commercial vehicles

As at 31 December 2010, the members of the Dongfeng Motor Group produced 38 series of commercial vehicles, including 32 series of trucks and 6 series of buses. The commercial vehicles of the Dongfeng Motor Group are mainly manufactured by Dongfeng Motor Co., Ltd. The commercial vehicles manufactured by the Dongfeng Motor Group are sold mainly through four major sales and after-sales service networks exclusively for commercial vehicles manufactured by the Dongfeng Motor Group, which form one of the most extensive commercial vehicle sales and service networks in the PRC.

Commercial vehicle engines produced by the Dongfeng Motor Group are mainly provided for internal use and external sales. Dongfeng Motor Co., Ltd and Dongfeng Automobile Co., Ltd, mainly produce Dongfeng series and Dongfeng Cummins series diesel and petrol commercial vehicle engines.

In addition to engines, the Dongfeng Motor Group also manufactures a range of auto parts for commercial vehicles, including power transmission systems (mainly comprised of gear box, clutch and transmission shaft), vehicle bodies (mainly comprised of stamping parts) and chassis (mainly comprised of axles, car frames and chassis parts), electronic components and other parts.

2. Passenger vehicles

As at 31 December 2010, the members of the Dongfeng Motor Group produced 33 series of passenger vehicles, including 22 series of sedan, 6 series of MPV and 5 series of SUV. The passenger vehicles manufactured by the Dongfeng Motor Group are sold through eight independently managed sales and the aftersales service networks throughout the PRC. Each of these networks provides sales and after-sales services for one brand of passenger vehicles and is managed by the relevant joint venture of Dongfeng or the Company.

The passenger vehicle engines manufactured by Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobile Company Ltd and Dongfeng Honda Automobile Co., Ltd are mainly for internal use, while those manufactured by Dongfeng Honda Engine Co., Ltd are mainly for external sales.

In addition to engines, the Dongfeng Motor Group also produces a range of auto parts for passenger vehicles, including power transmission systems (mainly comprised of gear box, clutch and transmission shaft), vehicle bodies (mainly comprised of stamping parts), chassis (mainly comprised of axles, car frames and chassis parts), electronic components and other parts.

3. Other businesses

The Dongfeng Motor Group is also engaged in the production of vehicle manufacturing equipment through Dongfeng Motor Co., Ltd. The vehicle manufacturing equipment produced by Dongfeng Motor Co., Ltd includes machine tools, coating equipment, die and forging moulds, and measuring and cutting tools. Dongfeng Motor Co., Ltd also provides equipment maintenance services.

Besides the above businesses, the Dongfeng Motor Group is also engaged in the import/export of vehicles and equipment, finance, insurance agency and used car trading businesses.

II Business Operations During the Year Under Review

1. Production and sales volume and market share for whole vehicles of the Dongfeng Motor Group

For the year ended 31 December 2010, the production and sales volumes for whole vehicles of the Dongfeng Motor Group were 1,985,819 units and 1,945,956 units respectively. According to statistics published by the China Association of Automobile Manufacturers, the Dongfeng Motor Group had a market share of 10.8% in terms of sales volume of commercial and passenger vehicles made by domestic manufacturers in 2010. The following table sets out the production and sales volumes of commercial and passenger vehicles of the Dongfeng Motor Group as well as their respective market shares in terms of sales volume in 2010:

	No. of units produced (units)		No. of units sold (units)		Market share in terms of sales volume (%)[1]	
Commercial Vehicles	546,560		527,865		12.3	
Trucks		508,068		489,607		12.7
Buses		38,492		38,258		8.6
Passenger Vehicles	1,439,259		1,418,091		10.3	
Basic passenger cars		1,100,515		1,084,728		11.4
MPVs		88,761		87,445		19.6
SUVs		249,983		245,918		18.5
Total	1,985,819		1,945,956		10.8	

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

2. Market ranking of the Dongfeng Motor Group's major vehicle lines in domestic market in 2010

	Number of vehicles sold by the Dongfeng Motor Group (units)	Ranking in domestic market[2]
Heavy trucks	185,843	3
Medium trucks	71,573	1
Light trucks	222,911	2
Basic passenger cars	1,084,728	3
MPVs	87,445	1
SUVs	245,918	1

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

3. Sales revenue

For the year ended 31 December 2010, the annual sales revenue of the Group was approximately RMB122,395 million.

Business	Sales revenue (RMB millions)	Contribution to the Group's sales revenue (%)
Commercial vehicles	33,418	27.3%
Passenger vehicles	88,143	72.0%
Others	834	0.7%
Total	122,395	100.0%

III. Sales and Service Networks

The sales and after-sales services of motor vehicles of the Dongfeng Motor Group are provided through sales and service networks under 12 brands in China. Each of these 12 sales and service networks provides sales and after-sales services of vehicles of a particular manufacturer and is independently managed by third parties, which are not connected with any member of the Dongfeng Motor Group.

Sales and after-sales services of commercial vehicles are mainly provided through four major sales and service networks.

	Brand names	No. of sales outlets	No. of after-sales service outlets	No. of provinces covered
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	Dongfeng (heavy and medium)	334	636	31
Dongfeng Automobile Co., Ltd	Dongfeng (light)	1262	1907	31
Dongfeng Liuzhou Motor Co., Ltd	Dongfeng (heavy and medium)	360	785	32
Dongfeng Nissan Diesel Motor Co., Ltd	Dongfeng Nissan Diesel	51	83	29

Sales and after-sales of passenger vehicles are mainly provided through eight major sales and service networks.

	Brand names	No. of sales outlets	No. of after-sales service outlets	No. of provinces covered
Dongfeng Peugeot Citroën Automobiles Company Ltd	Dongfeng Citroën	345	345	31
Dongfeng Peugeot Citroën Automobiles Company Ltd	Dongfeng Peugeot	205	205	30
Dongfeng Motor Co., Ltd (Dongfeng Nissan Passenger Vehicle Company)	Dongfeng Nissan	462	551	31
Dongfeng Liuzhou Motor Co., Ltd	Dongfeng Future	205	310	32
Dongfeng Honda Automobile Co., Ltd	Dongfeng Honda	291	291	30
Zhengzhou Nissan Automobile Co., Ltd	Zhengzhou Nissan	243	402	31
Dongfeng Automobile Co., Ltd	Dongfeng (Pickup)	1262	1907	31
Dongfeng Passenger Vehicles Company	Dongfeng Fengshen	110	110	30

IV. Production Capacity, Production Capacity Distribution and Future Expansion Plans

As at 31 December 2010, the total whole vehicle production capacity of the Dongfeng Motor Group was approximately 1,743,000 units. The total production capacity of engines was approximately 1,570,000 units, among which the production capacities of commercial vehicles and commercial vehicle engines were approximately 521,000 units and 240,000 units respectively; the production capacities of passenger vehicles and passenger vehicle engines were approximately 1,222,000 units and approximately 1,330,000 units, respectively.

The following table shows the production capacity distribution of vehicles and engines of the Dongfeng Motor Group as at 31 December 2010:

1. Production capacity of commercial vehicles

1.1 Whole vehicle:

Company	Production capacity ('000 units)
Dongfeng Motor Co., Ltd	510
Dongfeng Nissan Diesel Motor Co., Ltd	2
Dongfeng Special Commercial Vehicle Co., Ltd	9

1.2 Engines:

Company	Production capacity ('000 units)
Dongfeng Motor Co., Ltd	240

2. Production capacity of passenger vehicles

2.1 Whole vehicle:

Company	Production capacity ('000 units)
Dongfeng Motor Co., Ltd	517
Dongfeng Peugeot Citroën Automobiles Company Ltd	384
Dongfeng Honda Automobile Co., Ltd	241
Dongfeng Passenger Vehicles Company	80

2.2. Engines:

Company	Production capacity ('000 units)
Dongfeng Motor Co., Ltd	360
Dongfeng Peugeot Citroën Automobiles Company Ltd	370
Dongfeng Honda Automobile Co., Ltd	240
Dongfeng Honda Engine Co., Ltd	360

According to the automobile market forecast and the business plan of the Dongfeng Motor Group, the Dongfeng Motor Group will expand its production capacity with reasonable utility to meet the demand of its products. By 2011, the production capacity of whole vehicles is expected to reach approximately 1,970,000 units.

V Investment in 2010 and Investment Plan for the Next Two Years

In 2010, the Dongfeng Motor Group strictly managed its investments by adhering to the principle of rationality and profitability and insisted not to invest in projects which was not consistent with the main development directions, with low returns or beyond its capability. Total investment in fixed assets during the year amounted to approximately RMB7,070 million, resulting in steady progress in the following aspects of investment project development:

1. Introduction of new products and development of new models timely according to the requirements of the State's industrial adjustment and stimulation policies and the actual market situation.

2. Prudently managing the investments in production capacity expansion or construction to minimize investment risks in face of the financial crisis and the State's stimulation measures.

3. Strengthening the establishment of its own brand name and its research and development capabilities to improve the core competitiveness and sustainability of the Dongfeng Motor Group.

In the next two years, the Dongfeng Motor Group will, according to its strategies and business plans, continue to improve its R&D capability, to introduce new models and new products rationally, to expand its production capacity gradually, to further improve and upgrade production technology and to optimize its investment structure. The total investment of the Dongfeng Motor Group is expected to be approximately RMB14,000 million and RMB16,000 million in 2011 and 2012 respectively.

VI Research and Intellectual Property and Development

1. New Products Development and Research and Development

(1) Commercial Vehicles: the technology centre of commercial vehicles focused on the development of the models of Kinland, T-LIFT and Kingrun series and developed approximately 290 models. The centre also fully enhanced the competitiveness of the products and enriched the product offerings so as to meet the market demand by reducing the weight and improving the performance and quality of products. Dongfeng Automobile Co., Ltd focused on the development of models, such as T01 high-end light truck, F91A new light truck, Pickup Ruiqi and Car Derived Van Shuaike. Dongfeng Automobile Co., Ltd also developed 8 new energy models. In terms of special purpose commercial vehicles, the Company developed a total of 298 new products launched 46 models, including 11 natural gas models.

(2) Passenger Vehicles: development of new models in 2011 under the series of Dongfeng Fengshen S30 was completed with a total of 10 models launched to the market. The development of BF Hatchback cross-border vehicles was also completed. Dongfeng Peugeot Citroen Automobile Company Ltd's first high-end product, Citroën C5, was introduced to the market and the first model Dongfeng Peugeot 408 was launched worldwide. Dongfeng Nissan completed the development and launch of two new models, March and Sunny and three modified models, Teana, Qashqai and Livina.

(3) New Energy Vehicles: The development of Fengshen S30 equipped with BSG micro-mixing model was completed and launched. The design, trail production and testing of hybrid bus with 12 meters long were also completed and the whole car of which was presented to the market. For key assembly of the new energy vehicles, the technology centre undertook the national "863" Program for the development of electromechanical power transmission device, and completed the design and testing works successfully.

2. Scientific and technological achievements

In 2010, Dongfeng Motor Group received a total of 13 scientific and technological advancement awards, including 3 second prizes and 10 third prizes, demonstrating the leading market position of Dongfeng Motor Group for its product quality with high recognition.

VII. Fulfilment of Social Responsibilities

1. Energy conservation and environment protection

In 2010, Dongfeng Motor Group actively fulfilled its social responsibility and was committed to energy conservation and emission reduction through establishing and refining the three major mechanisms (supervision, examination and organization) systematically and implementing various measures according to its plans. The results were remarkable. When compared with 2009, energy consumption with RMB10,000 in added value at current price dropped by over 26.8%, reducing COD and SO_2 emission by 7.8% and 22.1%, respectively.

2. Production safety

In 2010, the Dongfeng Motor Group insisted on production safety by strictly following the principle of "integrated management with safety first and precaution as priority" and all targets of production safety were met during the year. In 2010, the number of accidents decreased by 14 cases or 23.7% from last year to 45 cases.

3. Safeguard the legal rights of the employees

1. Mechanism of collective contract was reinforced. Having made thorough consultation, the Company revised and executed the fifth collective contract and signed specified collective contracts for safeguarding interests of female employees.

2. Welfare protection system was further strengthened. All unions actively participated in the collective wage negotiation and strengthened the welfare protection system. General remuneration level of all staff has increased.

VIII. Business Prospects

The domestic automobile industry will maintain its rapid growth. It is expected that the total sales volume of domestic automobiles will increase by more than 10% in 2011.

According to the current production capacity of the Dongfeng Motor Group and the anticipation of the future market trend, Dongfeng Honda Engine Co., Ltd and Dongfeng Motor Co., Ltd plan to further increase their production capacity in the next two years in order to meet the growing market demands.

In order to better address the market demand, the Dongfeng Motor Group will launch 14 new passenger vehicle models, including medium-high sedans, compact sedans, small sedans, SUVs and MPVs and three series of commercial vehicles, including medium-high class light trucks and European light buses within the next two years.

In terms of operating quality, Dongfeng Motor Group will strive to improve the efficiency and effectiveness of its operation and resource utilization so as to consolidate its leading position in the industry in terms of cost control, quality and profitability.

It is anticipated that the production and sales volume of Dongfeng Motor Group will continue to grow at a rapid pace in the next few years, which will consolidate and enhance its market presence in the automobile industry in the PRC.

Management Discussion and Analysis

Management Discussion and Analysis

FINANCIAL RESULTS OVERVIEW

During the year, revenue of the Group amounted to approximately RMB122,395 million, representing an increase of approximately RMB30,637 million, or 33.4%, when compared with approximately RMB91,758 million for last year. Profit attributable to shareholders of the Group amounted to approximately RMB10,981 million for the year, representing an increase of approximately RMB4,731 million, or 75.7%, when compared with approximately RMB6,250 million for last year. Earnings per share were approximately RMB127.45 cents, up by approximately RMB54.91 cents, or 75.7%, when compared with approximately RMB72.54 cents for last year.

During the year, net increase in cash and cash equivalent amounted to approximately RMB8,520 million, representing a decrease of approximately RMB1,640 million, or 16.1%, when compared with approximately RMB10,160 million for last year.

REVENUE

In 2010, under the extremely complicated economic and social development environment, the PRC government insisted to implement package plan in response to the global financial crisis and has accelerated the transformation of the economic development model. By seizing the focus, strength and pace of macro-economic controls, the national economy has achieved a comparatively rapid growth. The economic and social growth has been further strengthened, and the "Eleventh Five-year Plan" has accomplished successfully.

In 2010, under the background that macro economy remains at a high level and the implementation of a series of policies including reduction on vehicle purchase tax, vehicle selling to the countryside, trade-in subsidies and Energy-saving Products subsidies, the automobile industry of China has maintained a rapid growth with a total production and sales of over 18 million units, and remained to be the largest automobile consumption market in the world. During the year, sales of local made vehicles amounted to approximately 18,061,900 units, representing an increase of approximately 32.4% over last year. Of which, sales of passenger vehicles amounted to approximately 13,757,800 units, representing an increase of approximately 33.2% over last year; and sales of commercial vehicles amounted to approximately 4,304,100 units, representing an increase of approximately 29.9% over last year.

During the year, the total vehicle sales of Dongfeng Motor Group for the year amounted to approximately 1,946,000 units, representing an increase of approximately 36.0% over last year. Of which, sales of passenger was approximately 1,418,100 units, representing an increase of approximately 33.9% over last year; sales of commercial vehicles amounted to approximately 527,900 units, representing an increase of approximately 41.9% over last year. Dongfeng Motor Group had a market share of approximately 10.8% in terms of sales volume, representing an increase of approximately 0.3 percentage point over last year. The market shares of its passenger vehicles was approximately 10.3%, representing an increase of approximately 0.1 percentage points over last year, and the market share of its commercial vehicles was approximately 12.3%, representing an increase of approximately 1.1 percentage points over last year.

During the year, the total sales revenue of the Group was approximately RMB122,395 million, representing an increase of approximately RMB30,637 million, or 33.4%, as compared with approximately 91,758 million of last year.

	2010		2009	
	Sales revenue RMB million	Units sold	Sales revenue RMB million	Units sold
Passenger Vehicle	**88,143**	**1,418,091**	68,864	1,058,811
Commercial Vehicle	**33,418**	**527,865**	21,982	371,931
Others	**834**	**N/A**	912	N/A
Total	**122,395**	**1,945,956**	91,758	1,430,742

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 year.

During the year, the Group has seized favourable opportunities arising from the significant development of the industry and has maintained a steady growth for its operation by taking various effective measures including continuously enhancing the competitiveness of its brand, optimizing product mix, accelerating its network expansion, strengthening its marketing services and fully tapping the potential of its existing products. 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, March and Zhengzhou Nissan NV200, and designed major models with monthly sales of more than 10,000 units, such as Teana, Sylphy, C-Quatre sedan and CR-V. All such efforts strongly support the sustainably expansion of sales volume and stable growth of revenue. So the revenue of the Group from sales of passenger vehicles increased by approximately RMB19,279 million, or 28.0%, from approximately RMB68,864 million of last year to approximately RMB88,143 million for the year. Of which, the revenue from sales of whole passenger vehicles increased by approximately RMB17,227 million, or 29.3%, from approximately RMB58,832 million of last year to approximately RMB76,059 million for the year.

During the year, the sales revenue from commercial vehicles increased by approximately RMB11,436 million, or 52.0%, from approximately RMB21,982 million of last year to approximately RMB33,418 million for the year. Of which, the sales revenue from whole commercial vehicles increased by approximately RMB9,443 million, or 48.1%, from approximately RMB19,636 million of the last year to approximately RMB29,079 million for the year. Such increase was mainly attributable to: (1) the year-round strong demand on commercial vehicle market benefiting from the rapid development of the economy and the trade-in subsidies policy; (2) Dongfeng "Kinland T-LIFT" and Dongfeng "Kingrun" recorded significant increases in terms of its sales volume by leveraging on its good reputation in the market and has became the absolute main force in heavy truck series of Dongfeng, especially the Dongfeng "Kinland T-LIFT" and Dongfeng "Kingrun" equipped with DCi11 engine and 4H engine which are own brands of Dongfeng, had been outstanding in the market, and has presented good growth. Sales of these two models were 87,588 units and 31,679 units in 2010, representing an increase of 35,148 units and 21,130 units, or 79.4% times and 200.3% times, when compared with 48,820 units and 10,549 units of last year respectively; and (3) sales of light commercial vehicle business of the Group has maintained a stable growth by launching new strategical products to market, promoting brands marketing and exerting greater efforts in expanding new business.

COST OF SALES AND GROSS PROFIT

The total costs of sales of the Group for the year was approximately RMB96,033 million, representing an increase of approximately RMB21,759 million, or 29.3%, when compared with approximately RMB74,274 million for last year. The total gross profit of the Group was approximately RMB26,362 million, representing an increase of approximately RMB8,878 million over approximately RMB17,484 million for last year, representing a growth of 50.8%. The gross margin increased by 2.4 percentage points from 19.1% for last year to 21.5% for the year.

Among which, the gross profit margin of passenger vehicles of the Group increased by 3.8 percentage points to approximately 24.4% from approximately 20.6% of last year, and that of whole passenger vehicles increased by 4.3 percentage points to approximately 25% from approximately 20.7% of last year. These increases were mainly attributable to: (1) the increase of the sales proportion of the vehicles the remain strong profitability through strengthening sales management and effectively optimising product mix; (2) economic of scales and amortisation of fixed costs resulting from the continuous expansion of sales; (3) the decrease in unit production cost compared with last year because of offsetting negative effect from fluctuation of the foreign exchange rate of Yen for procuring imported KD parts through various measures including improving utilization rate, optimizing procedures of technology, procurement and production.

The gross profit margin of commercial vehicles of the Group was 14.1% which has basically remained the same level as approximately 14.1% of last year, and that of whole commercial vehicles of the Group has a slight decreased by 0.1 percentage points to approximately 14.1% from approximately 14.2% of last year. The decrease in gross profit margin was mainly attributable to: (1) the decrease in the margin contribution of raw materials as a result of steel prices hike during the year; (2) the decrease in price of light commercial vehicles compared to the corresponding period last year as a result of reduction in pricing of major competitors for purpose of increasing market shares. In addition, the sales of engines and components recorded a significant increase by approximately RMB1,993 million to approximately RMB4,339 million from approximately RMB2,346 million of last year. Accordingly, its gross profit margin has increased by 0.8 percentage points to approximately 14.2% from approximately 13.4% of last year.

OTHER INCOME

During the year, the total other income of the Group amounted to approximately RMB2,322 million, representing an increase of approximately RMB802 million when compared with approximately RMB1,520 million for last year. It was mainly attributable to: (1) an increase of approximately RMB34 million in subsidies received from the government for the purpose of supporting the development of automotive technologies and automobile projects; (2) an increase of approximately RMB309 million in the sales of steels and auto parts; and (3) the increase of approximately RMB325 million in bank deposit interest due to an increase in bank deposits from strong sales and adequate cash flows for the year.

SELLING AND DISTRIBUTION COSTS

During the year, the selling and distribution costs of the Group amounted to approximately RMB6,417 million, representing an increase of approximately RMB2,120 million when compared with approximately RMB4,297 million of last year. The percentage of selling and distribution costs to sales revenue increased by approximately 0.5 percentage points to approximately 5.2% from 4.7% of last year. It was mainly due to: (1) the increase in the advertising and market expenses of approximately RMB1,115 million for promoting new models; (2) the increase in transportation costs and products transfer expense of approximately RMB245 million and 227 million respectively as a result of the rise in fuel price and the robust production and sales; and (3) the incentives to distributors of approximately RMB268 million as a result of the increase of sales.

ADMINISTRATIVE EXPENSES

During the year, administrative expenses of the Group amounted to approximately RMB3,580 million, representing an increase of approximately RMB442 million when compared with approximately RMB3,138 million for the last year. It was mainly due to the increase of staff costs, depreciation expenses and amortisation expenses of intangible assets. During the year, the proportion of administration expenses in sales revenue decreased by approximately 0.5 percentage points to approximately 2.9%, down from approximately 3.4% of last year due to the increase in sales and the Group's control over administration expenses.

OTHER EXPENSES, NET

During the year, other expenses of the Group were approximately RMB4,171 million, representing an increase of approximately RMB1,061 million when compared with approximately RMB3,110 million for last year. The increase was mainly due to: (1) the increase in technology development and technology transfer fee by approximately RMB533 million over last year; and (2) the increase in warranty provisions by approximately RMB224 million as a results of sales increase.

STAFF COSTS

During the year, the staff costs (including directors' and supervisors' emoluments) of the Group amounted to approximately RMB5,519 million, representing an increase of approximately RMB1,559 million when compared with approximately RMB3,960 million for last year. The increase was mainly due to the increase in cost of basic salaries and benefits as a result of the higher demand for labour driven by the increase in production and sales volume of automobiles and the normal upward adjustment of employees' salary level.

DEPRECIATION CHARGES

During the year, the depreciation charges amounted to approximately RMB3,586 million, representing an increase of approximately RMB1,264 million when compared with approximately RMB2,322 million for last year. The increase was mainly due to: (1) increase in depreciations charges of RMB381 million as a result of increasing investments in plant and equipment in order to expanding its business and sustainably exerting the effort in production capacity investments; and (2) since 1 January 2010 for the purpose of unifying the residual value ratio for fixed assets of the Group at a more realistic level and in line with industrial practice, the Group adjust the residual value ratio for fixed assets at 0%. The change in residual value has resulted in increases of depreciation charges for the year by RMB418 million in respect of the write-off of residual values of those fully depreciated assets and by RMB465 million in respect of an additional amortisation of residual values of those assets not yet fully depreciated.

FINANCE COSTS

During the year, the finance costs of the Group amounted to approximately RMB229 million, representing an decrease of approximately RMB16 million when compared with approximately RMB245 million for last year, which was mainly attributable to the decrease of the interests for the decreasing of loans of the Group.

INCOME TAX

During the year, the income tax of the Group amounted to approximately RMB3,006 million, representing an increase of approximately RMB1,335 million when compared with approximately RMB1,671 million for last year. The effective tax rate was approximately 20.6%, representing an increase of approximately 0.7 percentage points when compared to 19.9% for last year. The increase of the effective tax rate was mainly due to the upward adjustment of the statutory tax rates for certain subsidiary companies of the Group from the tax policy changes.

PROFIT FOR THE YEAR

Based on the above reasons, the Group's profit attributable to shareholders of the Company amounted to approximately RMB10,981 million for the year, representing an increase of approximately RMB4,731 million, or 75.7%, when compared with approximately RMB6,250 million for last year. Earnings per share were approximately RMB127.45 cents, up by approximately RMB54.91 cents, or 75.7%, when compared with approximately RMB72.54 cents for last year.

The net profit margin (a percentage of profit attributable to shareholders of the Company to total revenue) was approximately 9.0%, representing an increase of approximately 2.2 percentage points when compared with that of 6.8% for last year.

The return on net assets (a percentage of profit attributable to shareholders of the Company to average net assets) was approximately 33.9% representing an increase of approximately 8.6 percentage points when compared with that of 25.3% for last year.

LIQUIDITY AND SOURCES OF CAPITAL

During the year, the net increase in cash and cash equivalents of the Group amounted to approximately RMB8,520 million representing a decrease of approximately RMB1,640 million or 16.1% when compared with approximately RMB10,160 million for last year.

	2010 RMB million	2009 RMB million
Net cash flows from operating activities	**17,903**	20,774
Net cash flows used in investing activities	**(6,078)**	(13,104)
Net cash flows generated in/(used in) financing activities	**(3,305)**	2,490
Net increase in cash and cash equivalents	**8,520**	10,160

During the year, net cash inflows from operating activities of the Group amounted to approximately RMB17,903 million. This principally represents: (1) profit before tax less non-cash items of depreciation and impairment amounting to approximately RMB14,583 million; (2) an increase of approximately RMB4,805 million in trade receivables, bills receivable and advanced payments, deposits and other receivables; (3) the increase of RMB5,178 million in inventories; and (4) an increase of approximately RMB13,657 million in trade, bills and other payables and accrued liabilities. The net cash flow from operating activities of the Group for the year decreased by approximately RMB2,871 million which compared to the approximately RMB20,774 million of last year. It was mainly attributed to (1) based on the sales order, the subsidiary companies of the Group rationally increased whole vehicle inventories amounting to approximately RMB4,508 million for meeting the suspending strong sales demand in January 2011. (2) because of the sustainably expansion of the sales volume of the Group, the payments for goods which was settled in bank note for dealers increased. Therefore, the increment of the bill receivables of the year increased.

During the year, net cash outflow generated from investing activities of the Group amounted to approximately RMB6,078 million. This principally represents: (1) the purchase of property, plant and equipment of approximately RMB3,927 million for the expansion of production capacity and development of new products; (2) the purchase and selling of available-for-sale assets of approximately RMB240 million during the year; (3) the increase of approximately RMB2,127 in fixed deposit. The net cash used in investing activities of the year decreased by approximately 7,026 million, compared to the approximately RMB13,104 million of last year. The main reason is the increment of the deposit decreased approximately RMB6,443 million compared to last year.

During the year, net cash outflow generated from financing activities of the Group amounted to approximately RMB3,305 million, mainly due to: (1) net repayment of bank loans of RMB2,500 million; and (2) payment of dividends of approximately RMB776 million to the shareholders. The net cash used in financing activities of the year increased by approximately RMB5,795 million, compared to the approximately RMB2,490 million of the net cash inflow of last year. The main reason is that the net repayment of bank loans increased approximately RMB5,357 million and payment of dividends to the shareholders increased approximately RMB368 million.

As at 31 December 2010, cash and cash equivalents amounted to approximately RMB25,889 million, representing an increase of approximately RMB8,520 million compared with the approximately RMB17,369 million as at 31 December 2009.

As at 31 December 2010 Cash and bank balances (including the time deposits with an original maturity of three months or more) amounted to approximately RMB42,950 million, representing a significant increase by approximately RMB10,647 million when compared with approximately RMB32,303 million as at 31 December 2009.

As at 31 December 2010, net cash (cash and bank balances less borrowings) of the Group significantly increased by approximately RMB12,247 million to approximately RMB33,390 million from approximately RMB21,143 million as at 31 December 2009.

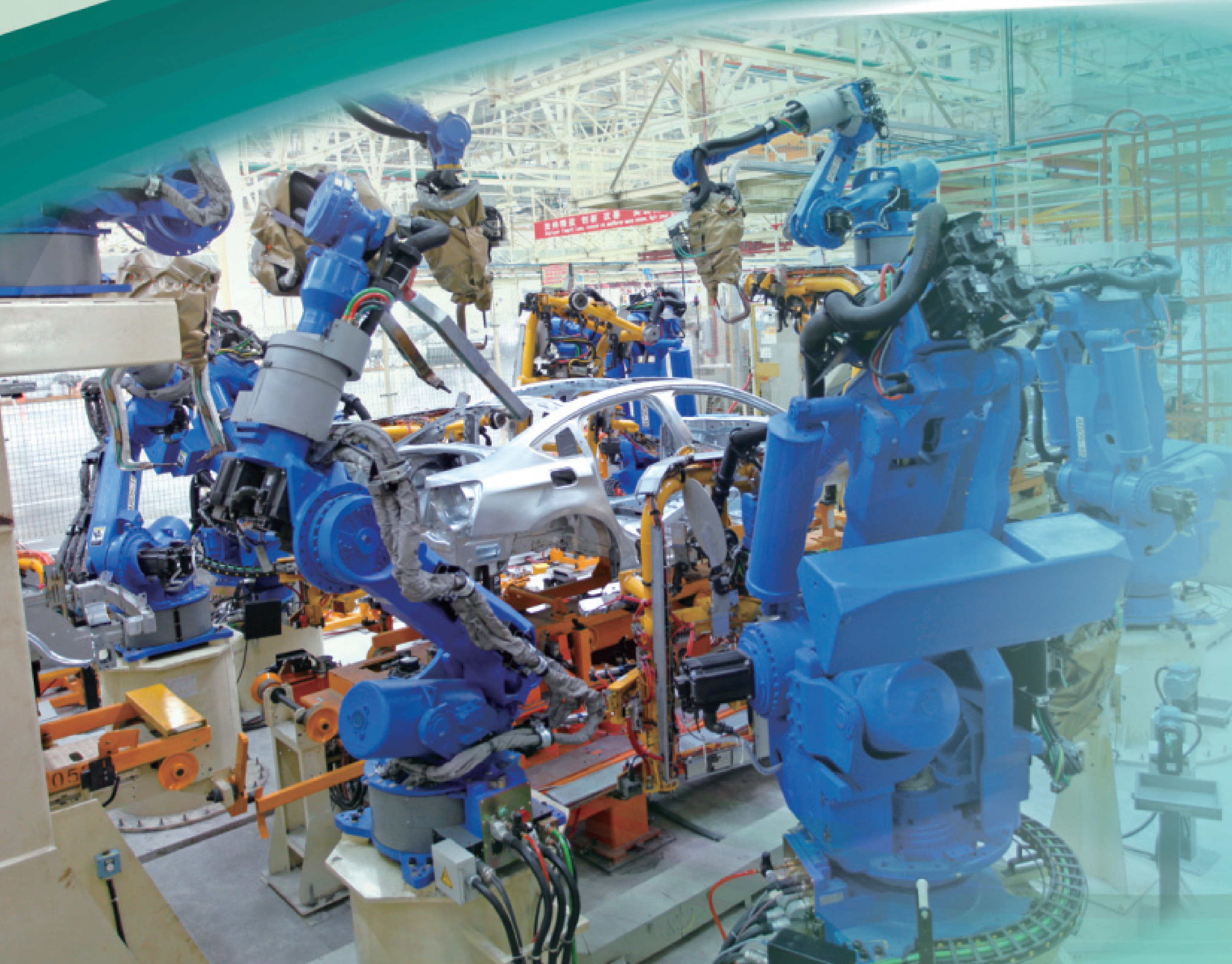
Based on above analysis:

As at 31 December 2010, the Group's equity ratio, (percentage of total borrowings to total shareholders' equity) was 25.5%, representing a significant improvement of 42.7% as compared with 31 December 2009.

As at 31 December 2010, the Group's liquidity ratio was 1.31 times, representing an increase over the 2009 level of 1.19 times. The Group's quick ratio for the year was 1.09 times, representing an improvement from the 2009 level of 1.02 times.

The Group's inventory turnover days increased by approximately 10 days to approximately 53 days from approximately 43 days of last year.

The Group's turnover days of receivables (including bills receivable) increased by approximately 4 days to approximately 53 days from approximately 49 days of last year, and the turnover days of receivables (excluding bills receivable) decreased by approximately 1 day to approximately 6 days from approximately 7 days of last year. The turnover days of bills receivable significantly increased by approximately 5 days to approximately 47 days from 42 days of last year. The main reason is the increase of accepted promissory notes issued by banks because of the increase of sales volume. The Group adopts stringent polices for the management of bills receivable and only accepts applications by trustworthy banks and customers with financial strengths, while the credit risks related to bank promissory notes are assumed by the customers banks.



Profiles of Directors, Supervisors and **Senior Management**

Profiles of Directors, Supervisors and Senior Management

DIRECTORS

Mr. Xu Ping (徐平), aged 53, is a senior postgraduate engineer and the Chairman of the Board of Directors of the Company. Mr. Xu graduated in 1982 from Hefei Industrial University with a bachelor's degree in engineering, specialising in power plant and power systems. Mr. Xu joined Dongfeng Motor Corporation in 1982 and was the head of Dongfeng Motor Corporation's thermo-electricity factory. Mr. Xu has served as the secretary of the Communist Party and deputy general manager of Dongfeng Motor Corporation since 2001. From 2003 to September 2005 Mr. Xu was a director and a vice president of Dongfeng Motor Co., Ltd., and was also the general manager and the secretary of the Communist Party of Dongfeng Motor Corporation from June 2005 to June 2010. He was appointed the Chairman and the secretary of the Communist Party of Dongfeng Motor Corporation in June 2010. Mr. Xu has been the Chairman of the board of directors of Dongfeng Motor Co., Ltd. since June 2005, Dongfeng Peugeot Citroën Automobiles Company Ltd since June 2005 and Dongfeng Automobile Co., Ltd. since July 2005. He is a representative of the 11th National People's Congress and a representative of the 17th Communist Party Committee. Mr. Xu has been a director of the Board of Directors of the Company since October 2004, and has been the Chairman of the Board of Directors of the Company since August 2005. Mr. Xu was re-elected as a Director of the Third Session of the Board of Directors on 11 October 2010, for a term of three years commencing 11 October 2010.

Mr. Zhu Fushou (朱福壽先生), aged 48, is a senior engineer and an Executive Director and President of the Company. Mr. Zhu graduated from Anhui Technical Institute with a Bachelor's degree in Engineering, majoring in Agricultural engineering in 1984. He studied Business Administration and received a Master's degree in Business Administration from Zhongnan Finance University from 1999 to 2001. Mr. Zhu joined Dongfeng Motor Corporation in 1984 and has served as a Standing Committee Member of the Communist Party of Dongfeng Motor Corporation and also as a director of Dongfeng Automobile Co., Ltd. since 2001. He was the General Manager of Dongfeng Automobile Co., Ltd. between 2001 and 2009. He was also the Vice President of Dongfeng Motor Co.,Ltd Since September 2005. Since April 2010, he was appointed the Chairman of Dongfeng Motor Finance Co., Ltd. and Dongfeng Nissan Auto Finance Co., Ltd. He was appointed as a Non-executive director of the Board of Directors of the Company in October 2004. In June 2010, he was appointed as the President of the Company. Mr. Zhu has more than 20 years of business and management experience in the automotive industry in the PRC. Mr. Zhou was reelected as a Director of the Third Session of the Board of Directors for a term of three years commencing 11 October 2010.

Mr. Zhou Wenjie (周文杰先生), aged 58, is a senior economist, an Executive Director and an Executive Vice President of the Company. Mr. Zhou joined Dongfeng Motor Corporation in 1972, and from 1995 to 1999 was assistant General Manager of Dongfeng Motor Corporation. Since 2001, he has served as the Deputy General Manager of Dongfeng Motor Corporation. In addition, Mr. Zhou has been the Chairman of Dongfeng Honda Automobile Co., Ltd., Dongfeng Honda Auto Parts Co., Ltd. and Dongfeng Honda Engine Co., Ltd. since December 2009 and is the Deputy Chairman of Dongfeng Peugeot Citroën Automobiles Company Ltd. and a director of Dongfeng Motor Co., Ltd. In October 2004, he was appointed as a director of the Board of Directors of the Company. Mr. Zhou has over 30 years of business and management experience in the automotive industry. Mr. Zhou was re-elected as a Director of the Third Session of the Board of Directors on 11 October 2010, for a term of three years commencing 11 October 2010.

Mr. Li Shaozhu (李紹燭先生), aged 50, is a senior post-graduate engineer and an Executive Director of the Company. Mr. Li graduated from Qinghua University in 1983 with a Bachelor's degree in Engineering Science, specializing in Casting Engineering and Equipment. He also studied Business Administration and received a Master's degree in Business Administration from Zhongnan University of Economics and Law from 1993 to 1996. Mr. Li was appointed as a member of the National Master in Engineering Education Committee by the Second Academic Degrees Committee of the State Council in 2004. Mr. Li joined Dongfeng Motor Corporation in 1983 and was the General Manager of Dongfeng Automobile Co., Ltd. Mr. Li has served as Deputy General Manager of Dongfeng Motor Corporation since 1997, and was the Vice President of Dongfeng Motor Co., Ltd. from July 2003 to September 2005. He was appointed as a director of the Board of Directors of the Company in October 2004. Mr. Li has more than 20 years of business and management experience in the automotive industry. Mr. Li was re-elected as a Director of the Third Session of the Board of Directors on 11 October 2010, for a term of three years commencing 11 October 2010.

Mr. Fan Zhong (范仲先生), aged 57, is a senior post-graduate engineer and an Executive Director of the Company. Mr. Fan graduated in 1982 from the Department of Machinery Engineering and Equipment of Shenyang Electrical and Mechanical College with a Bachelor's degree in Engineering Science. Prior to joining Dongfeng Motor Corporation, he was the Deputy Mayor of Beipiao City in Liaoning Province. He joined Dongfeng Motor Corporation in 1993 as Deputy General Manager of Dongfeng Chaoyang Diesel Engine Corporation. From 1999 to 2001, Mr. Fan was the General Manager of Dongfeng Chaoyang Diesel Engine Corporation. Since 2001, Mr. Fan has served as the Deputy Secretary of the Communist Party of Dongfeng Motor Corporation and has been the Chairman of the Board of Directors of Dongfeng Chaoyang Diesel Engine Co. Ltd. He was appointed as a director of the Board of Directors of the Company in October 2004. Mr. Fan has more than 20 years of business and management experience in the automotive industry in the PRC. Mr. Fan was re-elected as a Director of the Third Session of the Board of Directors on 11 October 2010, for a term of three years commencing 11 October 2010.

NON-EXECUTIVE DIRECTORS

Mr. Tong Dongcheng (童東城先生), aged 54, is a senior economist and a Non-executive Director of the Company. Mr. Tong graduated from the Central Party School in 1996, majoring in Economics and management. He joined Dongfeng Motor Corporation in 1971, and has been the Deputy General Manager of Dongfeng Motor Corporation since 1997. Since 2003, Mr. Tong became Vice President of Dongfeng Motor Co., Ltd., and has been the Chairman of Dongfeng Nissan Diesel Motor Co., Ltd. since April 2005 and a director of Dongfeng Motor Co., Ltd. since September 2005. Since October 2004, he has served as a director of the Board of Directors of the Company. Mr. Tong has more than 30 years of business and management experience in the automotive Industry in the PRC. Mr. Tong was re-elected as a Director of the Third Session of the Board of Directors on 11 October 2010, for a term of three years commencing 11 October 2010.

Mr. Ouyang Jie (歐陽潔先生), aged 54, is a senior postgraduate engineer and Non-executive Director of the Company. Mr. Ouyang graduated in 1982 from the Department of Casting of Hunan University with a Bachelor's degree in Engineering Science and received a Bachelor's degree in Economics from the Renmin University of China in 1988. Mr. Ouyang joined Dongfeng Motor Corporation in 1982 and has served as the Deputy General Manager of Dongfeng Motor Corporation since 1997. In 2003, Mr. Ouyang became a Vice President of Dongfeng Motor Co., Ltd. In October 2004, he was appointed as a director of the Board of Directors of the Company. Mr. Ouyang has more than 20 years of experience in the automotive industry in the PRC. Mr. Ouyang was re-elected as a Director of the Third Session of the Board of Directors on 11 October 2010, for a term of three years commencing 11 October 2010.

Mr. Liu Weidong (劉衛東先生), aged 44, is a senior postgraduate engineer and Non-executive Director of the Company. Mr. Liu graduated in 1988 from Wuhan Technical Institute with a Bachelor's Degree in Engineering, specializing in the automotive industry. He studied Management Science and Engineering and received a Master's degree in Management from Wuhan Polytechnic University from 2000 to 2003. He was a representative of the 10th National People's Congress. Mr. Liu joined Dongfeng Motor Corporation in 1988 and has been the Deputy General Manager of Dongfeng Motor Corporation and the General Manager of Dongfeng Peugeot Citroën Automobiles Company Ltd. since 2001. Mr. Liu has served as a director of the Board of Directors of the company since October 2004. Mr. Liu has 20 years of business and management experience in the automotive industry in the PRC. Mr. Liu was re-elected as a Director of the Third Session of the Board of Directors on 11 October 2010, for a term of three years commencing 11 October 2010.

Mr. Zhou Qiang (周強先生), aged 49, is a senior economist and Non-executive Director of the Company. Mr. Zhou is a senior economist, and graduated from the Central Party School in 1992, specializing in Economics and Management. From 2002 to 2005, he studied business administration in Tsinghua University and received an EMBA degree. Mr. Zhou joined Dongfeng Motor Corporation in 1978. Since August 2003, Mr. Zhou was appointed as a Standing Committee Member of Dongfeng Motor Co., Ltd., and was also the Secretary of the Communist Party and Deputy General Manager of the Commercial Vehicles Company of Dongfeng Motor Co., Ltd from July 2003 to September 2005. He has been the assistant General Manager of Dongfeng Motor Corporation since September 2005 and a Standing Committee Member of Dongfeng Motor Corporation since March 2009. Since October 2004, Mr. Zhou has served as a supervisor of the Supervisory Committee of the Company. Mr. Zhou has 20 years of business and management experience in the automotive industry in the PRC. Mr. Zhou was elected as a Director of the Third Session of the Board of Directors on 11 October 2010, for a term of three years commencing 11 October 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sun Shuyi (孫樹義先生), aged 70, is an Independent Non-Executive Director of the Company. Mr. Sun graduated from the University of Science and Technology of China in 1963. He is currently an executive vice chairman of the China Industry and Economics Federation, the China Enterprise Confederation and the China Entrepreneur Association. Mr. Sun was formerly head of the Production System Department of the State System Restructuring Commission, deputy director of the Office of the Central Financial and Economic Leading Group, vice minister of the Ministry of Personnel, deputy secretary of the Central Business Affairs Commission of the PRC and a member of the National Committee of the Tenth Chinese People's Political Consultative Conference. Mr. Sun is qualified in the PRC as a certified public accountant and a senior engineer. Mr. Sun has extensive experience in macro-economic management and an in-depth knowledge of finance. Mr. Sun was re-elected as a Director of the Third Session of the Board of Directors on 11 October 2010, for a term of three years commencing 11 October 2010.

Mr. Ng Lin-fung (吳連烽先生), aged 69, is an Independent Non-Executive Director of the Company. Mr. Ng was a deputy general manager of Nanyang Commercial Bank which he served for over 30 years as head of the bank's credit operations. He is the Chairman and General Manager of International Po Fung Finance Holdings Ltd., which he founded in 1999. Mr. Ng was the adviser to the Hong Kong and Macau Affairs Office of the State Council and the Xinhua News Agency on Hong Kong affairs. He is also a member of the First Selection Committee for the Hong Kong Special Administrative Region and a member of the Delegate Election Committee of the Hong Kong Special Administrative Region to the Ninth, Tenth and Eleventh National People's Congress. Mr. Ng was re-elected as a Director of the Third Session of the Board of Directors on 11 October 2010, for a term of three years commencing 11 October 2010.

Mr. Yang Xianzu (楊賢足先生), aged 71, is an Independent Non-Executive Director of the Company. He graduated from Wuhan College of Posts and Telecommunications in 1965. Mr. Yang served as vice minister of the Ministry of Posts and Telecommunications and the Ministry of Information Industry and a member of the Chinese People's Political Consultative Conference. He is currently an independent director of Dongfeng Motor Group Company Limited, China Wireless Technologies Limited, CITIC 1616 Holdings Limited and 263 Network Communication Co., Ltd.. Mr. Yang has over 40 years of experience in the telecommunications industry and is familiar with the management and operations of large enterprises as well as the corporate governance of listed companies. Mr. Yang was re-elected as a Director of the Third Session of the Board of Directors on 11 October 2010, for a term of three years commencing 11 October 2010.

SENIOR MANAGEMENT

Mr. Cai Wei (蔡瑋先生), aged 52, is the Vice President and the Secretary of the Board of Directors of the Company. Mr. Cai is a senior post-graduate engineer, having graduated from Hefei Industrial University in 1982 with a Bachelor's degree in Engineering Science, specializing in internal combustion engines. Mr. Cai joined Dongfeng Motor Corporation in 1982 and was the General Manager of the auto parts division of the Dongfeng Motor Corporation between November 2001 and July 2003. He was the Head of the Planning Department of Dongfeng Motor Corporation from July 2003 to September 2005 and has been a Vice President and the Secretary of the Board of Directors of Dongfeng Motor Group Company Limited since October 2004. Mr. Cai is a director of Dongfeng Honda Automobile Co., Ltd, Dongfeng Honda Engine Co. Ltd. (by December 2009) and Dongfeng Peugeot Citroën Automobiles Company Ltd.

SUPERVISORIES

Mr. Ma Liangjie (馬良杰先生), aged 54, is an engineer and the Chairman of the Supervisory Committee of the Company. Mr. Ma graduated from Jilin University of Technology in 1982, specializing in design and manufacturing of internal combustion engine. Prior to joining Dongfeng Motor Corporation, he was an assistant to general manager of China Aerospace Science & Industry Corporation and the Chairman of China Aerospace Automobile Co.,Ltd (中國航天汽車有限公司). Mr. Ma joined Dongfeng Motor Corporation in December 2008, and he served as a standing committee member and the secretary of the disciplinary committee of the Communist Party of Dongfeng Motor Corporation. Mr. Ma was elected as the Chairman of the Third Session of the Supervisory Committee at October 2010, for a term of three years commencing 11 October 2010.

Mr. Wen Shiyang (溫世揚先生), aged 46, is a Supervisor of the Company. Mr. Wen was the deputy dean of College of Law of Wuhan University and holds a doctorate degree. He is a professor of civil and commercial law and a tutor to doctorate candidates. Mr. Wen specializes in property law, company law and insurance law and has a number of published works. Mr. Wen is a vice chairman of the Civil Law Research Institute of the China Law Association. Mr. Wen was re-elected as a Supervisor of the Third Session of the Supervisory Committee on 11 October 2010, for a term of three years commencing 11 October 2010.

Mr. Deng Mingran (鄧明然先生), aged 57, is a Supervisor of the Company. Mr. Deng is the dean of the College of Management of Wuhan Polytechnic University and holds a doctorate degree. He is a professor of financial management and a tutor to doctorate candidates. Mr. Deng has committed to a number of national science research projects and has a number of published works. Mr. Deng is a vice president of the Tertiary Engineering College Committee of the Chinese Accounting Association. He is also an independent non-executive director of Hubei Chutian Expressway Co., Ltd. Mr Deng was re-elected as a Supervisor of the Third Session of the Supervisory Committee on 11 October 2010, for a term of three years commencing 11 October 2010.

Mr. Ren Yong (任勇先生), aged 47, is a senior accountant and a Supervisor of the Company. Mr. Ren studied in HuaZhong University of Science and Technology from 2005 to 2006 and received an MBA degree, specializing in business administration. Mr. Ren joined Dongfeng Motor Corporation in 1981. Mr. Ren has been the deputy general manager of the Passenger Vehicle Company of Dongfeng Motor Co., Ltd since July 2003 and a standing committee member of the Communist Party of Dongfeng Motor Co., Ltd since August 2003. He has been a vice president of Dongfeng Motor Co., Ltd since September 2005, an assistant to general manager of Dongfeng Motor Co., Ltd since April 2008, and a Supervisor of the Supervisory Committee of the Company since October 2004. Mr. Ren was re-elected as a Supervisor of the Third Session of the Supervisory Committee on 11 October 2010, for a term of three years commencing 11 October 2010.

Mr. Li Chunrong (李春榮先生), aged 46, is a senior economist and a Supervisor of the Company. Mr. Li graduated with a bachelor's degree from Huazhong Technical Institute, majoring in vessel and shipyard electronic automation in 1985. He graduated from Huazhong Technical Institute with a Postgraduate degree in management systems in 1987 and joined Dongfeng Motor Corporation in the same year. Mr. Li studied in Massachusetts Institute of Technology of America during 2006 to 2007 and obtained a MBA degree in business administration. He was appointed as a Supervisor of the Company since October 2004. Mr. Li was re-elected as a Supervisor of the Third Session of the Supervisory Committee on 11 October 2010, for a term of three years commencing 11 October 2010.

Mr. Chen Binbo (陳斌波先生), aged 46, is a senior economist and a Supervisor of the Company. Mr. Chen graduated from Huazhong Technical Institute with a bachelor's degree in engineering, majoring in internal combustion engine for vessels in 1985 and graduated from Huazhong Technical Institute with a postgraduate degree in economics and management engineering in 1987. He joined the Dongfeng Motor Corporation in July 1987 and is the Executive Deputy General Manager of Dongfeng Honda Automobile Co., Ltd. Mr. Chen was elected as a Supervisor of the Third Session of the Supervisory Committee on 11 October 2010, for a term of three years commencing 11 October 2010.

Mr. Huang Gang (黃剛先生), aged 43, is a senior engineer and a Supervisor of the Company. Mr. Huang graduated from Tsinghua University with a bachelor's degree in engineering majoring in internal combustion engine in July 1990. He studied in Tsinghua University from 1995 to 2000 and obtained a master's degree in engineering majoring in power machinery and engineering. He joined Dongfeng Motor Corporation in July 1990 and is the General Manager of Commercial Vehicle Company of Dongfeng Motor Co., Ltd. Mr. Huang was elected as a Supervisor of the Third Session of the Supervisory Committee on 11 October 2010, for a term of three years commencing 11 October 2010.

Mr. Kang Li (康理先生), aged 47, is a senior engineer and a Supervisor of the Company. Mr. Kang graduated from Luoyang Technical Institute in 1984 with a bachelor's degree specializing in casting technology and equipment. He studied in Huazhong Polytechnic University from 1993 to 1996 and obtained a master's degree in engineering. Mr. Kang joined Dongfeng Motor Corporation in 1987 and is the secretary of the Communist Party, the secretary of the disciplinary committee and the chairman of the labor union of Dongfeng Peugeot Citroen Automobiles Company Ltd. Mr. Kang was appointed as a Supervisor of the Supervisory Committee of the Company in October 2004. Mr. Kang was re-elected as a Supervisor of the Third Session of the Supervisory Committee on 11 October 2010, for a term of three years commencing 11 October 2010.

JOINT COMPANY SECRETARY

Mr. Hu Xindong (胡信東), aged 43, is Joint Company Secretary of the Company and the Head of Securities Affairs Department of the Company. Mr. Hu is a senior engineer and graduated from the Department of Political Education of Hubei University in 1990 with a Bachelor of Law degree. He received a Master's degree in Business Administration from Maastricht School of Management, the Netherlands, in 2000 and obtained a Master's degree in Economics from Zhongnan Institute of Economics and Politics in 2001. Mr. Hu joined Dongfeng Motor Corporation in 1990 and was the Head of Company Office of Dongfeng Motor Corporation from July 2003 to September 2005.

Ms. Lo Yee Har, Susan (盧綺霞), aged 52, is Joint Company Secretary of the Company. Ms. Lo Yee Har, Susan is a director of Tricor Services Limited. Ms. Lo is a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

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. (resigned in August 2010)

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 Company Office of the Company is Mr. He Wei.

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 Securities Affairs 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.

Report of the Directors

The Board of Directors hereby presents its report and the annual report together with the audited financial statements of the Company and its subsidiaries and jointly-controlled entities for the year ended 31 December 2010 prepared in accordance with the International Financial Reporting Standards.

PRINCIPAL ACTIVITIES

Dongfeng Motor Group is engaged in the manufacture and sale of commercial vehicles, passenger vehicles, engines and auto parts and also the production of vehicle manufacturing equipment. Dongfeng Motor Group is also engaged in the import and export of vehicles and vehicle manufacturing equipment, finance and insurance agency business and trading of used cars.

Dongfeng Motor Group's vehicles, engines and auto parts businesses as well as other businesses are mainly conducted by the Company and its subsidiaries, JCEs and other direct investees. The brand policies, strategies, operation and marketing activities of the subsidiaries, JCEs and other direct investees are governed by the relevant joint venture agreements entered into between the Company and other investors.

RESULTS

The Group's results for the year ended 31 December 2010 and the financial positions of the Company and the Group as at that date are set out in the audited financial statements on pages 83 to 193 in this annual report.

DIVIDENDS

The Board of Directors recommends the distribution of dividend of RMB0.18 per share out of the profits of 2010, subject to approval by shareholders at the annual general meeting to be held on 21 June 2011.

DIVIDEND DISTRIBUTIONS BY JOINTLY-CONTROLLED ENTITIES

In 2010, the JCEs declared and distributed dividends of approximately RMB6,482 million in aggregate to the Company. The annual distribution of dividend is not fixed. However, pursuant to the joint venture agreements, the boards of directors of JCEs shall distribute dividends out of the profits (net of income tax) in accordance with the applicable laws of the PRC as the boards of directors of the JCEs think appropriate. The distribution of dividend shall only be made after offsetting losses of previous years and the provisions of statutory reserves and discretionary reserve (to be used as, including but not limited to, working capital, addition share capital, investment, staff bonus and welfare as well as corporate development). Distribution of profits shall be made in proportion to the capital contributions by the joint venture parties in accordance with the PRC laws.

None of the JCEs has any specific dividend policies except as disclosed above. If the Company and the joint venture partners agree, the JCEs may declare dividends out of their distributable profits. Dividend distribution is the major source of investment return of the Company and the relevant joint venture partners in respect of the JCEs. The JCEs have distributed all their annual profits after making up of losses of previous years and provision of statutory reserves and discretionary reserve (to be used as, including but not limited to, working capital, additional capital or investment). In the future, it is the intention of the Company and the relevant joint venture partners to declare dividends when there are distributable profits, subject to agreement between the Company and the relevant joint venture partners taking into account the capital requirement of the JCEs, the relevant joint venture agreements and the applicable laws and regulations of the PRC.

FINANCIAL SUMMARY

A summary of the operation results, assets and liabilities of the Group for the last five years ended 31 December 2010 is set out on pages 194 to 195 in this annual report.

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and other borrowings of the Group are set out in note 31 to the audited financial statements.

INTEREST CAPITALISED

Details of the interest capitalised of the Group for the year ended 31 December 2010 are set out in note 8 to the audited financial statements.

PLANT , MACHINERY AND EQUIPMENT

Changes in plant, machinery and equipment of the Company and the Group for the year ended 31 December 2010 are set out in note 15 to the audited financial statements.

DESIGNATED DEPOSITS AND OVERDUE TERM DEPOSITS

As at 31 December 2010, the Group had no designated deposits and overdue term deposits in any financial or other institutes.

RESERVES

Details of movements in reserves of the Company and the Group for the year ended 31 December 2010 are set out in note 30 to the audited financial statements and the consolidated statement of changes in equity on page 88, respectively.

Pursuant to article 155 of the Articles of Association of the Company, if there are discrepancies between the financial statements prepared in accordance with the accounting standards and regulations of the PRC and the financial statements prepared in accordance with International Financial Reporting Standards or the accounting standards in other place(s) where the Company is listed, the distributable after-tax profit for the relevant accounting period shall be the lower of the after-tax profits in these financial statements.

The Board of Directors recommends the allocation of 10% of the total profits to the statutory surplus reserve and no allocation to the discretionary surplus reserve in accordance with the applicable laws and the Articles of Association, subject to approval by shareholders at the annual general meeting to be held on 21 June 2011.

DONATIONS

The Group has made total donations of RMB24 million during the year ended 31 December 2010.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2010, the revenue attributable to the five largest customers accounted for no more than 30% of the Group's revenue for the year.

During the year ended 31 December 2010, the purchases (other than those of a capital nature) attributable to the five largest suppliers accounted for no more than 30% of the Group's total purchases for the year.

SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND OTHER DIRECT INVESTEES

Details of the subsidiaries and JCEs as well as other direct investees as at 31 December 2010 are set out in notes 18, 19 and 20 to the audited financial statements respectively.

SHARE CAPITAL

As at 31 December 2010, the share capital of the Company was RMB8,616,120,000 divided into 8,616,120,000 ordinary shares of RMB1 each, including 5,760,388,000 Domestic Shares and 2,855,732,000 H Shares, representing approximately 66.86% and 33.14% of the total shares in issue respectively. During the year ended 31 December 2010, there was no change in the share capital of the Company.

STOCK APPRECIATION RIGHTS

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

55,665,782 SAR units were initially granted on 23 January 2006 at a price of HK$2.01. The SARs are subject to a lock-up period of two years from the date of grant and the following additional 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 initial grant had 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.

31,417,405 SAR units were granted on 15 January 2007 at HK$4.09 in the second round of grant. The SARs are subject to a lock-up period of two years from the date of grant and the following additional 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 had 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.

In respect of the first round of SARs, 55,665,782 SAR units were exercisable as at 31 December 2010, representing 100% of the total SAR units granted. During the year, 48,106,468 SAR units were exercised, representing 86.42% of the total SAR units granted. As at 31 December 2010, 51,148,410 SAR units were exercised, representing 91.88% of the total SAR units granted. As at 31 December 2010, an aggregate of 4,517,372 SAR units expired, representing 8.12% of the total SAR units granted.

In respect of the second round of SARs, 9,425,224 SAR units became exercisable during the year, representing 30% of the total SAR units granted. As at 31 December 2010, an aggregate of 21,992,185 SAR units were exercisable, representing 70% of the total SAR units granted. During the year, 126,000 SAR units were exercised, representing 0.40% of the total SAR units granted. As at 31 December 2010, an aggregate of 896,585 SAR units were exercised, representing 2.85% of the total SAR units granted. As at 31 December 2010, an aggregate of 3,435,536 SAR units expired, representing 10.93% of the total SAR units granted.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company and the laws of the PRC.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the name of the persons (other than directors and supervisors) entitled to exercise 5% or more of the voting rights at any general meeting of the Company and the number of underlying shares, as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance are set out below:

* Notes: (L) — Long Position, (S) — Short Position, (P) — Lending Pool

Name	Class of Shares	Number of shares held	Percentage in the class of issued share capital	Percentage in the total share capital
Dongfeng Motor Corporation	Domestic shares	5,760,388,000(L)	100%	66.86%
SCMB Overseas Limited	H shares	242,282,000(L)	9.76%	2.81%
Standard Chartered Asia Limited	H shares	242,282,000(L)	9.76%	2.81%
Standard Chartered Bank	H shares	242,282,000(L)	9.76%	2.81%
Standard Chartered Holding Limited	H shares	242,282,000(L)	9.76%	2.81%
Standard Chartered Holdings (International) B.V.	H shares	242,282,000(L)	9.76%	2.81%
Standard Chartered MB Holdings B.V.	H shares	242,282,000(L)	9.76%	2.81%
Standard Chartered Private Equity Limited	H shares	242,282,000(L)	9.76%	2.81%
UBS AG	H shares	227,839,713(L)	7.98%	2.64%
		698,430(S)	0.02%	0.008%
JPMorgan Chase & Co	H shares	200,179,692(L)	7.01%	2.32%
		544,001(S)	0.02%	0.006%
		179,430,336(P)	6.28%	2.08%
Blackrock, Inc.	H shares	143,046,409(L)	5.01%	1.66%
		5,663,414(S)	0.20%	0.06%

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

The directors and senior management of the Company during the year were:

Directors

Xu Ping	Executive Director and Chairman
Liu Zhangmin	Executive Director and President (resigned as President of the Company on 25 June 2010 and resigned as Executive Director on 11 October 2010)
Zhu Fushou	Executive Director and President (has been appointed as a President of the Company with effect from 25 June 2010 and resigned as Non-executive Director and appointed as Executive Director on 11 October 2010)
Zhou Wenjie	Executive Director and Executive Vice President
Li Shaozhu	Executive Director
Fan Zhong	Executive Director
Tong Dongcheng	Non-executive Director
Ouyang Jie	Non-executive Director
Liu Weidong	Non-executive Director
Zhou Qiang	Non-executive Director (resigned as Supervisor and appointed as Non-executive Director on 11 October 2010)
Sun Shuyi	Independent Non-executive Director
Ng Lin-fung	Independent Non-executive Director
Yang Xianzu	Independent Non-executive Director

Senior Management

Cai Wei	Vice President and Secretary of the Board of Directors

Profiles of each of the directors and senior management are set out on pages 32 to 35 in this annual report.

Supervisors

The supervisors of the Company during the year were:

Ye Huicheng	Chairman of the Supervisory Committee (resigned on 11 October 2010)
Ma Liangjie	Chairman of the Supervisory Committee (appointed as Supervisor and being elected as Chairman of the Supervisory Committee on 11 October 2010)
Wen Shiyang	Independent Supervisor
Deng Mingran	Independent Supervisor
Ren Yong	Supervisor
Liu Yuhe	Supervisor (resigned on 11 October 2010)
Li Chunrong	Supervisor
Chen Binbo	Supervisor
Huang Gang	Supervisor
Kang Li	Supervisor

Profiles of each supervisor are set out on pages 35 to 37 in this annual report.

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

As at 31 December 2010, none of the directors, supervisors or senior management of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), which were required to be entered in the register required to be kept under section 352 of the Securities and Futures Ordinance, or were required to be notified to the Company and the Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Companies.

As at 31 December 2010, none of the director, senior management or supervisor of the Company or their respective spouses or children under eighteen years of age were granted any rights to subscribe for shares or debentures of the Company or any of its associated corporations.

CONFIRMATIONS OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual written confirmations of independence from all independent non-executive directors, namely Mr. Sun Shuyi, Mr. Ng Lin-fung and Mr. Yang Xianzu, and is of the view that they are independent.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors or supervisors proposed to be re-elected at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save for service contracts, none of the director or supervisor of the Company has material interests, whether directly or indirectly, in any material contract to which the Company or any of its subsidiaries and JCEs was a party during the year ended 31 December 2010.

REMUNERATIONS OF DIRECTORS AND SUPERVISORS

Details of the remunerations of the directors and supervisors of the Company are set out in note 9 to the audited financial statements.

FIVE HIGHEST-PAID INDIVIDUALS

Information of the five highest-paid individuals of the Company is set out in note 10 to the audited financial statements.

EMPLOYEES

As at 31 December 2010, Dongfeng Motor Group had a total of 96,255 full-time employees. The numbers of employees in various divisions and their percentage of the total number of employees are as follows:

Division	Employees	Percentage of Total Employees
Manufacturing	54,671	56.8%
Engineering and technology	13,985	14.5%
Management	19,895	20.7%
Services	7,704	8.0%
Total	96,255	100.0%

The remuneration package of Dongfeng Motor Group's employees includes salary, bonus and allowance. Dongfeng Motor Group has joined a social insurance plan organised by Dongfeng Automobile Social Insurance Association. In accordance with the relevant national and local laws and regulations on labour and social welfare, members of Dongfeng Motor Group are required to make monthly contributions in respect of their employees to retirement insurance, medical insurance, unemployment insurance, occupational injury insurance and maternity insurance.

Dongfeng Motor Group is committed to providing trainings for its employees, including management and technology training programmes, overseas exchange programmes and other training programmes. Dongfeng Motor Group also encourages its employees to participate in self-development programmes.

Members of the Board of Directors and the supervisory committee (excluding independent non-executive directors and independent supervisors), senior management, heads of business departments of the Company, directors and senior management of the JCEs appointed by the Company, as well as other key employees are granted SARs. The Board of Directors or its remuneration committee is authorised to determine which key employees are eligible for the SARs.

RETIREMENT BENEFITS

Details of the retirement benefits provided by the Group are set out in note 7 to the audited financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into with any person, firm or legal person during the year ended 31 December 2010.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Competition exists between the businesses of Dongfeng Motor Group and Dongfeng Motor Corporation and its subsidiaries. The Executive Directors (Mr. Xu Ping, Mr. Liu Zhangmin, Mr Zhu Fushou, Mr. Zhou Wenjie, Mr. Li Shaozhu and Mr. Fan Zhong) devote most of their time in the management of the daily operations of the Company. The Company further confirmed that its management has not involved in daily operations of Dongfeng Motor Corporation and its subsidiaries which compete with the businesses of the Company during the year ended 31 December 2010.

Mr. Fan Zhong, an Executive Director of the Company, is the Chairman of Dongfeng Chaoyang Diesel Engine Corporation ("Chaoyang Diesel Engine") which is engaged in the manufacture of diesel engines and competes with the business of Dongfeng Motor Co., Ltd. Dongfeng Motor Group is able to conduct and conducts its diesel engine manufacturing business independent of the business of Chaoyang Diesel Engine on an arm's length basis.

Mr. Zhou Wenjie, an Executive Director of the Company, is the Deputy Chairman of Dongfeng Yueda Kia Motor Co., Ltd. which is principally engaged in the manufacture of passenger vehicles under the brand name of Kia which compete with the passenger vehicles manufactured and sold by Dongfeng Motor Group. Dongfeng Yueda Kia Motors Co., Ltd. is a joint venture company of Dongfeng Motor Corporation and has been managed and operated independently from Dongfeng Motor Group. The Company does not have any equity interests in Dongfeng Yueda Kia Motors Co., Ltd.. Dongfeng Motor Group is able to conduct and conducts its passenger vehicle manufacturing business independently of the business of Dongfeng Yueda Kia Motors Co., Ltd. on an arm's length basis.

Save as disclosed above, none of the Directors or their associates own any interests in businesses which compete or are likely to compete with the businesses of the Group or other interests which are in conflict with the Group.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

The Company has received from Dongfeng Motor Corporation a written confirmation that it had complied with the Non-competition Agreement entered into with the Company during the year ended 31 December 2010.

PUBLIC FLOAT

As at the date hereof, according to publicly available information and to the best knowledge of the Company and its directors, not less than 25% of the Company's total issued share capital is held by the public (as defined in the Listing Rules of the Stock Exchange).

CONNECTED TRANSACTIONS

For the year ended 31 December 2010, the continuing connected transactions between the Dongfeng Motor Group and Dongfeng Motor Corporation and its associates (as defined under the Listing Rules), together with the annual caps under the exemption approved in accordance with the Listing Rules, were as follows:

(The following amounts are prepared on combined basis and are aggregates of amounts of the companies of the

Group, including jointly-controlled entities, without pro-rata adjustments)

1. **Land Use Rights Leasing Agreement**

On 14 April 2009, the Company entered into land use right leasing agreements with Dongfeng Motor Corporation in respect of the leases of (i) three parcels of land of 1,892,684 square metres in aggregate in Xiangfan used as vehicle testing sites; (ii) five parcels of land of 129,431 square metres in aggregate (114,447 square metres initially) being used by the special equipment plant of the Company; (iii) eight parcels of land of 69,720 square metres in aggregate (112,924 square metres initially) being used by the power equipment plant of the Company; and (iv) three parcels of land of 34,064 square metres in aggregate (54,679 square metres initially) being used by Dongfeng (Shiyan) Special Purpose Commercial Vehicle Co., Ltd. (東風(十堰)特種商用車有限公司).

The annual rentals payable under the land use rights leasing agreements for the three years from 1 January 2009 to 31 December 2011 are approximately RMB19.29 million, RMB26.91 million and RMB26.91 million respectively. The rentals are determined on an arm's length basis and reflect market rates. An independent valuer has confirmed that the rentals payable are not higher than the prevailing market rates. The annual rentals payable for the leased properties shall be revised every three years and the revised amount shall not be higher than the then prevailing market rates as confirmed by an independent valuer.

Dongfeng Motor Group may give notice to Dongfeng Motor Corporation to require the renewal of the leases twelve months before their expiry. Dongfeng Motor Group may, by giving six months' written notice, terminate all or any of the leases of the leased properties. If the lease of any of the lands is terminated, the rentals payable by Dongfeng Motor Group shall be reduced accordingly. According to the land use rights leasing agreements, Dongfeng Motor Corporation shall not terminate the leases unilaterally without the consent of Dongfeng Motor Group unless Dongfeng Motor Group has changed the use of the leased properties without the consent of Dongfeng Motor Corporation.

Dongfeng Motor Group has agreed to use the leased properties within the scope of the rights granted to Dongfeng Motor Corporation by the PRC government. Should Dongfeng Motor Group wish to change the use of any or all of the leased properties, it shall notify Dongfeng Motor Corporation. Dongfeng Motor Corporation shall determine within 30 days whether it agrees to such change and if so, seek necessary regulatory approvals.

Dongfeng Motor Corporation has agreed to pay taxes, fees and other statutory charges relating to the lease properties.

During the year, the rentals for land use rights paid by Dongfeng Motor Group was RMB26.91 million. Dongfeng Motor Corporation is a substantial shareholder of the Company. Accordingly, the land use rights leasing agreements constitute continuing connected transactions of the Company under the Listing Rules.

2. Provision of Ancillary Services

On 16 April 2008, the Company entered into agreements with Dongfeng Motor Corporation for the provision of ancillary services, pursuant to which Dongfeng Motor Corporation has agreed to provide or procure other members of the Parent Group to provide the following services to Dongfeng Motor Group from 1 January 2008,:

(i) Water Supply Agreement: supply of water by the Parent Group to Dongfeng Motor Group ("Water Supply Agreement");

(ii) Steam Supply Agreement: supply of steam by the Parent Group to Dongfeng Motor Group ("Steam Supply Agreement"); and

(iii) Electricity Supply Agreement: supply of electricity by the Parent Group to Dongfeng Motor Group ("Electricity Supply Agreement"), (together the "Ancillary Services Agreements").

Each of the Ancillary Services Agreements has a term of three years commencing on 1 January 2008. Under the Ancillary Services Agreements, Dongfeng Motor Group has agreed to give priority in using the ancillary services of the Parent Group if the terms offered by it are no less favourable than the terms offered by an independent third party. Dongfeng Motor Corporation and the Company have agreed that the Parent Group is entitled to provide ancillary services to third parties provided that it does not affect the provision of services under the Ancillary Services Agreements. If the ancillary services supplied by the Parent Group cannot satisfy the needs of Dongfeng Motor Group, Dongfeng Motor Group may obtain such ancillary services from independent third parties. Dongfeng Motor Corporation will not, and will procure its subsidiaries not to, provide ancillary services to Dongfeng Motor Group on terms which are less favourable than those offered to independent third parties.

The members of the Parent Group and the members of Dongfeng Motor Group providing or requiring the relevant ancillary services may enter into specific agreements to set out the terms and conditions under which the products and/or ancillary services are to be provided. Such agreements shall be entered into on the basis of the relevant Ancillary Services Agreements.

Each Ancillary Services Agreement provides that the parties to specific agreements may terminate the provision of any products and services by giving three months' prior written notice. However, if Dongfeng Motor Group cannot conveniently obtain certain ancillary services from an independent third party, Dongfeng Motor Corporation may not terminate the provision of such ancillary services under any circumstances.

The above ancillary services shall be provided at (i) the government-prescribed prices; (ii) where there is no government-prescribed price but where there is a government-guidance price, the government-guidance prices; and (iii) where there is neither a government-prescribed price nor a government-guidance price, the market prices. The market price is defined as the price at which the same or similar types of products or services are provided by independent third parties in their ordinary course of business.

The prices for water, electricity and steam are currently prescribed by the PRC government.

The above ancillary services will be charged at the end of each calendar month by members of the Parent Group based on the actual usage by members of Dongfeng Motor Group. The charges of the ancillary services shall be satisfied in cash by internal resources of Dongfeng Motor Group and no payment shall be made on a deferred basis.

As approved at a board meeting on 16 April 2008 and disclosed in an announcement of the same date, the annual cap for the connected transaction of water supply is approximately RMB100 million for 2010. The Group paid approximately RMB57 million to Dongfeng Motor Corporation for the supply of water during the year ended 31 December 2010.

As approved at a board meeting on 16 April 2008 and disclosed in an announcement of the same date, the annual cap for the connected transaction of steam supply is approximately RMB155 million for 2010. The Group paid approximately RMB97 million to Dongfeng Motor Corporation for the supply of steam during the year ended 31 December 2010.

As approved at a board meeting on 16 April 2008 and disclosed in an announcement of the same date, the annual cap for the connected transaction of electricity supply is approximately RMB1,100 million for 2010. The Group paid approximately RMB949 million to Dongfeng Motor Corporation for the supply of electricity during the year ended 31 December 2010.

Dongfeng Motor Corporation is a substantial shareholder of the Company. Accordingly, the Ancillary Services Agreements constitute continuing connected transactions of the Company under the Listing Rules.

3. Agreement for Mutual Supply of Auto Parts (“Mutual Supply Agreement”)

On 16 April 2008, Dongfeng Chaoyang Diesel Co., Ltd. (“Chaoyang Diesel”) and the Company entered into the Mutual Supply Agreement (“Mutual Supply Agreement”) with a term of three years from 1 January 2008, pursuant to which Chaoyang Diesel shall supply diesel engines to Dongfeng Motor Group and Dongfeng Motor Group will supply other auto parts to Chaoyang Diesel.

According to the Mutual Supply Agreement, Chaoyang Diesel shall not (i) provide diesel engines to Dongfeng Motor Group on terms less favourable than those offered to third parties; or (ii) purchase any auto parts from Dongfeng Motor Group on terms more favourable than those offered by Dongfeng Motor Group to third parties or offered by third parties to Chaoyang Diesel.

Under the Mutual Supply Agreement, the parties shall give priority in sourcing auto parts from each other if the terms offered are not less favourable by the terms offered by an independent third party. Subject to the above and if the auto parts supplied by Chaoyang Diesel cannot satisfy the needs of Dongfeng Motor Group in any respect, Dongfeng Motor Group may obtain such auto parts from third parties.

Moreover, under the Mutual Supply Agreement, Dongfeng Motor Group is entitled to provide the relevant products to third parties provided that it shall not affect the provision of auto parts to Chaoyang Diesel under the Mutual Supply Agreement. Chaoyang Diesel shall give priority in the purchase of auto parts from Dongfeng Motor Group.

Dongfeng Motor Group may purchase diesel engines from time to time based on its actual needs. The costs of diesel engines shall be satisfied in cash by internal resources of Dongfeng Motor Group and no payment shall be made on a deferred basis.

As approved at a board meeting on 16 April 2008 and disclosed in an announcement of the same date, for the year ended 31 December 2010, (i) the annual cap for the connected transactions of purchasing auto parts by Chaoyang Diesel from the Group was approximately RMB80 million and the amount paid by Chaoyang Diesel to Dongfeng Motor Group was RMB25 million; (ii) the annual cap for the connected transactions of supplying diesel engines by Chaoyang Diesel to Dongfeng Motor Group was approximately RMB1,330 million and the amount paid by Dongfeng Motor Group to Chaoyang Diesel was RMB844 million.

Dongfeng Motor Corporation is a substantial shareholder of the Company and Chaoyang Diesel is a subsidiary of Dongfeng Motor Corporation. Therefore, Chaoyang Diesel is regarded as a connected person of the Company under the Listing Rules and the Mutual Supply Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

4. Trademarks Licence Agreement

The Company and Dongfeng Motor Corporation entered into a Trademarks Licence Agreement on 29 October 2005, pursuant to which Dongfeng Motor Corporation granted to the Company a non-exclusive right to use certain trademarks owned by and registered in the name of Dongfeng Motor Corporation at no consideration. The agreement came into effect on 7 December 2005 for a term of ten years. Upon expiry of the first and each subsequent term, the agreement shall automatically renew for another ten years.

5. Social Insurance Funds

For the year ended 31 December 2010, Dongfeng Motor Group made contributions to the following funds according to local regulations in the PRC: (1) basic pension fund; (2) supplementary pension fund; (3) medical insurance; (4) unemployment insurance; and (5) housing fund (together "Social Insurance Funds"). These contributions were made to or through an independent department of Dongfeng Motor Corporation. The department is responsible for handling all matters relating to Social Insurance Funds for organisations of Dongfeng Motor Corporation in Hubei.

6. For the year ended 31 December 2010, the continuing connected transactions with the JCEs include:

The following are additional continuing connected transactions of Dongfeng Motor Group as a result of the Stock Exchange's requirement that its existing and future JCEs be regulated in a manner consistent with the regulation of subsidiaries of a listed group.

(i) Purchases of auto parts and production facilities by the Company's JCEs and their subsidiaries and JCEs from their joint venture partners (including their subsidiaries and associates)

During the year ended 31 December 2010, each of Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobiles Company Ltd, Dongfeng Honda Automobile Co., Ltd, Dongfeng Honda Engine Co., Ltd, Dongfeng Honda Auto Parts Co., Ltd. and Dongfeng Nissan Diesel Motor Co., Ltd. (including each of these companies' subsidiaries and associates) regularly purchased auto parts and/or production facilities from the joint venture partners of the Company in the manner described below and such purchases will continue for the duration of the joint venture term.

Once the joint venture partners have agreed that a JCE will commence the manufacture of a new vehicle model, representatives of the JCE will enter into negotiations with the joint venture partner to determine an agreed price list for each component needed to manufacture that model. Pursuant to the contractual provisions of the applicable joint venture agreement, the negotiations between the relevant representatives of the JCE and the relevant joint venture partners to determine the agreed price list, will always be conducted either directly by the Company, as a joint venture partner, or by the relevant JCE's officers nominated by the Company to do so on behalf of the Company. The Company and its joint venture partners are independent of each other for this purpose; no joint venture partner is in a position to influence the Company to agree to terms which may not be in the JCEs' (and therefore the Company's) interest. Pursuant to the operating procedures of the Company, the representatives nominated by the Company have been delegated with the power to approve transactions within the ordinary course of business of a JCE. However, transactions which are outside of the ordinary course of business, material or complex must be reported to and approved by the relevant department of the Company. As such, such negotiations are carried out on arm's length commercial terms.

Unlike normal consumer products, market prices for many vehicle components are not readily available. The Company's representatives therefore rely heavily on their knowledge of industry standards and their prior experience gained from similar negotiations in order to determine whether the agreed price list is appropriate. Once an agreed price list between the representatives of the JCE and the foreign joint venture parties has been determined for all components needed to manufacture the vehicle model, the JCE will obtain quotes for equivalent components that may be available from local PRC suppliers in order to determine whether viable alternatives can be obtained (1) with the highest quality; (2) in a timely manner; and (3) at the most competitive prices. If alternatives are available, the component in question will be struck off the agreed price list between the representatives of the JCE and the joint venture parties, and the JCE will purchase the component from the local supplier. This is a continuing process which extends throughout the life-cycle of a vehicle model. The agreed price list between the representatives of the JCE and the foreign joint venture parties is revised from time to time to reflect raw materials prices, exchange rate fluctuations, inflation and other factors.

The process described above, known as "localisation", is a stated priority of the JCEs' provided for in the relevant joint venture contracts.

Once an agreed price list between the representatives of the JCE and the joint venture partners has been determined, purchases of auto parts and production equipment by the JCEs and their subsidiaries and JCEs from the joint venture partners are made on a batch basis to cater to the JCE's requirements for different auto parts and production equipment from time to time.

The JCEs (including their subsidiaries, JCEs and associates) may only purchase auto parts and production equipment from the joint venture partners (including their subsidiaries and associates) if it is unable to obtain auto parts of equivalent quality or of the required specifications at a more favourable price (or otherwise on more favourable terms) from a local supplier. The contracts entered into between the JCEs and the joint venture partners of the Company (or the affiliates of such joint venture partners) for the purchases of auto parts and production equipment by the JCEs (including their subsidiaries, JCEs and associates) from the joint venture partners (including their subsidiaries and associates) must be pre-approved by the Company to ensure that the JCE only enters into transactions on normal commercial terms or terms which are more favourable to the JCE. Therefore, purchases of auto parts and production equipment by the JCEs (including their subsidiaries, JCEs and associates) from the joint venture partners (including their subsidiaries and associates) will be on terms which are fair and reasonable to the JCEs. All of these parameters are set out in the joint venture contracts and will remain in place for the duration of the joint venture term.

The purchases of auto parts and production facilities by the JCEs (including their subsidiaries, JCEs and associates) from their joint venture partners constitute continuing connected transactions and were made according to normal commercial terms (or terms which are more favourable to the JCEs), in ordinary and normal business course of the JCEs after arm's length negotiation.

For the year ended 31 December 2010, the total consideration paid by the JCEs and their subsidiaries and JCEs in respect of purchases of auto parts and production facilities from the joint venture partners (including their subsidiaries and associates) was RMB23,355 million.

(ii) *Sales of passenger vehicle engines and related auto parts from Dongfeng Honda Engine Co., Ltd. to Guangzhou Honda Automobile Co., Ltd. pursuant to the arrangements among Dongfeng Motor Corporation, Honda Motor Co., Ltd. and Guangzhou Automobile Group Co., Ltd*

The establishment of Dongfeng Honda Engine Co., Ltd. ("Dongfeng Honda Engine") forms part of the arrangements between Dongfeng Motor Corporation, Honda Motor Co., Ltd. and Guangzhou Automobile Group Co., Ltd. The primary reason for the formation of Dongfeng Honda Engine was to manufacture engines and other related auto parts for sale to Guangzhou Honda Automobile Co., Ltd, Honda Motor Co., Ltd's other main automotive manufacturing joint venture in the PRC. Dongfeng Motor Corporation's interests in Dongfeng Honda Engine were subsequently transferred to the Company. Pursuant to the arrangements among Dongfeng Motor Corporation, Honda Motor Co., Ltd. and Guangzhou Automobile Group Co., Ltd, Guangzhou Honda Automobile Co., Ltd. would only purchase from Dongfeng Honda Engine engines and other related auto parts necessary for manufacturing of passenger vehicles for the duration of the joint venture term at such prices as would enable the respective investment returns on Dongfeng Honda Engine and on Guangzhou Honda Automobile Co., Ltd. to be proportionate to the initial investment in these two companies (US$60,060,000 in the case of Dongfeng Honda Engine and US$139,940,000 in the case of Guangzhou Honda Automobile Co., Ltd). The equity interest of Guangzhou Honda Automobiles Co., Ltd. is equally held between Honda Motor Co., Ltd. and Guangzhou Automobile Group Co., Ltd. As such, Guangzhou Honda Automobile Co., Ltd. is a connected person of the Company under Rule 14A.11(4) of the Listing Rules and the sales of passenger vehicle engines and related auto parts from Dongfeng Honda Engine to Guangzhou Honda Automobile Co., Ltd. constitute continuing connected transactions.

Pursuant to the contractual provisions of the relevant joint venture agreement, the negotiations for the sale of engines and other auto parts between Dongfeng Honda Engine and Guangzhou Honda Automobile Co., Ltd. will always be conducted by the JCE's officers nominated by the Company on behalf of Dongfeng Honda Engine. The Company and its joint venture partner are independent of each other for this purpose, so that no joint venture partner is in a position to influence the Company to agree to terms which may not be in the JCEs (and therefore the Company's) interests. Pursuant to the operating procedures of the Company, the representatives nominated by the Company have been delegated with the power to approve transactions within the ordinary course of business of a JCE. However, transactions which are outside of the ordinary course of business, material or complex must be reported to and approved by the relevant department of the Company. As such, negotiations carried out are on arm's length commercial terms.

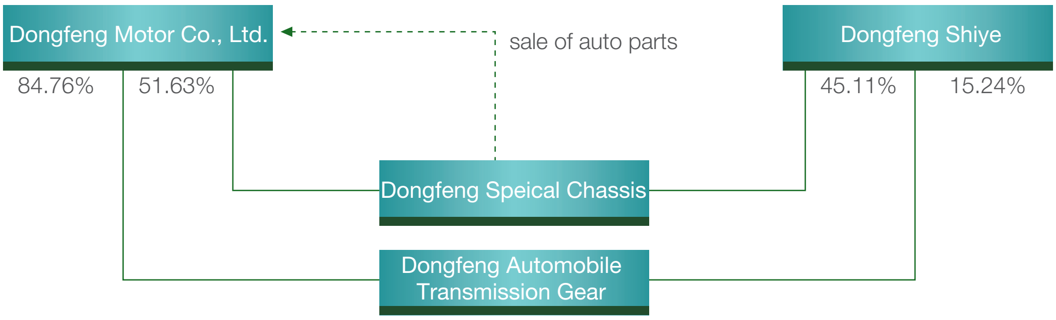
The sale of Honda passenger vehicle engines and other related parts by Dongfeng Honda Engine to Guangzhou Honda Automobile Co., Ltd. will continue to be effective until Dongfeng Honda Engine and Guangzhou Honda Automobile Co., Ltd. are merged into a single entity, and may only be otherwise terminated in circumstances permitted under PRC law.

For the year ended 31 December 2010, Guangzhou Honda Automobile Co., Ltd. continued to purchase from Dongfeng Honda Engine engines and auto parts needed by it.

(iii) *Sales of auto parts by Dongfeng Special Vehicle Chassis (Hubei) Co., Ltd. to Dongfeng Motor Co., Ltd*

The equity interests in Dongfeng Special Vehicle Chassis (Hubei) Co., Ltd. ("Dongfeng Special Chassis") are owned as to 51.63% by Dongfeng Motor Co., Ltd, as to 45.11% by Dongfeng Shiye Co., Ltd. (東風實業有限公司) ("Dongfeng Shiye"), and as to 3.26% by Paien Co., Ltd. (派恩有限公司). Dongfeng Shiye also owns a 15.24% equity interest in another subsidiary of Dongfeng Motor Co., Ltd, Dongfeng Automobile

Transmission Gear Co., Ltd. ("Dongfeng Automobile Transmission Gear") (東風汽車變速箱有限公司) (in which Dongfeng Motor Co., Ltd. has an equity interest of 84.76%).



Dongfeng Shiye is a substantial shareholder in a subsidiary of Dongfeng Motor Co., Ltd. (Dongfeng Automobile Transmission Gear Co., Ltd) and Dongfeng Shiye owns 45.11% of the equity interests in Dongfeng Special Vehicle Chassis. Dongfeng Special Vehicle Chassis is therefore a connected person of the Company under Rule 14A.11(4) of the Listing Rules and the sales of auto parts by Dongfeng Special Vehicle Chassis Co., Ltd. to Dongfeng Motor Co., Ltd. constitute continuing connected transactions.

Dongfeng Shiye holds no equity interest in either the Company or Dongfeng Motor Corporation, and neither the Company nor Dongfeng Motor Corporation holds any equity interest in Dongfeng Shiye.

Dongfeng Special Vehicle Chassis (Hubei) Co., Ltd. manufactures bus chasses and sells them to Dongfeng Motor Co., Ltd. as well as to external customers. Sales of bus chasses manufactured by Dongfeng Special Vehicle Chassis to Dongfeng Motor Co., Ltd. are carried out in the ordinary course of business of both companies, and are made on a batch basis and without subject to a framework agreement in accordance with the requirements of Dongfeng Motor Co., Ltd.

The consideration of bus chasses is determined in accordance with normal market and commercial terms on a batch basis.

The Dongfeng Motor Co., Ltd's bus chassis purchases are a fundamental part of the ordinary course of operations of the commercial vehicle manufacturing businesses of Dongfeng Motor Co., Ltd. Since Dongfeng Bus Chassis is a subsidiary of Dongfeng Motor Co., Ltd, all negotiations between the parties are controlled by Dongfeng Motor Co., Ltd. As such, Dongfeng Bus Chassis is not in a position to influence Dongfeng Motor Co., Ltd. to agree to terms which may not be in its (and therefore the Company's) interest. Further, with respect to transactions undertaken by Dongfeng Motor Co., Ltd, including the sales of auto parts by Dongfeng Bus Chassis to Dongfeng Motor Co., Ltd, internal control mechanisms and internal reporting lines have been implemented to enable material transactions, based on the monetary value of each transaction, to be reported to its board. Operating procedures are adopted by all the subsidiaries and JCEs of Dongfeng Motor Co., Ltd. with a view to require the subsidiaries and JCEs of Dongfeng Motor Co., Ltd. to report transactions that would have implications under the Listing Rules to the relevant department of Dongfeng Motor Co., Ltd. which in turn would discuss with the Company and its joint venture partner in relation to the steps necessary for compliance with the Listing Rules. As such, these reporting lines would enable Dongfeng Motor Co., Ltd. and, hence the Company, to consent to the sales of auto parts by Dongfeng Bus Chassis to Dongfeng Motor Co., Ltd.

For the year ended 31 December 2010, the total amount of consideration paid by Dongfeng Motor Co., Ltd. to Dongfeng Bus Chassis Co., Ltd. for purchases of auto parts was RMB74 million.

(iv) Technology licence and technical assistance between the JCEs and their subsidiaries on the one hand and their joint venture partners on the other hand

The JCEs make periodic payments of royalties to the foreign joint venture partners pursuant to the technology licence and technical assistance agreements entered into with the foreign joint venture partners of the Company in respect of existing vehicle models manufactured by the JCEs. Technology licence and technical assistance between the JCEs and their subsidiaries on the one hand and their joint venture partners on the other hand constitutes a continuing connected transaction.

The terms of all technology licence and technical assistance between the JCEs, their subsidiaries and their joint venture partners which are to be entered into by the JCEs are either governed by an umbrella agreement and/or separately entered into prior to the introduction of a new vehicle model. For one of the JCEs, the terms of all technology licence and technical assistance which have been entered into, and which in future will be entered into, between that JCE and its foreign joint venture partner are governed by an umbrella agreement, the agreed form of which was negotiated between the Company and the joint venture partner before the parties established the JCE and which was in agreed form by the time the joint venture contract relating to the JCE was signed. Therefore, the terms of the umbrella agreement were negotiated on an arm's length basis between independent third parties. The umbrella agreement has a term of 10 years, and contains detailed terms which govern how the consideration for each technology licence to be entered into between the Company and the joint venture partner is to be determined. The umbrella agreement also provides provisions in relation to the consideration for the technology licensed, which is in the form of a royalty determined in accordance with a fixed formula.

The terms of the agreements relating to technology licences and technical assistance are fixed with reference to the expected life cycle of vehicle models.

Pursuant to the contractual provisions of the applicable joint venture agreement, all negotiations relating to technology licence and technical assistance between the JCEs, their subsidiaries and their joint venture partners will only be either done directly by the Company, as a joint venture partner, or by the relevant JCE's officers nominated by the Company to do so on behalf of the Company. Pursuant to the operating procedures of the Company, the representatives nominated by the Company have been delegated with the power to approve transactions of the ordinary course within business of a JCE. However, transactions which are outside of the ordinary course of business, material or complex must be reported to and approved by the relevant department of the Company. Therefore, such technology licence and technical assistance between the JCEs, their subsidiaries and their joint venture partners were negotiated on arm's length commercial terms.

Generally, the pricing for technology licence and technical assistance between the JECs, their subsidiaries and their joint venture partners and their subsidiaries and associates is that the party providing the technology should be fairly reimbursed for its research and development costs incurred in respect of a particular vehicle model. Furthermore, such research and development costs should be spread evenly over the entire operations of the party providing the technology, and the PRC automotive joint venture should only bear its fair share of such costs.

For the year ended 31 December 2010, the total consideration paid by the JCEs in respect of purchases of technology licences and technical assistance stated above was RMB3,844 million.

In future joint operating periods, such technology licence and technical assistance fees will continue to be paid to foreign joint venture partners in accordance with existing umbrella agreements and contracts signed from time to time.

(v) *Value-added processing fees paid by Dongfeng Motor Co., Ltd. to Guangzhou Aeolus Automobile Co., Ltd. ("Aeolus Services").*

Pursuant to the agreement between the Company and Yulon Motor Co., Ltd, Guangzhou Aeolus Automobile Co., Ltd. ("Guangzhou Aeolus") and certain other Jetford Inc. affiliated companies, including but not limited to Aeolus Automobile Co., Ltd. ("Aeolus Motor") and Dongfeng Yulong Motor Sales Co., Ltd. ("Dongfeng Yulong Motor Sales") continued to provide value-added processing services relating to automobiles to Dongfeng Motor Co., Ltd. and its subsidiaries for the year ended 31 December 2010. The provision of these services are entered into in the performance of, and the consideration for the services is determined by, pre-existing contractual obligations between the Company and Yulon Motor Co., Ltd. as part of a commercial arrangement to facilitate the formation of Dongfeng Motor Co., Ltd., whereby the Company, Nissan Motor Co., Ltd, Yulon Nissan Motor Co., Ltd. agreed that the various joint venture companies in which Yulon Nissan Motor Co., Ltd. has equity interests (including Guangzhou Aeolus Automobile Co., Ltd) would, starting from 1 January 2004 and for the duration of the joint venture term of Dongfeng Motor Co., Ltd, provide to Dongfeng Motor Co., Ltd. certain value added services in return for payment of such service fees as would enable an indirect subsidiary of Yulon Nissan Motor Co., Ltd. to receive, through whose direct and indirect equity interests in these joint venture companies, a variable annual amount (adjusted each year in accordance with the value of services rendered by Yulon Nissan Motor Co., Ltd, its subsidiaries and these joint venture companies in the course of the year).

Since Guangzhou Aeolus Automobile Co., Ltd. and the other Jetford Inc. affiliated companies are subsidiaries of Dongfeng Motor Co., Ltd, all negotiations between the parties will be controlled by Dongfeng Motor Co., Ltd. As such, Guangzhou Aeolus Automobile Co., Ltd. and the other Jetford Inc. affiliated companies will not be in a position to influence Dongfeng Motor Co., Ltd. to agree to terms which may not be in its (and therefore the Company's) interest. Further, with respect to transactions undertaken by Dongfeng Motor Co., Ltd. and its subsidiaries, including the Aeolus Services, internal control mechanisms and internal reporting lines have been implemented to enable material transactions, based on the monetary value of each transaction, to be reported to the board of Dongfeng Motor Co., Ltd. Operating procedures are adopted by all the subsidiaries and JCEs of Dongfeng Motor Co., Ltd. with a view to require the subsidiaries and JCEs of Dongfeng Motor Co., Ltd. to report certain transactions that would have implications under the Listing Rules to the relevant department of Dongfeng Motor Co., Ltd. which in turn would discuss with the Company and its joint venture partner in relation to the steps necessary for compliance with the Listing Rules. As such, these reporting lines would enable Dongfeng Motor Co., Ltd. and, hence the Company, to consent to the Aeolus Services.

The equity interests in Guangzhou Aeolus are owned as to 60% by Dongfeng Motor Co., Ltd. and as to 40% by Jetford Inc. The equity interests in Aeolus Motor are owned as to 45% by Dongfeng Motor Co., Ltd, 30% by Guangzhou Aeolus and 25% by Jetford Inc. The equity interests in Dongfeng Yulong Motor Sales are owned as to 51% by Dongfeng Automobile Co., Ltd. and 49% by Jetford Inc.

Jetford Inc. is a substantial shareholder in each of the following subsidiary of Dongfeng Motor Co., Ltd, namely Guangzhou Aeolus, Aeolus Motor and Dongfeng Yulong Motor Sales. Each of Guangzhou Aeolus, Aeolus Motor and Dongfeng Yulong Motor Sales are therefore connected persons of the Company under Rule 14A.11(4) of the Listing Rules and the provision of value-added processing services by Guangzhou Aeolus, Aeolus Motor and Dongfeng Yulong Motor Sales to Dongfeng Motor., Ltd. constitutes a continuing connected transaction.

Dongfeng Motor Co., Ltd. paid value-added processing fees to Guangzhou Aeolus, Aeolus Motor and Dongfeng Yulong Motor Sales.

(vi) *Transactions between Dongfeng Honda Auto Parts Co., Ltd. and the other JCEs*

As part of the ordinary course of their business, Dongfeng Honda Engine Co., Ltd. and Dongfeng Honda Automobile Co., Ltd. regularly purchase auto parts from Dongfeng Honda Auto Parts

Co., Ltd. Dongfeng Honda Auto Parts Co., Ltd. also regularly purchases raw materials from the auto parts manufacturing businesses of Dongfeng Motor Co., Ltd. and its subsidiaries.

Pursuant to the contractual provisions of the joint venture agreements, the negotiations for the purchase of the auto parts between Dongfeng Honda Auto Parts Co., Ltd. and Dongfeng Honda Automobile Co., Ltd. or Dongfeng Honda Engine Co., Ltd. will always be conducted by the JCE's officers nominated by the Company on the one hand and the JCE officers nominated by the relevant joint venture partner on the other hand. The Company and its joint venture partners are independent of each other for this purpose, no joint venture partner is therefore in a position to influence the Company to agree to terms which may not be in the JCEs (and therefore the Company's) interest. Pursuant to the operating procedures of the Company, the representatives nominated by the Company have been delegated with the power to approve transactions within the ordinary course of business of a JCE. However, transactions which are outside of the ordinary course of business, material or complex must be reported to and approved by the relevant department of the Company. Also, in relation to the sale of auto parts by Dongfeng Honda Auto Parts Co., Ltd. and Dongfeng Motor Co., Ltd, pursuant to the contractual provisions of the relevant joint venture agreements, the negotiations in relation to such sales will be conducted out by the JCE officers nominated by the relevant joint venture partners. Since the joint venture partners in Dongfeng Honda Auto Parts Co., Ltd. and Dongfeng Motor Co., Ltd. are independent from each other, they will not be in a position to influence the other JCE to agree to terms which may not be in that JCE's (and therefore the Company's) interest. As such, such negotiations are carried out on arm's length commercial terms and the consideration for purchase of auto parts and raw materials are based on normal market and commercial terms as agreed on batch basis and without subject to a framework agreement.

Honda Motor Co., Ltd. is a substantial shareholder of each of Dongfeng Honda Auto Parts Co., Ltd, Dongfeng Honda Automobile Co., Ltd. and Dongfeng Honda Engine Co., Ltd. At the same time, Honda Motor Co., Ltd. holds more than 30% of equity interests of Dongfeng Honda Auto Parts Co., Ltd, Dongfeng Honda Automobile Co., Ltd. and Dongfeng Honda Engine Co., Ltd. respectively. Each of Dongfeng Honda Auto Parts Co., Ltd, Dongfeng Honda Automobile Co., Ltd. and Dongfeng Honda Engine Co., Ltd. are therefore connected persons of the Company under Rule 14A.11(4) of the Listing Rules. Therefore, the purchase of auto parts by Dongfeng Honda Engine Co., Ltd. and Dongfeng Honda Automobile Co., Ltd. from Dongfeng Honda Auto Parts Co., Ltd. and the purchase of raw materials by Dongfeng Hongda Auto Parts Co., Ltd. from the auto parts manufacturing businesses of Dongfeng Motor Co., Ltd. and its subsidiaries constitute continuing connected transactions.

For the year ended 31 December 2010, the net aggregate consideration arrived at by offsetting the consideration paid by Dongfeng Honda Auto Parts Co., Ltd. to Dongfeng Motor Co., Ltd.

and its subsidiaries for the purchase of auto parts from the consideration paid by Dongfeng Honda Engine Co., Ltd. and Dongfeng Honda Automobile Co., Ltd. to Dongfeng Honda Auto Parts Co., Ltd. for the purchase of auto parts was RMB1,311million.

(vii) Master Land Lease Contract between Dongfeng Motor Co., Ltd. and Dongfeng Motor Corporation

Pursuant to the land lease contract entered into between Dongfeng Motor Corporation and Nissan Motor Co., Ltd. ("Nissan JV Lease"), Dongfeng Motor Co., Ltd. leased land from Dongfeng Motor Corporation for a term equivalent to the term of Dongfeng Motor Co., Ltd, from 2003 to 2053. As Dongfeng Motor Corporation is a substantial shareholder of the Company, the Nissan JV Lease constitutes a continuing connected transaction.

Under the Nissan JV Lease, Dongfeng Motor Co., Ltd. leased from Dongfeng Motor Corporation a total of 247 parcels of land with an aggregate area of approximately 6,193,777.41 sq.m. for industrial use, which have been supplemented with industrial infrastructure.

The standard rent ("Rent") for each parcel of the leased land amounts to an aggregate annual rent of RMB168 million During the first year of the lease, which extended from the lease commencement date to the end of that calendar year, the rent payable by Dongfeng Motor Co., Ltd. was 10% of the Rent prorated to the actual days in that first year. From the second, third and fourth years of the lease, only 50%, 70%, and 90% of the Rent is payable by Dongfeng Motor Co., Ltd. respectively. The full Rent is payable for the fifth year. From the sixth anniversary of the lease commencement date (i.e., 2009) and every three years thereafter, the Rent payable under the Nissan JV Lease may be adjusted as per the guidelines set out in the Nissan JV Lease, The adjusted rent shall not be less than 85% of the Rent for the immediately preceding period and shall not exceed 115% of the rent for the immediately preceding three year period. Dongfeng Motor Co., Ltd. and Dongfeng Motor Corporation may meet and discuss in good faith adjustments to the Rent during the six months prior to the expiration of the sixth anniversary of the lease commencement date and any subsequent three year period. If the Dongfeng Motor Co., Ltd. and Dongfeng Motor Corporation cannot agree on the fair market value of the leased land, an independent appraiser shall be jointly appointed by Dongfeng Motor Co., Ltd. and Dongfeng Motor Corporation to determine the fair market rate of the leased land, with such appraised value then to serve as the basis for the parties' discussions concerning the adjusted rent.

The rental payable under the land lease contract is determined on a fair basis and reflects the market rates. An independent valuer has confirmed that the rental under the land lease contract is not higher than the prevailing market rates.

On 31 December 2009, Dongfeng Motor Co., Ltd and Dongfeng Motor Corporation decided not to adjust the rental standard of lands leased by Dongfeng Motor Co., Ltd. However, in respect of lands leased by Dongfeng Motor Co., Ltd. from Dongfeng Motor Corporation, rentals shall be adjusted for the change in areas of lands leased with new agreements signed in accordance with the pricing policy of Nissan JV Lease. The parcels of land leased decreased from the original Nissan JV Lease of 247 to 234 in 2010, while the area in aggregate increased from the original Nissan JV Lease of 6,193,777.41 square metres to 7,062,030.24 square metres in 2010. The changes were mainly attributable to the termination of leases and the new leases resulted from the increasing business needs by Dongfeng Motor Co., Ltd.

For the year ended 31 December 2010, the annual rent paid by Dongfeng Motor Co., Ltd. to Dongfeng Motor Corporation should be RMB168 million.

(viii) Sales of auto parts by Dongfeng Honda Auto Parts Co., Ltd. to Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd

Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd, which are both based in Hong Kong and engaged primarily in the import and export of Honda products, are both subsidiaries of Honda Motor Co., Ltd. and the sales of auto parts by Dongfeng Honda Auto Parts Co., Ltd. to Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd. constitute continuing connected transactions. One of the primary reasons for the formation of Dongfeng Honda Auto Parts Co., Ltd. was for the manufacture of auto parts both for sales within the PRC and for export to the Honda group of companies overseas, with the corresponding benefits to such companies due to the economies of scale. Consequently, Dongfeng Honda Auto Parts Co., Ltd. regularly sells auto parts to Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd. Such auto parts are then exported by Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd. to Honda Motor Co., Ltd. Dongfeng Honda Auto Parts Co., Ltd. continued to sell auto parts to Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd. for the year ended 31 December 2010.

All existing and future negotiations regarding the sales to Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd. were and will be conducted by a Company representative on behalf of Dongfeng Honda Auto Parts Co., Ltd. Pursuant to the operating procedures of the Company, the representatives nominated by the Company have been delegated with the power to approve transactions within the ordinary course of business of a JCE. However, transactions which are outside of the ordinary course of business, material or complex must be reported to and approved by the relevant department of the Company. Therefore, such sales were and will be negotiated on arm's length basis commercial terms and the consideration for sales of auto parts are based on normal market and commercial terms as agreed on a batch basis and without subject to a framework agreement.

(ix) *Purchases of auto parts by Dongfeng Special Vehicle Chassis (Hubei) Co., Ltd. from Dongfeng Motor Co., Ltd. and its subsidiaries*

The principal business of Dongfeng Special Vehicle Chassis (Hubei) Co., Ltd. ("Dongfeng Special Chassis") is the manufacture of bus chassis for sale to the commercial vehicle manufacturing businesses of Dongfeng Motor Co., Ltd. as well as to external customers. In order to manufacture its products, Dongfeng Special Vehicle Chassis (Hubei) regularly purchases auto parts from Dongfeng Motor Co., Ltd. and its subsidiaries.

To ensure that Dongfeng Special Chassis can purchase auto parts at the most favourable price, Dongfeng Special Chassis selects supplier of each batch of auto parts through a tender. During the tendering process, Dongfeng Motor Co., Ltd. and its subsidiaries do not have any privileges over other third party suppliers.

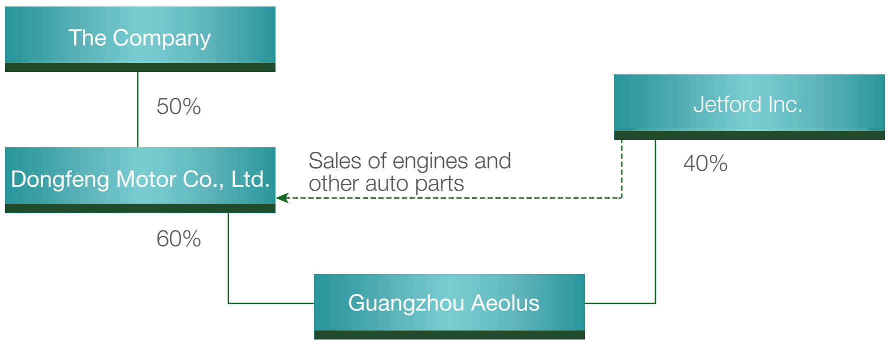
Dongfeng Special Chassis' need to purchase auto parts depends on expected demand for its products, which fluctuates frequently and is difficult to predict with any degree of accuracy over a long period of time. In the interests of efficient inventory planning, auto parts manufacturers like Dongfeng Special Chassis usually enter into auto parts purchase contracts on a batch basis depending on expected short term demand for auto parts manufactured by it and without subject to a framework agreement.

Since Dongfeng Special Chassis is a subsidiary of Dongfeng Motor Co., Ltd, all negotiations between the parties are controlled by Dongfeng Motor Co., Ltd. As such, Dongfeng Special Chassis is not in a position to influence Dongfeng Motor Co., Ltd. to agree to terms which may not be in its (and therefore the Company's) interest.

Amongst these purchases, transactions entered into with Dongfeng Motor Co., Ltd. and the certain subsidiaries of Dongfeng Motor Co., Ltd. (being Dana Axle Co., Ltd. (東風德納車橋有限公司), Dongfeng Motor Wheel Rim Co., Ltd. (東風汽車車輪有限公司), Dongfeng Motor Propeller Shaft Co., Ltd. (東風汽車傳動軸有限公司) , Dongfeng Automobile Co., Ltd. (東風汽車股份有限公司) and Dongfeng Automobile Suspension Co., Ltd. (東風汽車懸架彈簧有限公司) constitute continuing connected transactions under Listing Rules.

For the year ended 31 December 2010, the total consideration paid by Dongfeng Special Chassis to Dongfeng Motor Co., Ltd. and its subsidiaries listed above for purchases of auto parts was RMB353 million.

(x) *Sales of engines and other auto parts by Jetford Inc. to Dongfeng Motor Co., Ltd.*



40% of the equity interests in Guangzhou Aeolus (a 60% subsidiary of Dongfeng Motor Co., Ltd) is owned by Jetford Inc. Jetford Inc. is therefore a connected person of the Company and the sales of engines and other auto parts by Jetford Inc. to Dongfeng Motor Co., Ltd. constitute continuing connected transactions.

Since the formation of Dongfeng Motor Co., Ltd. in 2003, it has been purchasing engines and other auto parts from Jetford Inc. on a regular basis in its ordinary course of business ("Jetford Purchases"). The auto parts and engines purchased from Jetford Inc. are tailor-made for Dongfeng Motor Co., Ltd. with unique technologies owned by Jetford Inc. The purchase of auto parts and engines from Jetford Inc. will continue until Dongfeng Motor Co., Ltd. is in a position to produce such auto parts and engines.

These purchases are made by Dongfeng Motor Co., Ltd. pursuant to the production and sales plan of Dongfeng Motor Co., Ltd. and the price quoted by Jetford Inc. on a batch basis from time to time. The Company will continue to purchase from Jetford Inc. on a batch basis. No fixed time period has been proposed in respect of the Jetford Purchases.

Since Guangzhou Aeolus Automobile Co., Ltd. is a subsidiary of Dongfeng Motor Co., Ltd, all negotiations between the parties are controlled by Dongfeng Motor Co., Ltd. As such, Guangzhou Aeolus Automobile Co., Ltd. is not in a position to influence Dongfeng Motor Co., Ltd. to agree to terms which may not be in its (and therefore the Company's) interest. Further, with respect to transactions undertaken by Dongfeng Motor Co., Ltd, including the Jetford Purchases, internal control mechanisms and internal reporting lines have been implemented to enable material transactions, based on the monetary value of each transaction, to be reported to its board. Operating procedures have been adopted by all the subsidiaries and JCEs of Dongfeng Motor Co., Ltd. with a view to require the subsidiaries and JCEs of Dongfeng Motor Co., Ltd. to report transactions that would have implications under the Listing Rules to the relevant department of Dongfeng Motor Co., Ltd. which in turn would discuss with the Company and its joint venture partner in relation to the steps necessary for compliance with the

Listing Rules. As such, these reporting lines would enable Dongfeng Motor Co., Ltd. and, hence, the Company, to consent to the Jetford Purchases.

For the year ended 31 December 2010, the total consideration paid by Dongfeng Motor Co., Ltd. for purchases of engines and other auto parts from Jetford Inc. was RMB11 million.

The Company and the Stock Exchange has agreed that the abovementioned transactions will comply with the annual reporting requirements under Rule 14A.45 of the Listing Rules, and the Company will only disclose annual total amounts of transactions pursuant to waivers stated in paragraphs (i), (iv), (vi) (the disclosure of the net annual total amount of transactions between Dongfeng Honda Auto Parts Co., Ltd. and other JCEs) and (ix). It was due to the fact that disclosure of consideration of each transaction of each jointly controlled entity may constitute a disclosure of commercial sensitive information of the business under common control and is not in the interests of the Company nor the JCEs.

In addition, with respect to transactions mentioned in paragraphs (ii), (v) and (viii), disclosing total consideration and additional terms in compliance with Rule 14A.45(4) of the Listing Rules will constitute a disclosure of commercial sensitive information of the business under common control and is not in the interests of the Company nor the JCEs. In this regard, the Company has applied to the Stock Exchange for, and has been granted with, a waiver from strict compliance with the requirements under Rule 14A.45(4) of the Listing Rules during each of transaction periods.

Annual caps of the abovementioned transaction determined in accordance with the requirements stipulated in Rule 14A.35(2) of the Listing Rules will not be in the interests of the Company and relevant JCEs. In this regard, the Company has applied to the Stock Exchange for, and has been granted with, a waiver from strict compliance with the requirements under Rule 14A.35(2) of the Listing Rules during each of transaction periods.

7. Connected transactions involving Dongfeng Motor Finance Co., Ltd

Based on the calculation prepared in accordance with the audited financial statements for the year ended 31 December 2005, Dongfeng Motor Finance Co., Ltd. shall be regarded as a subsidiary of the Company from 1 January 2006, and the continuing transactions between Dongfeng Motor Finance Co., Ltd. and Dongfeng Motor Corporation and its subsidiaries shall constitute continuing connected transactions.

As of 31 December 2010, the total amount deposited by Dongfeng Motor Corporation and its subsidiaries with Dongfeng Motor Finance Co., Ltd. was RMB854 million. Dongfeng Motor Finance Co., Ltd. granted loans of approximately RMB28 million to Dongfeng Motor Corporation and its subsidiaries.

8. Mutual Supply Agreement between Dongfeng Motor Group and Dongfeng Hongtai Wuhan Holdings Group Limited

The Company and Dongfeng Hongtai Wuhan Holdings Group Limited ("Dongfeng Hongtai") entered into the Mutual Supply Agreement ("Mutual Supply Agreement") on 28 November 2006, pursuant to which Dongfeng Motor Group has agreed to purchase and sell vehicles and auto parts from and to Dongfeng Hongtai.

The Mutual Supply Agreement is effective from 28 November 2006 and is a continuing contract terminable by agreement between the parties on the occurrence of certain events such as the bankruptcy or reorganisation of a party.

Under the Mutual Supply Agreement, the terms and conditions offered by an independent third party being equal, the parties will give priority in sourcing the vehicles and auto parts from each other. Subject to the above and if the vehicles and auto parts supplied by Dongfeng Hongtai cannot satisfy the needs of Dongfeng Motor Group in any respect, Dongfeng Motor Group may obtain such vehicles and auto parts from third parties. Moreover, under the Mutual Supply Agreement Dongfeng Motor Group is entitled to provide the relevant products to third parties given that it will not affect the provision of vehicles and auto parts to Dongfeng Hongtai under the Mutual Supply Agreement.

On 22 December 2008, the Company was informed by Dongfeng Motor Corporation that Dongfeng Motor Corporation has acquired a 91.25% interest in Dongfeng Hongtai. Dongfeng Motor Corporation, being a substantial shareholder of the Company, is a connected person of the Company. Dongfeng Hontai, having become a non wholly-owned subsidiary of Dongfeng Motor Corporation, has also become a connected person and the associate of a connected person of the Company within the meaning of the Listing Rules. As a result, the ongoing transactions contemplated under the Mutual Supply Agreement between Dongfeng Motor Group and Dongfeng Hongtai have become continuing connected transactions of the Company.

The purchases and sales of vehicles and auto parts by Dongfeng Motor Group or Dongfeng Hongtai were made on the basis of the actual needs of either party and were conducted at market price on normal commercial terms in the ordinary course of business of the Company. The Company expects the transactions to continue to be conducted at market price on normal commercial terms.

For the year ended 31 December 2010, the total consideration paid by Dongfeng Motor Group to Dongfeng Hongtai for purchases of vehicle and auto parts from Dongfeng Hongtai was RMB829 million and the total consideration paid by Dongfeng Hongtai to Dongfeng Motor Group for purchases of vehicle and auto parts from Dongfeng Motor Group was RMB776 million.

9. Dongfeng Motor Group sells whole vehicles and chassis of commodity vehicles to Dongfeng Motor Trade Corporation, a subsidiary of Parent.

Dongfeng Trade Corporation is the wholly-owned subsidiary of Parent.

On 20 December 2010, the Board approved the continuing connected transaction, and the Company and Dongfeng Motor Trade Corporation entered into the Commodity Vehicles Master Sales Agreement, which will be effective from 1 January 2011. According to the Commodity Vehicles Master Sales Agreement, Dongfeng Motor Group has agreed to sell commodity vehicles to Dongfeng Motor Trade Corporation.

The price of commodity vehicles sold under the Commodity Vehicles Master Sales Agreement shall be determined on an arm's length and reasonable basis with reference to prevailing market rates. Dongfeng Motor Trade Corporation shall purchase commodity vehicles from time to time based on actual needs.

The proposed annual caps for Dongfeng Motor Trade Corporation's purchase of commodity vehicles from Dongfeng Motor Group for each of the three years ending 31 December 2011, 31 December 2012 and 31 December 2013 are approximately RMB1,700 million, RMB2,200 million and RMB2,900 million, respectively. The amounts payable attributable to the Group are approximately RMB850 million, RMB1,100 million and RMB1,450 million, respectively. The annual caps are determined on the basis of the historical and estimated volume and prices of purchases of commodity vehicles by Dongfeng Motor Trade Corporation.

For the year ended 31 December 2010, the total amount for Dongfeng Motor Trade Corporation's purchase of commodity vehicles from Dongfeng Motor Group are approximately RMB906 million.

10. Dongfeng Motorcity Logistics Co., Ltd. Provide logistics services to Dongfeng Motor Group and its related parties

Dongfeng Motorcity Logistics Co., Ltd. is a subsidiary of Parent. Parent holds 70.46% equity interests in Dongfeng Motorcity Logistics Co., Ltd.

On 20 December 2010, the Board approved the above continuing connected transactions and the Company entered into the Logistics Services Master Agreement with Dongfeng Motorcity Logistics Co., Ltd., which will become effective from 1 January 2011. According to the Logistics Services Master Agreement, Dongfeng Motorcity Logistics Co., Ltd. has agreed to provide logistics services for whole vehicles and auto parts to Dongfeng Motor Group and its related parties.

The historical unique relationship and long-term cooperation between Dongfeng Motorcity Logistics Co., Ltd. and Dongfeng Motor Group has enabled Dongfeng Motorcity Logistics Co., Ltd. to gain a comprehensive and deep understanding of Dongfeng Motor Group's automotive manufacturing structure as well as its needs for logistics services to main its business. Compared to other third parties, Dongfeng Motorcity Logistics Co., Ltd. can therefore ensure uninterrupted logistics services can be provided to Dongfeng Motor Group at a competitive price, thus ensuring uninterrupted production by Dongfeng Motor Group. Dongfeng Motor Group can also ensure that it could continue to receive high quality logistics services at a competitive price which can effectively lower its operational expenses. Moreover, the logistics services are conducted at market-price upon normal commercial terms in the ordinary course of business of the Dongfeng Motor Group. The Company therefore considers that it is in the interest of Dongfeng Motor Group to continue to receive logistics services from Dongfeng Motorcity Logistics Co., Ltd.

Logistics services to be provided under the Logistics Services Master Agreement will be charged at rates determined or instructed by the government or otherwise at market rates. "Market rates" means the price determined in accordance with the following order: (1) the prevailing price charged by independent third parties in areas where the logistics services are provided or in nearby areas for providing similar logistics services on normal commercial terms; or (2) the prevailing price charged by independent third parties on normal commercial terms for providing similar logistics services.

The proposed annual caps for the logistics services provided by Dongfeng Motorcity Logistics Co., Ltd. to Dongfeng Motor Group for each of the three years ending 31 December 2011, 31 December 2012 and 31 December 2013 are approximately RMB950 million, RMB1,150 million and RMB1,350 million, respectively.

The amount payable attributable to the Group are approximately RMB485 million, RMB587 million and RMB689 million, respectively. The annual caps are determined on the basis of historical and estimated demand for and prices of logistics services provided by Dongfeng Motorcity Logistics Co., Ltd.

For the year ended 31 December 2010, the total amount of Logistics Service Master Agreements was approximately RMB475 million.

11. Acquisition of Land and Properties of Own-brand business

The Company has entered into an Acquisition Agreement on 25 June 2010 with its parent, Dongfeng Motor Corporation for a consideration of RMB575,220,319.73 (equivalent to approximately HK$655,751,164), pursuant to which the Company agreed to acquire, and Dongfeng Motor Corporation agreed to sell the Land and Properties under its own-brand business.

The Land and Properties acquired included:

(1) the land use right of a parcel of industrial land located at 46MD and 47MD of Wuhan Economic & Technological Development Zone (with an area of approximately 752,280.93 square meters); and

(2) the title of buildings constructed on the above land and fixtures attached to the above land as listed in the Acquisition Agreement.

The Company completed the acquisition of land and properties on 31 August 2010. The titles of the Land and Properties have transferred to the Company.

The independent non-executive directors of the Company confirmed that all continuing connected transactions to which Dongfeng Motor Group was a party for the year ended 31 December 2010:

(1) were conducted in course of the ordinary business of Dongfeng Motor Group;

(2) were conducted on normal commercial terms, or made on terms no less favourable than those available to or, as appropriate, from independent third parties, if there were not enough comparable transactions to determine whether such transactions were made on normal commercial terms;

(3) were conducted in accordance with the terms of the agreements governing them and those terms of transactions were fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(4) the values of continuing connected transactions entered into between Dongfeng Motor Group and its connected persons which are subject to annual caps have not exceeded their respective annual cap.

Subject to applicable waivers granted by the Stock Exchange which are otherwise disclosed in this Annual Report, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong

Kong Listing Rules issued by the Hong Kong Institute of Certificated Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

MATERIAL LITIGATIONS

For the year ended 31 December 2010, Dongfeng Motor Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against Dongfeng Motor Group as far as Dongfeng Motor Group was aware.

MODEL CODE

After making specific enquiries with all directors, it is satisfied that the directors of the Company have strictly complied with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited during the reporting period. The Company has not adopted a code of conduct less strict than the Model Code in respect of securities transactions by directors.

CORPORATE GOVERNANCE

The Company was in compliance with the Code Provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and actively complied with the recommended best practices. Please refer to the Corporate Governance Report as set out on pages 71 to 80 in this annual report.

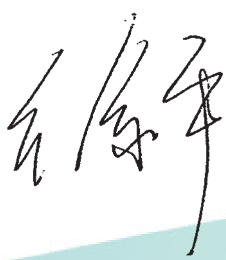
ACCOUNTING PRINCIPLES

The principal accounting policies used by the Company in the preparation of the financial statements for the year ended 31 December 2010 are consistent with those used in the audited annual financial statements for the year ended 31 December 2009, except that the Group has adopted the new and revised International Financial Reporting Standards and International Financial Reporting Interpretations during the year. Adoption of these new and revised standards and interpretations did not have any material effect on the financial statements of the Group. They did however give rise to additional disclosures. Please refer to Note 3.2 to the audited financial statements for the details.

REVIEW OF THE ACCOUNTS

The Company appointed Ernst & Young and Ernst & Young Hua Ming as the Company's overseas and domestic auditors respectively for the year ended 31 December 2010. A resolution will be submitted at the annual general meeting to reappoint Ernst & Young and Ernst & Young Hua Ming as the Company's overseas and domestic auditors respectively for the year ending 31 December 2011, and authorise the directors to fix their remunerations.

By Order of the Board of Directors



Xu Ping
Chairman

Wuhan, the PRC
30 March 2011

Report of the Supervisory Committee

Dear Shareholders,

In 2010, the Supervisory Committee has carried out its supervisory and other duties in accordance with the Company's Articles of Association to ensure the sound, stable and sustainable development of the Company as well as to safeguard the legal interests of all shareholders. It has performed effective supervision, through the inspection of relevant documents and information of the Company, and attending meetings of the Board of Directors and the shareholders' general meetings, on the performance by the Board of Directors and the senior management of their statutory duties and their duties under the Company's Articles of Association, and on whether, their acts were beneficial to and in the best interests of the shareholders.

1. PERFORMANCE OF THE SUPERVISORY COMMITTEE

The Supervisory Committee held three meetings in 2010. The numbers of attended supervisors formed quorums of the meetings as stipulated by the Company Law.

In 2010, the Supervisory Committee has reviewed and approved: the 2009 report of the Supervisory Committee of the Company; the 2009 financial statements, which was audited by Ernst & Young and reviewed and approved by the Audit Committee; the 2009 annual report and annual results announcement; the 2009 profit distribution and payment of dividend proposal; the 2010 interim report and results announcement; the payment of 2010 interim dividend and the election of the Chairman of the third session of Supervisory Committee.

2. THE INDEPENDENT VIEWS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY

During the reporting period, the Supervisory Committee has supervised the convening procedures and resolutions of the meetings of the Board of Directors and shareholders' general meetings, the implementation of the resolutions of the shareholders' general meetings by the Board of Directors, the legality and compliance of rules and regulations by the senior management during their performance of duty, and the performance of all control systems of the Company in accordance with relevant laws and regulations of PRC and listing rules of Stock Exchange and normalizative documents of the Company for governing legally.

The Supervisory Committee is of the view that the Board of Directors was in compliance with the Company Law, the Securities Law, the Listing Rules of the Stock Exchange, the Articles of Association of the Company and other relevant laws, rules and regulations and diligently performed their duties in 2010. The Supervisory Committee also considers that through scientific decision-making of the Board of Directors, the internal management and internal control system of the Company have been further improved and a better internal control mechanism was established. The Directors and the senior management of the Company were devoted to performing their duties diligently and precisely, and persisted in maintaining sustainable development of the Company. Their sales performance in 2010 was remarkable and encouraging, which helped to further consolidate the Company's position in the industry.

During the reporting period, the Supervisory Committee was not aware of any acts by the directors and the senior management of the Company which were in breach of any laws and regulations, the Listing Rules of the Stock Exchange and the Articles of Association of the Company or against the interests of the shareholders. The Supervisory Committee was of the opinion that the Company has duly fulfilled its disclosure obligation in accordance with the requirements of the Listing Rules since its listing on The Stock Exchange of Hong Kong Limited.

3. THE INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE FINANCIAL POSITION OF THE COMPANY

In 2010, the Supervisory Committee has attended the meetings of the Audit Committee, examined the financial system and financial position of the Company and reviewed the 2009 annual report and 2010 interim report of the Group. The Supervisory Committee considers that the financial system of the Company was sound and the management measures and internal control system were effective and could ensure the smooth operation and production of the Company. The Supervisory Committee also considers that the 2009 financial statements give a full, true and fair view of the operating results and financial position of the Group for the year and that the unqualified opinion in the independent auditors' report issued by Ernst & Young, the auditors of the Company, are objective and fair.

The Supervisory Committee is of the opinion that the connected transactions between the Company and the Group and their connected persons have been conducted at fair market price and on transaction terms, and is not aware of any circumstances prejudicial to the interests of the Company and the shareholders.

The Supervisory Committee has seen the operating results and assets position of the Company in 2010 to its satisfaction. Facing the uncertainty of the macro economy and the new situation and prospects of auto industry of 2011, it is expected that the Company will continue seeking continuous revenue growth and exercising improved cost control and risk management so as to consolidate its solid foundation for steady and continuous development.

By Order of the Supervisory Committee

Ma Liangjie
Chairman of the Supervisory Committee

Wuhan, the PRC
30 March 2011

Corporate Governance Report

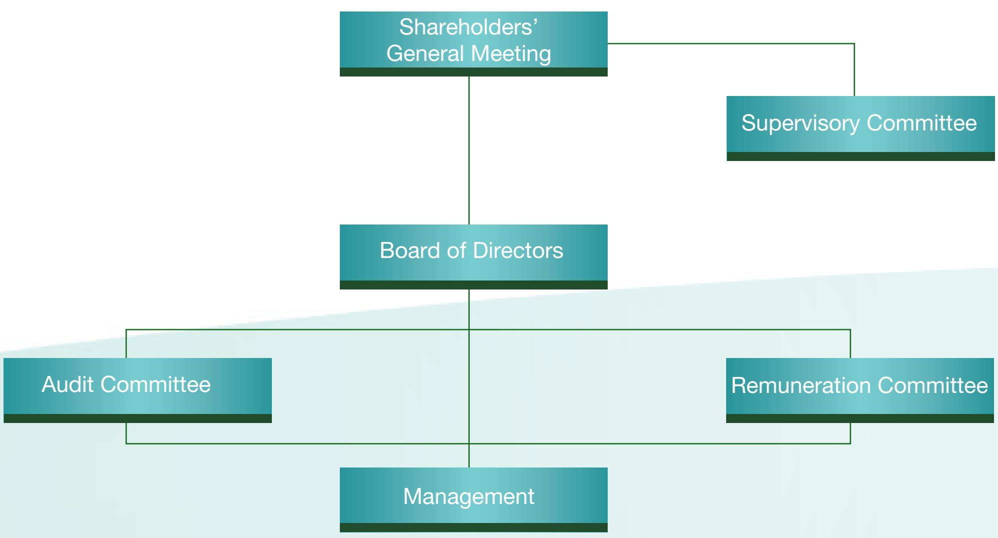
1. Overview of Corporate Governance

The Company has been in compliance with the Company Law of the People's Republic of China (the "Company Law"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Code of Corporate Governance Practice of the Stock Exchange of Hong Kong and the Articles of the Association. The Company regulates its daily operation in strict compliance with the governing regulations and reviews the operations and management of the Company from time to time. The Company is committed to its corporate philosophy of honesty and diligence and the principles of good corporate governance. The Company further improves the transparency and independence of its operations. In addition, the Company maintains its healthy development and maximises shareholder value by strengthening its corporate governance.

During the reporting period, the Company's governance has been in strict compliance with the Code of Corporate Governance. And the Company was awarded the The Asset Triple A Awards 2010 by Corporate Governance Asia Magazine.

2. Structure of Corporate Governance

The Company's corporate governance involves the shareholders' general meetings, the Board of Directors and special committees, the Supervisory Committee, the management and the employees, each of which plays an important role in the governance of the Company.



(1) Shareholders and Shareholders' General Meeting

i. Shareholders' General Meeting

The shareholders' general meeting is the highest authority of the Company and has legal power to decide on important matters of the Company. The annual general meetings and extraordinary general meetings provide a channel of direct communication between the directors and the shareholders of the Company. The Company attaches great importance to the shareholders' general meeting of the Company. The notice of shareholders' general meeting will be dispatched 45 days prior to the date of the meeting. All shareholders are encouraged to attend the shareholders' general meeting, and all Directors and members of the senior management are required to attend.

During the year, the Company held two General Meetings. At the Annual General Meeting held on 18 June 2010, the annual report of 2009 and other related matters were considered and approved. At the Extraordinary General Meeting held on 11 October 2010, the amendments to the Share Appreciation Right Scheme of the Company were considered and approved and the members of the Third Session of the Board of the Directors and Supervisors were elected.

ii. Substantial Shareholder

Dongfeng Motor Corporation is our substantial shareholder, holding approximately 66.86% of the shares in the Company. Dongfeng Motor Corporation has never, directly or indirectly, interfered with the Company's decision-making or operations beyond the authorization of the general meetings.

Information on shareholdings of the top ten substantial shareholders during the reporting period is set out on page 43 of this annual report.

(2) Directors and Board of Directors

i. Directors

Appointment of Directors

Directors are elected at shareholders' general meetings by more than half of the voting rights held by shareholders present at the shareholders' general meetings in person or by proxies. Shareholders, the Board of Directors and the supervisory committee of the Company are entitled to nominate candidates for directorship in writing. A director shall hold office for a term of three years and, upon expiry of his term, shall be eligible for re-election at a shareholders' general meeting.

As the term of office of the Second Session of the Board of Directors expired on 11 October 2010, it had been proposed by Dongfeng Motor Corporation and elected at the Extraordinary General Meeting held on 11 October 2010 that Mr. Xu Ping, Mr. Zhu Fushou, Mr. Zhou Wenjie, Mr. Li Shaozhu and Mr. Fan Zhong were appointed as the Executive Directors of the Third Session of the Board of Directors. Mr. Tong Dongcheng, Mr. Ouyang Jie, Mr. Liu Weidong, Mr. Zhou Qiang were appointed as the Non-Executive Directors of the Third Session of the Board of Directors. And Mr. Sun Shuyi, Mr. Ng Lin-fung and Mr. Yang Xianzu were appointed as the Independent Non-Executive Directors of the Third Session of the Board of Directors. And the term of office of the Third Session of the Board of Directors will expire on 11 October 2013.

At the first meeting of the Third Session of the Board, Mr Xu Ping was selected as the chairman of the Third Session of the Board.

The Third Session of the Board of Directors of the Company consists of twelve Directors, five of which are executive directors, four of which are non-executive directors and three of which are independent non-executive directors. The size and composition of the Board of Directors are in compliance with the relevant laws and regulations. Details of members of the Board are set out on page 44 of this annual report.

Independence of Directors

The independent non-executive directors of the Company are Sun Shuyi, Ng Lin-fung and Yang Xianzu. Sun Shuyi is a certified public accountant and senior engineer in the PRC. As at the date of this annual report, in accordance with Rule 3.13 of the Hong Kong Listing Rules, the Company has received the annual confirmation of independence from each of the independent non-executive directors. The Company considers that they remain independent.

All the independent non-executive directors has discharged their duties with good faith, integrity and diligence according to the laws and regulations. The independent non-executive directors participated in the discussion and decision on the material issues of the Board of Directors and Special Committees of the Board. and gave their views on the governance of the Company based on their expertise and experience. They have duly reviewed and expressed their independent views on the fairness and equality of connected transactions as well as the financial transactions of the connected parties. They have performed their duties independently and are independent of the substantial shareholders, beneficial owners and other stakeholders or of the Company. The independent non-executive directors made significant contributions towards the interests of the Company and shareholders as a whole and the health development of the Company.

During the reporting period, the independent non-executive directors of the Company did not hold a dissenting view regarding each of the material issues of the Company.

Introduction Program for Directors

In 2010, the Company provided the "Practical Manual for the Directors and the Supervisors" and "Handout of Corporate Governance of DFG" to all directors who were elected as the members of the Third Session of the board of the Directors and promptly informed them of the most updated rules and regulations for compliance. In 2010, the Company Secretariat released 24 issues of newsletters for directors and supervisors, providing them with the latest market news and information of the Company. In 2010, the Company also provided annual reports of the performance, investment and financing of the Company to directors and organized site visits to the relevant units and business sectors for directors.

By providing them with information and reports, site visits and professional trainings, all directors, especially the independent non-executive directors, will be kept informed of the business development, competition and regulatory environments as well as the industry in which the Company operates, which will help the directors to understand their responsibilities, make correct decisions and carry out effective supervision.

Remuneration of Directors

The First Meeting of the Third Board has set up a Remuneration Committee which consists of Yang Xianzu, Li Shaozhu, and Ng Lin-fung and appointed Mr. Yang Xianzu as the Chairman of the Remuneration Committee. The Remuneration Committee is responsible for the formulation and review of the remuneration policies and proposals for directors and senior management of the Company.

Other than the three independent non-executive directors of the Company who receive remuneration, all other directors do not receive remuneration of directors from the Company. The executive directors receive remuneration for their management function from the Company. The remuneration of the independent non-executive directors is determined with reference to the average market level and the condition of the Company.

During the year, the remuneration paid to each of the three independent non-executive directors by the Company was RMB120,000 after tax.

Securities Transactions by Directors

After specific enquiry of all directors made by the Company, all directors have confirmed that they have fully complied with the Model Code as set out in Appendix 10 to the Listing Rules of the Hong Kong Stock Exchange throughout the year of 2010.

ii. **Board Meeting**

Six board meetings ("Board Meetings") were held by the Company in 2010 and the major matters covered were as follows:

- To consider and approve the annual and interim results announcements;
- To consider and approve the annual and interim financial statements and the reports of the Board of Directors;
- To determine directors' remuneration;
- To re-appoint the international auditors and domestic auditors;
- To consider and approve continuous connected transactions and their respective annual caps; and
- To acquire the own brand passenger vehicles business and related assets from the parent company and approve related connected transactions.
- To approve the resignation and appointment of President
- To elect the Chairman of the Third Session of the Board of Directors and appoint the members of Remuneration Committee and Audit Committee.

Meetings of Board of Directors can facilitate effective discussion and prompt and prudent decision. The attendance of directors at meetings of Board of Directors is as follows:

Members of the Board	Personal Attendance/ Number of Meetings Meetings	Attendance Rate	Remarks
Executive Directors			*All directors not present in person have appointed other directors to attend and vote on their behalf.*
Xu Ping	5/6	83%	
Liu Zhangmin	5/6	83%	
Zhu Fushou	6/6	100%	
Zhou Wenjie	5/6	83%	
Li Shaozhu	5/6	83%	
Fan Zhong	4/6	67%	
Non-executive Directors			
Tong Dongcheng	4/6	67%	
Ouyang Jie	4/6	67%	
Liu Weidong	4/6	67%	
Zhou Qiang	4/6	67%	
Independent Non-executive Directors			
Sun Shuyi	4/6	67%	
Ng Lin-fung	6/6	100%	
Yang Xianzu	6/6	100%	

The management is responsible for providing the relevant information required for considering and approving the resolutions of the Board of Directors, and present work report, especially the progress of major projects of the Company, at Board Meetings.

iii. **Special Committees of the Board**

Two special committees, the Audit Committee and the Remuneration Committee, have been set up by the Board of Directors. The Board will fully consider the expertise and experience of each director when appointing members to the committees, so that each committee shall perform their functions effectively. The Audit Committee comprises one non-executive director, and two independent non-executive directors. The Remuneration Committee comprises one executive director and two independent non-executive directors.

The First Meeting of the Third Session of the Board of the directors appointed Mr. Sun Shuyi, Mr. Ouyang Jie and Mr. Ng Lin-fung as the members of the Audit Committee and Mr. Shun Shuyi was appointed as the Chairman of the Audit Committee. Mr. Yang Xianzu, Mr. Li Shaozhu and Mr. Ng Lin-fung were appointed as the members of the Remuneration Committee. And Mr. Yang Xianzu was appointed as the Chairman of the Remuneration Committee. The Audit Committee and the Remuneration Committee conducted works according to the Practice Code of Audit Committee and Practice Code of Remuneration Committee, respectively. In 2010, the Audit Committee held two meetings while the Remuneration Committee held one meeting.

Attendance of each Special Committee (Attendance/Number of Meetings)

Name	Position	Audit Committee	Remuneration Committee
Sun Shuyi (Chairman)	Independent Non-executive Director	1/2	
Yang Xianzu (Chairman)	Independent Non-executive Director		1/1
Ng Lin-fung	Independent Non-executive Director	2/2	1/1
Ouyang Jie	Non-executive Director	2/2	
Li Shaozhu	Executive Director		1/1

(3) Internal Control System

i. Supervisors and Supervisory Committee

As the term of office of the Second Session of the Supervisory Committee expired on 11 October 2010, it had been proposed by Dongfeng Motor Corporation and elected by the Extraordinary General Meeting held on 11 October 2010 that Mr. Ma Liangjie, Mr. Wen Shiyang, Mr. Deng Mingran, Mr. Ren Yong, Mr. Li Chunrong, Mr. Chen Binbo, Mr. Huang Gang and Mr. Kang Li were appointed as the supervisors of the Third Session of the Supervisory Committee.

The First Meeting of the Third Session of the Supervisory Committee elected Mr. Ma Liangjie as the Chairman of the Third Session of the Supervisory Committee.

In 2010, the Supervisory Committee has supervised the Company's financial matters and the legality and compliance of rules and regulations by the directors and senior management during their performance of duty. Three Supervisory Committee meetings were held in the year. All members of the Supervisory Committee have diligently performed their supervisory duties and attended the two Meetings in person or by appointing other supervisors to attend on their behalf and observe all Board Meetings.

ii. **Internal Controls**

The Board shall formulate and maintain the internal control system of the Company and review the effectiveness of the key control procedures for financial, operational, and compliance control and risk management so as to safeguard the interests of the shareholders and the assets of the Group. The review comprises the assessment of the Audit Department of the Company on the internal control and the report of issues identified during the statutory audit by external auditors.

In 2010, the Board of Directors thoroughly reviewed the effectiveness of the Company's internal control system through the Audit Committee and the Company's audit department in five major areas of internal control: the control environment, risk assessment, control activities, information and communication and supervision. Based on the reviews in previous years and the assessment of the internal control system in the year, the Board of Directors is of the opinion that during the year and as at the date of this annual report, the Company has maintained a comprehensive internal control system covering the areas of corporate governance, operation, investment, finance, administration and personnel management, and the internal control system is effective.

The Board of Directors is of the opinion that the Company's internal control system is established for the purpose of managing potential risks instead of completely eliminating all risks. Accordingly, internal control system can only render reasonable, rather than absolute, assurance for the achievement of the Company operating objectives.

iii. **Auditors and Auditors' Remuneration**

The Audit Committee is responsible for reviewing the appointment, resignation or removal of external auditors, as well as assessing their qualifications for providing services to the Company and the reasonableness of the audit fees, and making recommendations to the Board of Directors in these regards. The appointment and removal of the Company's external auditors as well as the audit fees are proposed by the Board of Directors to the general meetings for approval.

For the year ended 31 December 2010, the Company has appointed Ernst & Young and Ernst & Young Hua Ming as its international and domestic auditors, respectively. The audit fee of the Company for 2010 was RMB12.90 million.

The Audit Committee has discussed and assessed the expertise of Ernst & Young, its performance of audit work for 2010 and the proposed fees for 2011. The Audit Committee proposed to re-appoint Ernst & Young as the Company's external auditors and the proposal has been approved by the Board of Directors. The proposal to reappoint Ernst & Young and Ernst & Young Hua Ming as the international and domestic auditors, respectively, of the Company for the year ending 31 December 2011 will be submitted to the 2010 annual general meeting for shareholders' consideration and approval and authorized the Board of Directors to determine their remunerations.

(4) The Management

The Company has clearly defined the respective responsibilities of the Chairman and the President and the roles and division of work between the Board of Directors and the management, details of which are set out in the Articles of Association and the Rules and Procedures for Meetings of the Board of Directors. This ensures the independence of the Board of Directors in decision-making and the independence of management in daily operation and management activities.

The Chairman of the Company is Xu Ping. And the Sixteenth Meeting of the Second Session of the Board of the Directors approved that Liu Zhangmin tendered his resignation as the President of the Company in respect of his age and Zhu Fushou has been appointed as the President of the Company with effect from 25 June 2010.

The Chairman focuses on the Group's development strategies and issues of the Board of Directors while the President is responsible for operation and management activities and developments of the Company.

(5) Information Disclosure

i. Information Disclosure

The Company recognizes the importance of performing its statutory obligation of disclosing information and strictly complies with the information disclosure regulations of The Stock Exchange of Hong Kong Limited. The Company promptly, accurately and completely discloses information that may materially affect the decision-making of the public investors strictly in accordance with the preparation and reporting rules and procedures as required for disclosing information, and ensures that all shareholders have equal and sufficient access to all information regarding the Company. Meanwhile, 2009 Annual Report was awarded the Sliver Award of 2009 Vision Award by LACP (League of American Communications Professionals).

During the period under review, the Company published 36 announcements in accordance with the Listing Rules of the Hong Kong Stock Exchange. The Company published its announcements both on the websites of the Stock Exchange and the Company. For details, please visit the websites www.hkex.com.hk and www.dfmg.com.cn.

ii. **Investor Relations and Communication**

The Company strives to strengthen communication with investors through active investor relations activities so as to enhance the investors' understanding and trust in the Company, build the investors' confidence for the future development of the Company, promote market recognition of the Company and enable the business development potential and actual value of the Company to be fully recognised by the market.

During the year, the Company has maintained close connection with overseas media and investors through various channels, such as results announcement conferences, news release conferences, road shows, reception of routine visits by the investors and analysts, and telephone conferences. The Company has organized 8 roadshows and promotion activities, approximately 40 receptions of routine visits by the investors and analysts, and over 80 telephone conferences for institutional investors and analysts during the year.

iii. **Shareholders' Return**

The Company always strives to enhance the shareholders' return, and had totally distributed cash dividend of approximately RMB1.9 billion. The Board of Directors proposed to distribute a cash dividend of approximately RMB1,551 million, or RMB0.18 per share for the year 2010 and will submit the proposal at the shareholders' general meeting of 2010 for approval.

Independent Auditors' Report

ERNST & YOUNG

To the shareholders of Dongfeng Motor Group Company Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Dongfeng Motor Group Company Limited (the "Company") and its subsidiaries and jointly-controlled entities (together, the "Group") set out on pages 83 to 193, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report (continued)

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

30 March 2011

Consolidated Income Statement

Year ended 31 December 2010

	Notes	2010 RMB million	2009 RMB million
Revenue — Sale of goods	5	**122,395**	91,758
Cost of sales		**(96,033)**	(74,274)
Gross profit		**26,362**	17,484
Other income	6	**2,322**	1,520
Selling and distribution costs		**(6,417)**	(4,297)
Administrative expenses		**(3,580)**	(3,138)
Other expenses, net		**(4,171)**	(3,110)
Finance costs	8	**(229)**	(245)
Share of profits and losses of associates		**296**	195
PROFIT BEFORE TAX	7	**14,583**	8,409
Income tax expense	11	**(3,006)**	(1,671)
PROFIT FOR THE YEAR		**11,577**	6,738
Profit attributable to:			
Equity holders of the parent	12	**10,981**	6,250
Non-controlling interests		**596**	488
		11,577	6,738
Earnings per share attributable to ordinary equity holders of the parent:	14		
Basic for the year		**127.45 cents**	72.54 cents
Diluted for the year		**N/A**	N/A

Details of dividends payable and proposed for the year are disclosed in note 13 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Note	2010 RMB million	2009 RMB million
PROFIT FOR THE YEAR		**11,577**	6,738
OTHER COMPREHENSIVE INCOME			
Available-for-sale financial assets:			
Changes in fair value		**16**	30
Income tax effect		**(5)**	(7)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**11**	23
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**11,588**	6,761
Total comprehensive income attributable to:			
Equity holders of the parent	12	**10,987**	6,264
Non-controlling interests		**601**	497
		11,588	6,761

Consolidated Statement of Financial Position

31 December 2010

	Notes	2010 RMB million	2009 RMB million (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	15	**18,551**	18,703
Lease prepayments		**1,248**	754
Intangible assets	16	**2,294**	2,001
Goodwill	17	**479**	479
Investments in associates	20	**1,148**	896
Available-for-sale financial assets	27	**246**	164
Other non-current assets	21	**2,129**	1,562
Deferred tax assets	11	**2,190**	1,366
Total non-current assets		**28,285**	25,925
Current assets			
Inventories	22	**13,935**	8,741
Trade receivables	23	**2,087**	1,685
Bills receivable	24	**15,810**	10,667
Prepayments, deposits and other receivables	25	**4,660**	4,649
Due from jointly-controlled entities	26	**1,595**	592
Available-for-sale financial assets	27	**1,300**	1,110
Financial assets at fair value through profit or loss		**—**	17
Pledged bank balances and time deposits	28	**1,546**	2,924
Cash and cash equivalents	28	**41,404**	29,379
Total current assets		**82,337**	59,764
TOTAL ASSETS		**110,622**	85,689

Consolidated Statement of Financial Position (continued)

31 December 2010

	Notes	2010 RMB million	2009 RMB million (Restated)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	29	**8,616**	8,616
Reserves	30	**8,668**	6,433
Retained profits	30	**18,659**	11,459
Proposed final dividend	13	**1,551**	776
		37,494	27,284
Non-controlling interests		**3,842**	3,271
Total equity		**41,336**	30,555
Non-current liabilities			
Interest-bearing borrowings	31	**6,289**	4,424
Other non-current liabilities		**64**	16
Provisions	32	**69**	102
Government grants	33	**157**	94
Deferred tax liabilities	11	**51**	62
Total non-current liabilities		**6,630**	4,698

	Notes	2010 RMB million	2009 RMB million (Restated)
Current liabilities			
Trade payables	34	**23,834**	18,414
Bills payable	35	**10,367**	7,391
Other payables and accruals	36	**19,373**	14,391
Due to jointly-controlled entities	26	**1,586**	503
Interest-bearing borrowings	31	**3,271**	7,217
Income tax payable		**3,093**	1,673
Provisions	32	**1,132**	847
Total current liabilities		**62,656**	50,436
TOTAL LIABILITIES		**69,286**	55,134
TOTAL EQUITY AND LIABILITIES		**110,622**	85,689
Net current assets		**19,681**	9,328
Total assets less current liabilities		**47,966**	35,253

Xu Ping
Director

Zhu Fushou
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Note	Issued capital RMB million	Capital reserve RMB million	Statutory reserves RMB million (note 30(a))	Retained profits RMB million	Proposed final dividend RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
		Attributable to equity holders of the parent							
As at 1 January 2009		8,616	2,162	3,540	7,349	388	22,055	2,837	24,892
Profit for the year			–	–	6,250	–	6,250	488	6,738
Other comprehensive income for the year:									
Changes in fair value of available-for-sale financial assets, net of tax		–	14	–	–	–	14	9	23
Total comprehensive income for the year		–	14	–	6,250	–	6,264	497	6,761
Transfer to reserves		–	–	1,364	(1,364)	–	–	–	–
Contribution to an acquiree of the Business Combination under common control by DMC		–	150	–	–	–	150	–	150
Considerations for the Business Combination under common control		–	(797)	–	–	–	(797)	–	(797)
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	79	79
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	(142)	(142)
Final 2008 dividend declared and paid		–	–	–	–	(388)	(388)	–	(388)
Proposed final dividend	13	–	–	–	(776)	776	–	–	–
As at 31 December 2009		8,616	1,529*	4,904*	11,459	776	27,284	3,271	30,555
As at 1 January 2010		8,616	1,529	4,904	11,459	776	27,284	3,271	30,555
Profit for the year			–	–	10,981	–	10,981	596	11,577
Other comprehensive income for the year:									
Changes in fair value of available-for-sale financial assets, net of tax		–	6	–	–	–	6	5	11
Total comprehensive income for the year		–	6	–	10,981	–	10,987	601	11,588
Transfer to reserves		–	–	2,229	(2,229)	–	–	–	–
Acquisition of non-controlling interests		–	–	–	(1)	–	(1)	(2)	(3)
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	94	94
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	(122)	(122)
Final 2009 dividend declared and paid		–	–	–	–	(776)	(776)	–	(776)
Proposed final dividend	13	–	–	–	(1,551)	1,551	–	–	–
As at 31 December 2010		8,616	1,535*	7,133*	18,659	1,551	37,494	3,842	41,336

* These reserve accounts comprise the consolidated reserves of RMB8,668 million (2009: RMB6,433 million) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 RMB million	2009 RMB million (Restated)
Cash flows from operating activities			
Profit before tax		**14,583**	8,409
Adjustments for:			
Share of profits and losses of associates		**(296)**	(195)
Loss on disposal of items of property, plant and equipment, net	7	**68**	31
Loss on disposal of intangible assets	7	**1**	2
Gain on disposal of a subsidiary by a jointly-controlled entity	6	**(103)**	—
Gain on disposal of associates	7	**—**	(8)
Gain on disposal of available-for-sale financial assets	7	**(16)**	(25)
Gain on disposal of financial assets at fair value through profit or loss	7	**—**	(11)
Stock appreciation right expense/(credit)	7	**—**	19
Provision/(reversal of provision) against inventories	7	**(18)**	19
Impairment/(reversal of impairment) of trade and other receivables	7	**(55)**	23
Exchange losses/(gains), net	7	**(166)**	31
Depreciation	7	**3,586**	2,322
Impairment of property, plant and equipment	7	**226**	150
Impairment of intangible assets	7	**112**	1
Impairment of goodwill	7	**—**	4
Amortisation of intangible assets	7	**399**	367
Finance costs	8	**229**	245
Interest income	6	**(679)**	(354)
		17,871	11,030
Increase in trade and bills receivables and prepayments, deposits and other receivables		**(4,805)**	(4,460)
Decrease/(increase) in inventories		**(5,178)**	596
Increase in amounts due from jointly-controlled entities		**(23)**	(29)
Increase in trade and bills payables, and other payables and accruals		**13,657**	15,280
Increase in loans and receivables from financing services		**(1,037)**	(139)
Increase in cash deposits received from financing services		**154**	8
Decrease/(increase) in mandatory reserve with People's Bank of China		**(426)**	74
Increase in amounts due to jointly-controlled entities		**402**	170
Increase in provisions		**252**	283
Decrease in government grants		**(379)**	(345)
Increase/(decrease) in other non-current liabilities		**48**	(11)
Cash generated from operations		**20,536**	22,457
Interest paid		**(254)**	(310)
Income tax paid		**(2,379)**	(1,373)
Net cash flows from operating activities		**17,903**	20,774

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2010

	Notes	2010 RMB million	2009 RMB million (Restated)
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(3,927)**	(3,011)
Increase in lease prepayments and other non-current assets		**(322)**	(72)
Purchases of intangible assets		**(805)**	(613)
Purchases of available-for-sale financial assets		**(2,566)**	(1,110)
Considerations for the Business Combination under common control		**—**	(797)
Acquisition of non-controlling interests by a jointly-controlled entity		**(3)**	—
Investments in associates		**(116)**	(21)
Proceeds from disposal of items of property, plant and equipment		**211**	260
Proceeds from disposal of available-for-sale financial assets		**2,326**	25
Proceeds from disposal of financial assets at fair value through profit or loss		**17**	—
Proceeds from disposal of associates		**—**	84
Dividends from associates		**113**	34
Government grants received	33	**442**	333
Interest received	6	**679**	354
Decrease/(increase) in pledged bank balances and time deposits		**1,378**	(1,782)
Increase in non-pledged time deposits with original maturity of three months or more when acquired		**(3,505)**	(6,788)
Net cash flows used in investing activities		**(6,078)**	(13,104)
Cash flows from financing activities			
Proceeds from borrowings		**10,051**	12,436
Repayment of borrowings		**(12,551)**	(9,579)
Advances to a jointly-controlled entity engaged in financing services		**(299)**	(142)
Increase in cash deposits received from DMC by a jointly-controlled entity engaged in financing services		**298**	76
Capital contribution from non-controlling shareholders		**94**	79
Contribution to an acquiree of the Business Combination under common control by DMC		**—**	150
Dividends paid to non-controlling shareholders		**(122)**	(142)
Dividends paid		**(776)**	(388)
Net cash flows from/(used in) financing activities		**(3,305)**	2,490
Net increase in cash and cash equivalents		**8,520**	10,160
Cash and cash equivalents at beginning of year		**17,369**	7,209
Cash and cash equivalents at end of year	28	**25,889**	17,369

Statement of Financial Position

31 December 2010

	Notes	2010 RMB million	2009 RMB million (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	15	**1,888**	1,432
Lease prepayments		**317**	74
Intangible assets	16	**39**	180
Investments in subsidiaries	18	**140**	140
Investments in jointly-controlled entities	19	**13,037**	13,037
Investments in associates	20	**336**	326
Available-for-sale financial assets	27	**68**	68
Deferred tax assets	11	**19**	19
Total non-current assets		**15,844**	15,276
Current assets			
Inventories	22	**361**	349
Trade receivables	23	**197**	116
Bills receivable	24	**381**	72
Prepayments, deposits and other receivables	25	**1,886**	4,857
Due from jointly-controlled entities	26	**3,809**	1,045
Available-for-sale financial assets	27	**1,300**	1,110
Cash and cash equivalents	28	**6,254**	2,168
Total current assets		**14,188**	9,717
TOTAL ASSETS		**30,032**	24,993

Statement of Financial Position (continued)

31 December 2010

	Notes	2010 RMB million	2009 RMB million (Restated)
EQUITY AND LIABILITIES			
Equity			
Issued capital	29	**8,616**	8,616
Reserves	30	**4,633**	3,566
Retained profits	30	**6,933**	4,302
Proposed final dividend	13	**1,551**	776
Total equity		**21,733**	17,260
Non-current liabilities			
Interest-bearing borrowings	31	**4,974**	2,976
Other non-current liabilities		**57**	—
Total non-current liabilities		**5,031**	2,976
Current liabilities			
Trade payables	34	**803**	1,024
Other payables and accruals	36	**1,013**	874
Due to jointly-controlled entities	26	**1,190**	626
Interest-bearing borrowings	31	**25**	2,006
Income tax payable		**211**	211
Provisions	32	**26**	16
Total current liabilities		**3,268**	4,757
TOTAL LIABILITIES		**8,299**	7,733
TOTAL EQUITY AND LIABILITIES		**30,032**	24,993

Xu Ping
Director

Zhu Fushou
Director

1. CORPORATE INFORMATION

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

During the year, the Group was 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 enterprise established in the PRC.

2. BUSINESS COMBINATION INVOLVING BUSINESS UNDER COMMON CONTROL AND BASIS OF PRESENTATION

Pursuant to an agreement entered into between the Company and DMC on 27 May 2009, the Company agreed to purchase the Own-brand Business of DMC (the "Own-brand Business") at a cash consideration of RMB797 million (the "Business Combination"). In accordance with 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 registered 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.

3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretation Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

These financial statements have been prepared under the historical cost convention, except for the measurement at fair value of foreign currency forward and swap contracts, available-for-sale financial assets and other financial assets at fair value through profit or loss.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company, its subsidiaries and jointly-controlled entities for the year ended 31 December 2010. The financial statements of the subsidiaries and jointly-controlled entities are prepared for the same reporting period as the Company, using consistent accounting policies.

The results of the subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

The Group's investments in its jointly-controlled entities are accounted for by proportionate consolidation from the date on which joint control over the jointly-controlled entities is established to the date on which such joint control ceases, which includes recognising in the consolidated financial statements a proportionate share of each of the jointly-controlled entities' assets, liabilities, income and expenses with similar items on a line-by-line basis.

3.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Basis of consolidation from 1 January 2010 (continued)
Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Basis of consolidation prior to 1 January 2010
Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

For the business combination under common control, the financial information of the Group and the acquired businesses have been combined, as if the Group acquired such businesses from the beginning of the earliest financial period presented. The net assets of the Group and the acquired business are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of the Group's interest in the net fair value of the acquired business's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. The difference between the consolidation and book value of the acquired business at the time of common control combination is deducted into the reserves of the Group.

3.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

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

Other than as further explained below regarding the impact of IFRS 3 (Revised), IAS 27 (Revised) and amendments to IAS 7 and IAS 17 included in *Improvements to IFRSs 2009*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

3.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The principal effects of adopting these new and revised IFRSs are as follows:

(a) **IFRS 3 (Revised) *Business Combinations* and IAS 27 (Revised) *Consolidated and Separate Financial Statements***

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

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 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. Consequential amendments were made to various standards, including, but not limited 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 introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to IFRSs 2009* issued in April 2009 sets out amendments to a number of IFRSs. These are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

— IAS 7 *Statement of Cash Flows*: Requires 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.

— 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.

3.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 1 Amendments	Amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards — Limited Exemption from Comparative IFRS 7* Disclosures for First-time Adopters[2]
IFRS 1 Amendments	Amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[4]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[4]
IFRS 9	*Financial Instruments*[6]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[5]
IAS 24 (Revised)	*Related Party Disclosures*[3]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[1]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*[3]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

Apart from the above, the IASB has issued *Improvements to IFRSs 2010* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

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 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

3.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information about those changes that are expected to significantly affect the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IFRS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2013.

3.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2011. 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 are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) IFRS 3 *Business Combinations:* Clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) IAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) IAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have 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 or losses from the joint venture'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 the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Company 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 equity investment accounted for in accordance with IAS 39, if the Company 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.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in its jointly-controlled entities are accounted for by the proportionate consolidation method, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and stated at cost less any impairment losses.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange of control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at face value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall be remeasured until it is finally settled with equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after assessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations from 1 January 2010 (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivates separated from the host contract by the acquire were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly, through one or more intermediaries, (i) control, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment over its estimated useful life after taking into account its estimated residual value over the estimated useful life as follows:

	Estimated useful life
Buildings	Over 10 to 45 years
Plant and equipment	Over 5 to 20 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

With effective from 1 January 2010, the residual value of the Group's property, plant and equipment has been set at 0% in order to reflect a change in the management's best estimation about the residual value of property, plant and equipment. The change in residual value has resulted in increases of depreciation charges for the year by RMB418 million in respect of the write-off of residual values of those fully depreciated assets and by RMB465 million in respect of an additional amortisation of residual values of those assets not yet fully depreciated.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 to 15 years.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment arises during the year.

Lease prepayments

Lease prepayments represent acquisition costs of land use rights less impairment losses and are amortised on the straight-line basis over the lease terms.

Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership of leased items are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on the straight-line basis over the lease terms.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue sto be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial instruments

For available-for-sale investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or ‘'prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement, Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increase in their fair value after impairment are recognised directly in other comprehensive income.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities including trade and other payables, amounts due to jointly-controlled entities and interest-bearing loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains or losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions) without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Derivative financial instruments

Initial recognition and measurement

The Group uses derivative financial instruments such as forward and swap foreign currency contracts and interest rate swaps to hedge its foreign currency risk and interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	Purchase cost on the weighted average basis
Finished goods and work in progress	Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Trade and other receivables

Trade and other receivables are recognised and carried at their original amounts less the allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the cash management of the Group.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in the income statement.

Provision for product warranties granted by the Group for certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present value as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer and the amount of revenue can be measured reliably.

Rendering of services

Revenue is recognised by reference to the stage of completion. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of the total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses that are recoverable.

Interest income

Revenue is recognised as interest income on an accrual basis, using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividend income

Revenue is recognised when the shareholders' right to receive payment has been established.

Employee benefits

Retirement benefits

The Group's contributions to various defined contribution pension schemes regulated by the relevant municipal and provincial governments in the PRC and a supplemental pension scheme regulated by DMC are expensed as incurred. Further details of the defined contribution pension schemes and the supplemental pension scheme are set out in note 7(a) below.

Medical benefits

The Group's contributions to various defined contribution medical benefit plans organised by the relevant municipal and provincial governments in the PRC and a supplemental medical benefit plan organised by DMC are expensed as incurred. Further details of the defined contribution medical benefit plans and the supplemental medical benefit plan are set out in note 7(b) below.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Cash housing subsidies

Cash housing subsidies represented payments to the housing subsidy plans implemented by the Group in 2000. Cash housing subsidies related to past services of employees were fully recognised in the income statement on a one-off basis in the year of implementation of 2000. Cash housing subsidies related to present services of employees are recognised in the income statement when incurred. Further details of the housing subsidy plans are set out in note 7(c) below.

Termination and early retirement benefits

Termination and early retirement benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed either to terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Further details of the termination and early retirement benefit plan are set out in note 7(d) below.

Share-based payment transactions

The Company operates share-based payment schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group are granted share appreciation rights, which can only be settled in cash ("cash-settlement transactions").

The cost of cash-settlement transactions is measured initially at fair value at the grant date using the binomial model, taking into account the terms and conditions upon which the instruments were granted (note 7(e)). The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is measured at the end of each reporting period up to and including the settlement date with changes in fair value recognised in the income statement.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending for their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the functional and presentation currency of the Group. Foreign currency transactions are initially recorded using the functional currency rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All exchange differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The management determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More details are set out in note 17.

Impairment of long-lived assets

The management determines whether long-lived assets are impaired at least on an annual basis. This requires an estimation of the value in use of the assets. Estimating the value in use requires the management to make estimates of the level of sales volume, sales revenue and operating costs for the preparation of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Warranty provisions

Provisions for product warranties granted by the Group to certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Impairment of receivables

The management recognises bad debt provision based on its estimates of recovery of trade and other receivables. Bad debt provision is recognised when there are indicators that the receivables cannot be recovered. If the actual situation deviates from the current estimates, any differences arising from the deviation will affect the carrying value of receivables and the results of operations in the future periods.

5. 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 ("VAT"), consumption tax ("CT") 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 sells commercial vehicles, and the related engines and other automotive parts

— The passenger vehicles segment manufactures and sells passenger vehicles, and the related engines and other automotive parts

— The corporate and others segment manufactures and sells other automobile related products and provision of financing services associated with the sales of vehicles.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources 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.

During the years ended 31 December 2009 and 2010, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

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

Segment information (continued)

Year ended 31 December 2010

	Commercial vehicles RMB million	Passenger vehicles RMB million	Corporate and others RMB million	Total RMB million
Segment revenue				
Sales to external customers	33,418	88,143	612	122,173
Interest income from financing services	—	—	222	222
	33,418	88,143	834	122,395
Results				
Segment results	1,895	12,841	(899)	13,837
Interest income	54	560	65	679
Finance costs				(229)
Share of profits and losses of associates	157	88	51	296
Profit before tax				14,583
Income tax expense				(3,006)
Profit for the year				11,577
Other segment information				
Capital expenditure:				
— Property, plant and equipment	769	2,969	214	3,952
— Intangible assets	54	736	15	805
— Lease prepayments	13	508	—	521
Depreciation of property, plant and equipment	896	2,449	241	3,586
Amortisation of intangible assets	34	284	81	399
Provision/(reversal of provision) against inventories	(20)	(6)	8	(18)
Impairment losses recognised in the income statement	8	252	23	283
Warranty provisions	260	649	—	909

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

Segment information (continued)

Year ended 31 December 2009

	Commercial vehicles RMB million	Passenger vehicles RMB million	Corporate and others RMB million	Total RMB million
Segment revenue				
Sales to external customers	21,982	68,864	779	91,625
Interest income from financing services	—	—	133	133
	21,982	68,864	912	91,758
Results				
Segment results	151	8,579	(625)	8,105
Interest income	44	259	51	354
Finance costs				(245)
Share of profits and losses of associates	96	68	31	195
Profit before tax				8,409
Income tax expense				(1,671)
Profit for the year				6,738
Other segment information				
Capital expenditure:				
— Property, plant and equipment	480	2,214	382	3,076
— Intangible assets	167	423	23	613
— Lease prepayments	45	78	4	127
Depreciation of property, plant and equipment	505	1,715	102	2,322
Amortisation of intangible assets	86	190	91	367
Provision/(reversal of provision) against inventories	(15)	21	13	19
Impairment losses recognised in the income statement	140	23	15	178
Warranty provisions	205	485	—	690

6. OTHER INCOME

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

		Group	
		2010	2009
	Notes	**RMB million**	RMB million
Government grants and subsidies	33	**379**	345
Net income from disposal of other materials		**792**	483
Interest income		**679**	354
Rendering of services		**24**	29
Gain on disposal of a subsidiary by a jointly-controlled entity	19	**103**	—
Others		**345**	309
		2,322	1,520

7. PROFIT BEFORE TAX

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

		Group	
		2010	2009
	Notes	**RMB million**	RMB million
Cost of inventories recognised as expense		**96,017**	74,271
Interest expense for financing services (included in cost of sales)		**16**	3
Provision/(reversal of provision) against inventories		**(18)**	19
Depreciation	15	**3,586**	2,322
Amortisation of intangible assets*	16	**399**	367
Amortisation of lease prepayments		**25**	22
Auditors' remuneration		**18**	18
Minimum lease payments under operating leases in respect of land and buildings		**227**	195
Reversal of provision for sales rebates		**(599)**	(76)
Staff costs (excluding directors' and supervisors' remuneration (note 9)):			
— Wages and salaries		**4,702**	3,222
— Pension scheme costs	(a)	**581**	501
— Medical benefit costs	(b)	**211**	195
— Cash housing subsidy costs	(c)	**15**	15
— Stock appreciation rights expense	(e)	**—**	19
		5,509	3,952

7. PROFIT BEFORE TAX (continued)

		Group	
		2010	2009
	Notes	**RMB million**	RMB million
Included in other expenses, net:			
Loss on disposal of items of property, plant and equipment, net		**68**	31
Loss on disposal of intangible assets		**1**	2
Loss/(gain) on disposal of financial assets at fair value through profit or loss		**—**	(11)
Gain on disposal of available-for-sale financial assets		**(16)**	(25)
Gain on disposal of associates		**—**	(8)
Impairment of property, plant and equipment	15	**226**	150
Impairment of intangible assets	16	**112**	1
Impairment of goodwill	17	**—**	4
Impairment/(reversal of impairment) of trade and other receivables		**(55)**	23
Warranty provisions	32	**909**	690
Research costs		**2,620**	2,087
Exchange losses/(gains), net		**(166)**	31

* The amortisation of intangible assets is included in "Cost of sales" in the consolidated income statement.

(a) Retirement benefits

The Group's employees in the PRC are covered by various defined contribution pension schemes regulated by the relevant municipal and provincial governments in the PRC pursuant to which the municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and retired employees.

In addition to the defined contribution pension schemes regulated by the relevant municipal and provincial governments in the PRC, the Company and most of its jointly-controlled entities located in the Hubei Province (collectively referred to as the "Hubei Entities") also participate in a supplemental pension scheme regulated by DMC (the "Scheme") pursuant to which the Hubei Entities are required to make contributions based on certain percentages of the wages of the employees to the Scheme on a monthly basis, whereas DMC undertakes to assume the supplemental pension obligations and other pension benefits payable to the employees of the Hubei Entities. The Group has no further obligations for the supplemental pension obligations and other pension benefits beyond the contributions made. The contributions to the Scheme made by the Hubei Entities are expensed as incurred.

7. PROFIT BEFORE TAX (continued)

(a) Retirement benefits (continued)

In accordance with the arrangement in place and for administrative reasons, the contributions to the Scheme are settled directly by each of the Hubei Entities based on the amounts of their respective contributions required to be borne.

DMC has agreed with the Company that it shall continue to assume the supplemental pension obligations and other pension benefits payable to the employees of the Hubei Entities and the Hubei Entities shall continue to make contributions to the Scheme, on a monthly basis, based on certain percentages of the wages of their employees. DMC has also agreed to indemnify the Company against any losses which may arise if the employees of the Hubei Entities claim against the Hubei Entities for their supplemental pension obligations and other pension benefits under the Scheme.

(b) Medical benefits

The Group contributes on a monthly basis to various defined contribution medical benefit plans organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the medical benefit obligations of all existing and retired employees under these plans.

In addition, the Hubei Entities also participate in a supplemental medical benefit plan regulated by DMC pursuant to which the Hubei Entities are required to contribute certain percentages of the wages of their qualified employees to the plan, on a monthly basis, and DMC undertakes to assume the supplemental medical benefit obligations payable to the qualified employees of the Hubei Entities. The Group has no further obligations for supplemental medical benefits beyond the contributions made. The contributions made by the Hubei Entities are expensed as incurred.

DMC has agreed with the Company that it shall continue to assume the supplemental medical benefit obligations payable to the qualified employees of the Hubei Entities and such companies shall continue to make monthly contributions to the supplemental medical benefit plan based on certain percentages of the wages of their qualified employees. DMC has also agreed to indemnify the Company against any losses which may arise if the employees of the Hubei Entities claim against the Hubei Entities for their supplemental medical benefits.

7. PROFIT BEFORE TAX (continued)

(c) Cash housing subsidies

In 2000, the Group implemented cash housing subsidy plans pursuant to which the Group undertook the obligation to pay cash housing subsidies to its eligible employees who had not been allocated housing quarters at all or who had not been allocated housing quarters up to the prescribed standards. Retired employees of the Group existed at the time of the implementation of the cash housing subsidy plans were entitled to the benefits under such plans. Employees who joined the jointly-controlled entity from 1 January 2003 onwards and the retired employees of such jointly-controlled entity were not entitled to any benefits under the cash housing subsidy plans.

For cash housing subsidies related to service periods before 1 January 2000, they were fully recognised as expenses upon implementation of such plans in year 2000. For cash housing subsidies related to service periods starting from 1 January 2000, the payments are made on a monthly basis commencing from January 2000 for a period of up to 20 years for employees without being allocated housing quarters and for a period of 15 years for employees being allocated housing quarters but not up to the prescribed standards. The monthly payments are recognised in the income statement when incurred and are in line with the service periods of such employees.

(d) Termination and early retirement benefits

The Group implemented termination and early retirement plans for certain qualified employees, pursuant to which the Group has the obligations to pay early retirement benefits on a monthly basis to the relevant early retired employees until such employees reach their normal retirement age at which time they can draw their pension from the governmental regulated pension schemes and the DMC regulated supplemental pension scheme.

The early retirement benefit obligations estimated by the directors were fully accrued and recognised in the respective years' income statements when the formal early retirement plan was demonstrably committed.

7. PROFIT BEFORE TAX (continued)

(e) Stock appreciation rights

The shareholders of the Company have adopted a plan of stock appreciation rights ("SARs") for the senior management of the Group. The plan is designed to link the financial interests of the Group's senior management with the Group's future results of operations and the performance of the H shares. No shares are to be issued under the SAR plan. Consequently, the shareholdings of the Company's shareholders will not be diluted as a result of the granting of SARs.

(i) On 19 April 2006, the Company's board of directors approved a plan of SARs for the senior management of the Group. 55,665,782 SAR units were granted with a term of six years with effect from 23 January 2006 (the "Batch 1 SAR"). The rights to the SAR units will have an exercise period of six years from the date of grant (i.e., 23 January 2006) and can be exercised in the third, fourth and fifth years following the date of grant and the total number of the rights exercised by an individual shall not in aggregate exceed 30%, 65% and 100%, respectively, of the total rights granted to the individual. The exercise price of the SARs as approved by the board of directors on 19 April 2006 was HK$2.01, being the average share price at the close of trading over the 30 business days preceding the date of grant. The SARs which has not been exercised on 22 January 2012 shall not be exercised and shall lapse upon their expiry.

(ii) On 18 April 2007, the Company's board of directors further approved a plan of SARs for the senior management of the Group. 31,417,405 SAR units were granted with a term of six years with effect from 15 January 2007 (the "Batch 2 SAR"). The rights to the SAR units will have an exercise period of six years from the date of grant (i.e., 15 January 2007) and can be exercised in the third, fourth and fifth years following the date of grant and the total number of the rights exercised by an individual shall not in aggregate exceed 40%, 70% and 100%, respectively, of the total rights granted to the individual. The exercise price of the SARs as approved by the board of directors on 18 April 2007 was HK$4.09, being the average share price at the close of trading over the 30 business days preceding the date of grant. The SARs which have not been exercised on 14 January 2013 shall not be exercised and shall lapse upon their expiry.

Upon exercise of the rights, the exercising individual will, subject to the restrictions under the plan, receive a payment in RMB, after deducting any applicable withholding tax, equal to the product of the number of rights exercised and the difference between the exercise price and the market price of the H shares of the Company at the time of exercise.

7. PROFIT BEFORE TAX (continued)

(e) Stock appreciation rights (continued)

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 receivable 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. Accordingly, the carrying amount of the liability relating to the SARs has been accounted for by the Company at the lower of the accumulated amortisation of the fair value of the plans of SARs (2010: RMB241 million, 2009: RMB605 million) and the total benefits receivable by the grantees from the Batch 1 SAR and the Batch 2 SAR capped at 50% of the annual remuneration (including benefits receivable from the plans of SARs) of each grantee at the grant date of each plan of SARs ("Ceiling of benefits receivable from the plans of SARs") (2010: RMB38 million, 2009: RMB71 million).

As at 31 December 2010, the carrying amount of the liability relating to the SARs stated on the basis as described in the preceding paragraph was RMB38 million (2009: RMB71 million) and no compensation expense was recognised for the year ended 31 December 2010 (2009: RMB19 million).

The following SARs were outstanding during the year:

	2010		2009	
	Weighted average exercise price HK$ per share	**Number of SAR units '000**	Weighted average exercise price HK$ per share	Number of SAR units '000
At 1 January	**2.78**	**83,271**	2.76	87,043
Granted during the year		**—**		—
Exercised during the year	**2.02**	**(48,233)**	2.43	(3,772)
Lapsed during the year		**(7,953)**		—
At 31 December	**4.09**	**27,085**	2.78	83,271

The weighted average share price at the date of exercise of the SARs exercised during the year was HK$12.9 (2009: HK$3.6).

7. PROFIT BEFORE TAX (continued)

(e) Stock appreciation rights (continued)

The exercise price and exercise periods of the SARs outstanding as at the end of the reporting period are as follows:

2010

Number of SAR units '000	Exercise price HK$ per share	Exercise period
–	2.01	23–1–2008 to 22–1–2012
27,085	4.09	15–1–2009 to 14–1–2013
27,085		

2009

Number of SAR units '000	Exercise price HK$ per share	Exercise period
52,624	2.01	23–1–2008 to 22–1–2012
30,647	4.09	15–1–2009 to 14–1–2013
83,271		

The fair value of SARs is measured using the binomial option pricing model. Measurement inputs include share price on the measurement date, exercise price of the SARs, expected volatility (based on the weighted average historical volatility), weighted average expected life of the SARs (based on the general SAR holders' behaviour), expected dividends, and the risk-free interest rate (based on Hong Kong Exchange Fund Note). Changes in the subjective input assumptions could materially affect the fair value estimate of the SARs.

7. PROFIT BEFORE TAX (continued)

(e) Stock appreciation rights (continued)

The following table lists the inputs to the binomial option pricing model used for the measurement of the fair value of the SARs as at 31 December 2010:

Dividend yield (%)	0.67
Expected volatility (%)	49.60–64.83
Risk-free interest rate (%)	0.09–0.60
Expected life of options (years)	3
Share price on measurement date (HK$)	13.4

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2010	2009
	RMB million	RMB million
Interest on bank loans and other borrowings wholly repayable:		
— within five years	**47**	107
— beyond five years	**26**	104
Interest on discounted bills	**16**	42
Interest on short term debentures	**19**	23
Interest on medium term notes	**146**	34
	254	310
Less: Amount capitalised in construction in progress	**(25)**	(65)
Net interest expense	**229**	245

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of the directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group			
	Directors		Supervisors	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fees	**441**	441	**96**	96
Other emoluments:				
— Salaries, allowances and benefits in kind	**1,749**	1,743	**1,105**	1,440
— Bonuses	**3,229**	2,377	**3,016**	1,800
— Pension scheme costs	**371**	326	**216**	205
	5,790	4,887	**4,433**	3,541
Stock appreciation right expenses/(credit) recognised in the income statement	**—**	(679)	**—**	606
Total charged to the income statement	**5,790**	4,208	**4,433**	4,147

Certain directors and supervisors were granted stock appreciation rights, in respect of their services to the Group, further details of which are set out in note 7(e) to the financial statements.

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

The names of the directors and the supervisors and their remuneration for the year ended 31 December 2010 are as follows:

2010	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme costs RMB'000	Total RMB'000
Executive directors:					
Xu Ping	–	230	433	48	711
Liu Zhangmin (resigned on 11 October 2010)	–	122	382	25	529
Zhu Fushou*	–	32	–	8	40
Zhou Wenjie	–	187	353	38	578
Li Shaozhu	–	189	353	42	584
Fan Zhong	–	189	353	42	584
	–	949	1,874	203	3,026
Non-executive directors:					
Tong Dongcheng	–	189	353	42	584
Ouyang Jie	–	189	353	42	584
Liu Weidong	–	189	353	42	584
Zhou Qiang**	–	32	–	7	39
Zhu Fushou*	–	201	296	35	532
	–	800	1,355	168	2,323
Independent non-executive directors:					
Sun Shuyi	147	–	–	–	147
Ng Lin-fung	147	–	–	–	147
Yang Xianzu	147	–	–	–	147
	441	–	–	–	441
	441	1,749	3,229	371	5,790
Supervisors:					
Ye Huicheng (resigned on 11 October 2010)	–	157	353	35	545
Ma Liangjie (appointed on 11 October 2010)	–	34	–	4	38
Ren Yong	–	393	1,388	72	1,853
Liu Yuhe (resigned on 11 October 2010)	–	–	494	–	494
Li Chunrong	–	151	271	29	451
Chen Binbo (appointed on 11 October 2010)	–	28	–	9	37
Huang Gang (appointed on 11 October 2010)	–	26	8	5	39
Kang Li	–	159	299	32	490
Zhou Qiang**	–	157	203	30	390
	–	1,105	3,016	216	4,337
Independent supervisors:					
Wen Shiyang	48	–	–	–	48
Deng Mingran	48	–	–	–	48
	96	–	–	–	96
	96	1,105	3,016	216	4,433

* Mr. Zhu Fushou resigned from the office of non-executive director and was appointed as executive director on 11 October 2010

** Mr. Zhou Qiang resigned from the office of supervisors and was appointed as non-executive director on 11 October 2010

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

The names of the directors and the supervisors and their remuneration (the SAR expenses/(credit) are disclosed in the second last column) for the year ended 31 December 2009 are as follows:

2009	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme costs RMB'000	Total RMB'000	Stock appreciation right expense/(credit) recognised in the income statement* RMB'000	Waived stock appreciation right benefits RMB'000
Executive directors:							
Xu Ping	–	229	319	41	589	(63)	14,620
Liu Zhangmin	–	187	281	38	506	(63)	14,620
Zhou Wenjie	–	187	255	34	476	(79)	12,106
Fan Zhong	–	187	255	36	478	(79)	12,106
Li Shaozhu	–	187	255	36	478	(79)	12,106
	–	977	1,365	185	2,527	(363)	65,558
Non-executive directors:							
Tong Dongcheng	–	187	255	36	478	(79)	12,106
Liu Weidong	–	187	255	36	478	(79)	12,106
Ouyang Jie	–	187	255	36	478	(79)	12,106
Zhu Fushou	–	205	247	33	485	(79)	12,106
	–	766	1,012	141	1,919	(316)	48,424
Independent non-executive directors:							
Sun Shuyi	147	–	–	–	147	–	–
Ng Lin-fung	147	–	–	–	147	–	–
Yang Xianzu	147	–	–	–	147	–	–
	441	–	–	–	441	–	–
	441	1,743	2,377	326	4,887	(679)	113,982
Supervisors:							
Ye Huicheng	–	187	255	36	478	(79)	12,106
Zhou Qiang	–	183	336	29	548	168	7,197
Ren Yong	–	489	465	59	1,013	168	7,197
Liu Yuhe	–	289	443	28	760	156	2,953
Li Chunrong	–	141	124	24	289	98	5,244
Kang Li	–	151	177	29	357	95	6,323
	–	1,440	1,800	205	3,445	606	41,020
Independent supervisors:							
Wen Shiyang	48	–	–	–	48	–	–
Deng Mingran	48	–	–	–	48	–	–
	96	–	–	–	96	–	–
	96	1,440	1,800	205	3,541	606	41,020

* represented the lower of the accumulated amortisation of the fair value of the plans of SARs and the Ceiling of benefits receivable from the plans of SARs recognised as expense/(credit) in the income statement (note 7(e)).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

During the year, no emoluments were paid by the Group to any directors or supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office.

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year ended 31 December 2010. During the year ended 31 December 2009, all the directors and the supervisors waived unconditionally the portion of benefits receivable by them in excess of 50% of their respective annual remuneration (including benefits receivable from the plans of SARs) at the grant date of each plan of SARs.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2009: two) directors or supervisors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four (2009: three) non-director and non-supervisor, highest paid employees for the year are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,171**	1,836
Bonuses	**3,425**	617
Pension scheme contributions	**202**	87
	4,798	2,540

The number of these non-director and non-supervisor, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2010	2009
Nil–RMB500,000	**—**	—
RMB500,001–RMB1,000,000	**—**	2
RMB1,000,001–RMB1,500,000	**4**	1
	4	3

In prior years, the SARs were granted to three (2009: two) of the non-director, non-supervisor, highest paid employees in respect of their services to the Group, further details of which are included in note 7(e) to the financial statements.

11. INCOME TAX EXPENSE

	Group	
	2010	2009
	RMB million	RMB million
Current income tax	**3,846**	2,267
Deferred income tax	**(840)**	(596)
Income tax expense for the year	**3,006**	1,671

(a) Corporate income tax

Under the PRC Corporate Income Tax Law and the respective regulations, the corporate income tax for the Company, its subsidiaries and its jointly-controlled entities is calculated at rates ranging from 7.5% to 25%, on their estimated assessable profits for the year 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.

(b) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

(c) Deferred income tax

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 period when the assets are realised or the liabilities are settled.

11. INCOME TAX EXPENSE (continued)

(c) Deferred income tax (continued)

A reconciliation of the income tax expense applicable to profit before tax at the statutory corporate income tax rate for the PRC in which the Group is domiciled to the income tax expense at the Group's effective income tax rate, and a reconciliation of the applicable rate (i.e., the statutory corporate income tax rate) to the effective income tax rate, are as follows:

	2010		2009	
	RMB million	%	RMB million	%
Profit before tax	**14,583**		8,409	
At the PRC statutory corporate income tax rate of 25% (2009: 25%)	**3,646**	**25.0**	2,102	25.0
Tax concessions and lower tax rates for specific provinces or locations	**(954)**	**(6.5)**	(619)	(7.3)
Income not subject to corporate income tax	**(50)**	**(0.3)**	(148)	(1.8)
Expenses not deductible for corporate income tax	**44**	**0.3**	42	0.5
Tax losses not recognised	**320**	**2.1**	294	3.5
Income tax expense at the Group's effective income tax rate	**3,006**	**20.6**	1,671	19.9

11. INCOME TAX EXPENSE (continued)

The Group's and the Company's deferred income tax is analysed as follows:

Group

	As at 31 December		Year ended 31 December			
	2010 RMB million	2009 RMB million	Credited to income statement 2010 RMB million	Charged to statement of comprehensive income 2010 RMB million	Credited to income statement 2009 RMB million	Charged to statement of comprehensive income 2009 RMB million
Deferred tax liabilities:						
Capitalisation of development costs	**(17)**	(24)	**(7)**	**–**	(7)	–
Arising from acquisition of a subsidiary by a jointly-controlled entity	**–**	–	**–**	**–**	(2)	–
Others	**(34)**	(38)	**(9)**	**5**	(16)	7
Gross deferred tax liabilities	**(51)**	(62)				
Deferred tax assets:						
Impairment of items of property, plant and equipment	**54**	51	**(3)**	**–**	(11)	–
Provision for stock appreciation right liabilities	**19**	19	**–**	**–**	(5)	–
Accrual expenses	**1,722**	1,040	**(682)**	**–**	(481)	–
Warranty provisions	**183**	119	**(64)**	**–**	(51)	–
Others	**212**	137	**(75)**	**–**	(23)	–
Gross deferred tax assets	**2,190**	1,366				
Deferred income tax charge/(credit)			**(840)**	**5**	(596)	7
Net deferred tax liabilities	**(51)**	(62)				
Net deferred tax assets	**2,190**	1,366				

11. INCOME TAX EXPENSE (continued)

Company

	As at 31 December	
	2010	2009
	RMB million	RMB million
Deferred tax assets:		
Provision for stock appreciation right liabilities	**19**	19
Gross deferred tax assets	**19**	19
Net deferred tax assets	**19**	19

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2010 includes a profit of RMB5,249 million (2009: RMB3,607 million) which has been dealt with in the financial statements of the Company (note 30).

13. DIVIDEND

Group

	2010 RMB million	2009 RMB million
Proposed final — RMB0.18 (2009: RMB0.09) per ordinary share	**1,551**	776

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

In accordance with the articles of association of the Company, the net profit after tax of the Company for the purpose of profit distribution will be deemed to be the lesser of (i) the net profit determined in accordance with the Accounting Standards for Business Enterprises ("PRC GAAP") and (ii) the net profit determined in accordance with IFRSs. Under the PRC Company Law and the Company's articles of association, the net profit after tax can only be distributed as dividends after an allowance has been made for the following:

(i) Making up prior years' cumulative losses, if any.

(ii) Allocations to the statutory common reserve of at least 10% of after-tax profit, until the reserve reaches 50% of the Company's share capital in aggregate. For the purpose of calculating the transfer to the reserve, the profit after tax shall be the amount determined under PRC GAAP. The transfer to this reserve must be made before any distribution of dividends to shareholders.

The statutory common reserve can be used to offset previous years' losses, if any, and part of the statutory common reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

(iii) Allocations to the discretionary common reserve if approved by the shareholders.

13. DIVIDEND (continued)

The abovementioned reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

For dividend distribution purposes, the amounts that the Company's subsidiaries and jointly-controlled entities can legally distribute by way of a dividend are determined by reference to the profits as reflected in their financial statements prepared in accordance with PRC GAAP. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year.

The calculation of basic earnings per share is based on:

	2010	2009
	RMB million	RMB million
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	**10,981**	6,250

	Number of shares	
	million	million
Shares:		
Weighted average number of ordinary shares in issue during the year	**8,616**	8,616

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

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB million	Plant and equipment RMB million	Construction in progress RMB million	Total RMB million
31 December 2010				
At 31 December 2009 and 1 January 2010:				
Cost	1,140	30,121	2,804	34,065
Accumulated depreciation and impairment	(442)	(14,885)	(35)	(15,362)
Net carrying amount	698	15,236	2,769	18,703
At 1 January 2010, net of accumulated depreciation and impairment	698	15,236	2,769	18,703
Additions	56	522	3,374	3,952
Disposals	(2)	(212)	(65)	(279)
Disposal of a subsidiary by a jointly-controlled entity	—	(13)	—	(13)
Reclassifications	84	3,012	(3,096)	—
Impairment	(3)	(216)	(7)	(226)
Depreciation provided during the year	(66)	(3,520)	—	(3,586)
At 31 December 2010, net of accumulated depreciation and impairment	767	14,809	2,975	18,551
At 31 December 2010:				
Cost	1,261	32,628	3,006	36,895
Accumulated depreciation and impairment	(494)	(17,819)	(31)	(18,344)
Net carrying amount	767	14,809	2,975	18,551

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Buildings RMB million	Plant and equipment RMB million	Construction in progress RMB million	Total RMB million
31 December 2009				
At 1 January 2009:				
Cost	1,119	27,138	3,374	31,631
Accumulated depreciation and impairment	(404)	(12,797)	(40)	(13,241)
Net carrying amount	715	14,341	3,334	18,390
At 1 January 2009, net of accumulated depreciation and impairment	715	14,341	3,334	18,390
Additions	19	518	2,539	3,076
Disposals	(42)	(249)	—	(291)
Reclassifications	55	3,049	(3,104)	—
Impairment	(1)	(149)	—	(150)
Depreciation provided during the year	(48)	(2,274)	—	(2,322)
At 31 December 2009, net of accumulated depreciation and impairment	698	15,236	2,769	18,703
At 31 December 2009:				
Cost	1,140	30,121	2,804	34,065
Accumulated depreciation and impairment	(442)	(14,885)	(35)	(15,362)
Net carrying amount	698	15,236	2,769	18,703

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Buildings RMB million	Plant and equipment RMB million	Construction in progress RMB million	Total RMB million
31 December 2010				
At 31 December 2009 and 1 January 2010:				
Cost	219	1,310	253	1,782
Accumulated depreciation and impairment	(74)	(276)	—	(350)
Net carrying amount	145	1,034	253	1,432
At 1 January 2010, net of accumulated depreciation and impairment	145	1,034	253	1,432
Additions	2	8	728	738
Disposals	—	(2)	(26)	(28)
Reclassifications	55	552	(607)	—
Impairment	—	(62)	—	(62)
Depreciation provided during the year	(14)	(178)	—	(192)
At 31 December 2010, net of accumulated depreciation and impairment	188	1,352	348	1,888
At 31 December 2010:				
Cost	276	1,866	348	2,490
Accumulated depreciation and impairment	(88)	(514)	—	(602)
Net carrying amount	188	1,352	348	1,888

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Buildings RMB million	Plant and equipment RMB million	Construction in progress RMB million	Total RMB million
31 December 2009				
At 1 January 2009:				
Cost	199	617	51	867
Accumulated depreciation and impairment	(66)	(217)	—	(283)
Net carrying amount	133	400	51	584
At 1 January 2009, net of accumulated depreciation and impairment	133	400	51	584
Additions	—	10	639	649
Acquisition of the Own-brand Business	—	4	262	266
Reclassifications	20	679	(699)	—
Impairment	—	—	—	—
Depreciation provided during the year	(8)	(59)	—	(67)
At 31 December 2009, net of accumulated depreciation and impairment	145	1,034	253	1,432
At 31 December 2009:				
Cost	219	1,310	253	1,782
Accumulated depreciation and impairment	(74)	(276)	—	(350)
Net carrying amount	145	1,034	253	1,432

The impairment provided for the items of property, plant and equipment of the Group mainly represented a full provision for idle production facilities which were, in the opinion of the directors, without significant resale value.

The details of the above items of property, plant and equipment pledged to secure general banking facilities granted to the Group are set out in note 31 below.

16. INTANGIBLE ASSETS

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Cost:				
At 1 January	**3,277**	2,789	**212**	35
Additions	**805**	613	**6**	21
Acquisition of the Own-brand Business	**—**	—	**—**	156
Disposals	**(1)**	(125)	**—**	—
At 31 December	**4,081**	3,277	**218**	212
Accumulated amortisation:				
At 1 January	**1,245**	1,001	**32**	13
Amortisation	**399**	367	**35**	19
Disposals	**—**	(123)	**—**	—
At 31 December	**1,644**	1,245	**67**	32
Impairment:				
At 1 January	**31**	30	**—**	—
Additions	**112**	1	**112**	—
At 31 December	**143**	31	**112**	—
Net book value:				
At 1 January	**2,001**	1,758	**180**	22
At 31 December	**2,294**	2,001	**39**	180

The details of the above items of intangible assets pledged to secure general banking facilities granted to the Group are set out in note 31 below.

17. GOODWILL

Group

	2010 RMB million	2009 RMB million
At 1 January	**479**	483
Impairment	**—**	(4)
At 31 December	**479**	479

The recoverable amounts of the cash-generating units, to which the goodwill is allocated, have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period. The discount rate applied to the cash flow projections is 11%. No growth rate has been projected beyond the five-year period.

18. INVESTMENTS IN SUBSIDIARIES

Company

	2010 RMB million	2009 RMB million
Unlisted investments, at cost	**140**	140

18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2010 were as follows:

Name	Place of establishment and operations	Paid-up and registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
China Dongfeng Motor Industry Import and Export Co., Ltd.	PRC	RMB200,000,000	95.0	2.6	Marketing and sale of automobiles
Shanghai Dongfeng Motor Industry Import and Export Co., Ltd.	PRC	RMB30,000,000	—	97.6	Marketing and sale of automobiles

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

Company

	2010 RMB million	2009 RMB million
Unlisted investments, at cost	**13,037**	13,037

19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the principal jointly-controlled entities as at 31 December 2010 were as follows:

Name	Place of establishment and operations	Paid-up registered capital	Percentage of equity interest attributable to the Company Direct	Percentage of equity interest attributable to the Company Indirect	Principal activities
Dongfeng Honda Engine Co., Ltd.#	PRC	US$121,583,517	50.0	—	Manufacture and sale of automotive parts and components
Dongfeng Honda Auto Parts Co., Ltd.#	PRC	US$37,500,000	44.0	—	Manufacture and sale of automotive parts and components
Dongfeng Motor Co., Ltd.#	PRC	RMB16,700,000,000	50.0	—	Manufacture and sale of automobiles, automotive parts and components
Dongfeng Honda Automobile Co., Ltd.#	PRC	US$350,000,000	50.0	—	Manufacture and sale of automobiles, automotive parts and components
Dongfeng Peugeot Citroen Automobile Company Ltd.#	PRC	RMB7,000,000,000	50.0	—	Manufacture and sale of automobiles, automotive parts and components
Dongfeng Nissan Diesel Motor Co., Ltd.#	PRC	RMB289,900,700	50.0	—	Manufacture and sale of automobiles, automotive parts and components
Dongfeng Motor Finance Co., Ltd.#	PRC	RMB558,770,000	20.0	40.0	Provision of finance services

19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Name	Place of establishment and operations	Paid-up registered capital	Percentage of equity interest attributable to the Company Direct	Percentage of equity interest attributable to the Company Indirect	Principal activities
Dongfeng Automobile Co., Ltd.##	PRC	RMB2,000,000,000	—	30.1	Manufacture and sale of automobiles, automotive parts and components
Dongfeng Electronics Technology Co., Ltd.##	PRC	RMB313,560,000	—	32.5	Manufacture and sale of automotive parts and components
Dongfeng Cummins Engines Co., Ltd.#	PRC	US$100,620,000	—	15.0	Manufacture and sale of automotive parts and components
Guangzhou Aeolus Automobile Co., Ltd.#	PRC	RMB520,000,000	—	30.0	Manufacture and sale of automobiles, automotive parts and components
Aeolus Xiangfan Motor Co., Ltd.#	PRC	RMB826,000,000	—	39.9	Manufacture and sale of automotive parts and components
Aeolus Automobile Co., Ltd.#	PRC	RMB173,350,000	—	31.5	Manufacture and sale of automobiles, automotive parts and components
Zhengzhou Nissan Automobile Co., Ltd.#	PRC	RMB562,000,000	—	29.7	Manufacture and sale of automobiles

Sino-foreign equity joint ventures

Joint stock limited liability companies

19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

The above table lists the jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

The aggregate amounts of the assets, liabilities, revenue, expenses and non-controlling interests of the Group's jointly-controlled entities attributable to the Group are as follows:

	2010 RMB million	2009 RMB million
Non-current assets	**24,693**	22,758
Current assets	**69,527**	53,259
Non-current liabilities	**(1,867)**	(1,678)
Current liabilities	**(61,224)**	(48,622)
Non-controlling interests	**(3,695)**	(3,544)
Net assets	**27,434**	22,173
Total revenue	**120,777**	90,702
Total expenses	**(108,370)**	(83,435)
Non-controlling interests	**(562)**	(543)
Profit attributable to equity holders of the parent	**11,845**	6,724

19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

During the year ended 31 December 2010, the Group has the following significant change in the holdings of a jointly-controlled entity:

Disposal of a subsidiary by a jointly-controlled entity

In February 2010, Dongfeng Motor Company Limited, a 50% jointly-controlled entity of the Company, disposed of its 51.69% equity interest and its loans receivable of RMB239 million due from Dongfeng Hangzhou Motor Company Limited ("DHMC") to DMC at a total consideration of RMB2.

	2010 RMB million
Net assets disposed of attributable to the Group:	
Property, plant and equipment	13
Inventories	2
Prepayments, deposits and other receivables	28
Trade and bills payables	(42)
Other payables and accruals	(71)
Interest-bearing borrowings	(153)
	(223)
Loans receivable from DHMC disposed of	120
Gain on disposal of a subsidiary by a jointly-controlled entity	103
Total consideration received	—

20. INVESTMENTS IN ASSOCIATES

The Group's investments in associates represent its share of net assets of the associates.

The Company's investments in associates are analysed as follows:

	2010 RMB million	2009 RMB million
Unlisted investments, at cost	**336**	326

Particulars of the principal associates as at 31 December 2010 were as follows:

Name	Place of establishment and operations	Paid-up registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Shenzhen Hangsheng Electronics Co., Ltd.##	PRC	RMB150,000,000	—	12.5	Manufacture and sale of automotive parts and components
Zhanjiang Deli Carburetor Co., Ltd.#	PRC	US$21,250,000	—	16.0	Manufacture and sale of automotive parts and components
Dongfeng Nissan Auto Finance Co., Ltd.#	PRC	RMB700,000,000	35%	—	Provision of finance services

\# Sino-foreign equity joint ventures
\## Joint stock limited liability company

20. INVESTMENTS IN ASSOCIATES (continued)

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The aggregate amounts of the assets, liabilities, revenue, expenses and non-controlling interests of the associates of the Group attributable to the Group are as follows:

	2010 RMB million	2009 RMB million
Non-current assets	**2,247**	819
Current assets	**2,224**	1,425
Non-current liabilities	**(403)**	(97)
Current liabilities	**(2,910)**	(1,251)
Non-controlling interests	**(10)**	—
Net assets	**1,148**	896
Total revenue	**2,867**	1,565
Total expenses	**(2,618)**	(1,402)
Profit attributable to equity holders of the parent	**249**	163

21. OTHER NON-CURRENT ASSETS

		Group	
		2010	2009
	Note	**RMB million**	RMB million
Loans and receivables from financing services	25(ii)	**607**	294
Mandatory reserve with the People's Bank of China (the "PBOC")*		**908**	481
Others		**614**	787
		2,129	1,562

* The Group's jointly-controlled entity which involved in the provision of financing services is required to place mandatory reserve deposits with the PBOC. Mandatory reserve deposits with the PBOC are not available for use in the Group's daily operations.

22. INVENTORIES

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Raw materials	**4,052**	3,589	**157**	123
Work in progress	**936**	713	**22**	42
Finished goods	**8,947**	4,439	**182**	184
	13,935	8,741	**361**	349

The details of the above items of inventories pledged to secure general banking facilities granted to the Group are set out in note 31 below.

23. TRADE RECEIVABLES

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

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Within three months	**1,399**	1,351	**158**	108
More than three months but within one year	**627**	294	**38**	7
More than one year	**61**	40	**1**	1
	2,087	1,685	**197**	116

The movements in the provision for impairment of trade receivables are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
At 1 January	**907**	990	**4**	4
Net impairment loss reversed	**(14)**	(11)	**—**	—
Disposal of a subsidiary by a jointly-controlled entity	**(47)**	—	**—**	—
Amount written off as uncollectible	**(62)**	(72)	**—**	—
At 31 December	**784**	907	**4**	4

23. TRADE RECEIVABLES (continued)

As at 31 December 2010, trade receivables of the Group with an aggregate nominal value of RMB672 million (2009: RMB778 million) were impaired and fully provided for. The remaining individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Neither past due nor impaired	**1,384**	1,375	**158**	108
Less than three months past due	**57**	14	**38**	7
	1,441	1,389	**196**	115

Receivables that were neither past due nor impaired relate to a large number of diversified customers to whom there was no recent history of default.

Included in the trade receivables are the following balances with related parties:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
A joint venture partner	**21**	6	**—**	—
Associates	**13**	13	**4**	1
DMC and its subsidiaries	**2**	4	**3**	1
	36	23	**7**	2

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

24. BILLS RECEIVABLE

The maturity profiles of the bills receivable of the Group and the Company are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Within three months	**10,915**	6,568	**4**	67
More than three months but within one year	**4,895**	4,099	**377**	5
	15,810	10,667	**381**	72

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
		2010	2009	**2010**	2009
	Notes	**RMB million**	RMB million	**RMB million**	RMB million
Prepayments		**1,812**	1,082	**279**	350
Deposits and other receivables	(i)	**1,406**	2,849	**1,607**	4,507
Loans and receivables from financing services	(ii)	**1,442**	718	**—**	—
		4,660	4,649	**1,886**	4,857

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

(i) The movements in the provision for impairment of other receivables are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
At 1 January	**126**	94	**—**	—
Net impairment loss recognised/(reversed)	**(41)**	34	**—**	—
Disposal of a subsidiary by a jointly-controlled entity	**(2)**	—	**—**	—
Amount written off as uncollectible	**(4)**	(2)	**—**	—
At 31 December	**79**	126	**—**	—

(ii) Loans and receivables from financing services represented loans granted by the Group's jointly-controlled entity, which involved in the provision of financing services, to individuals and entities when they purchased commercial vehicles from dealers at an interest rate of 7.02-10.81% per annum. These loans and receivables from financing services were secured by the vehicle licences together with guarantees provided by these dealers.

The loans and receivables from financing services are analysed as follows:

	2010	2009
	RMB million	RMB million
Gross loans and receivables from financing services	**2,093**	1,038
Less: impairment allowances	**(44)**	(26)
	2,049	1,012
Less: current portion	**(1,442)**	(718)
Non-current portion	**607**	294

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

(ii) Movements of impairment allowances are as follows:

	2010 RMB million	2009 RMB million
At 1 January	26	18
Impairment allowances charged	18	8
At 31 December	44	26

Included in the prepayments, deposits and other receivables are the following balances with related parties:

	Group		Company	
	2010 RMB million	2009 RMB million	2010 RMB million	2009 RMB million
Joint venture partners and their holding companies	18	9	—	—
Associates	17	1	1	1
Fellow subsidiaries	1	3	—	—
A non-controlling shareholder of a jointly-controlled entity's subsidiary	—	29	—	—
Subsidiaries	—	—	144	205
Dividends receivable from jointly-controlled entities	—	—	1,584	2,492
Dividend receivable from an associate	—	—	—	—
	36	42	1,729	2,698

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

26. BALANCES WITH JOINTLY-CONTROLLED ENTITIES

The Group's and the Company's balances with its jointly-controlled entities are unsecured, have no fixed terms of repayment and are interest-free except for the cash deposits due from/to a jointly-controlled entity, which involved in the provision of financing services, bear interest at a prevailing saving interest rate published by the PBOC.

Included in the balances with jointly-controlled entities are the following interest-bearing cash deposits:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Due from a joint-controlled entity	**1,451**	470	**3,627**	934
Due to a jointly-controlled entity	**681**	—	**—**	—

27. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Unlisted investments at cost less impairment:				
Non-current	**246**	164	**68**	68
Current*	**1,300**	1,110	**1,300**	1,110
	1,546	1,274	**1,368**	1,178

* As at 31 December 2009, the unlisted investments of the Group and the Company amounting to RMB810 million (2010: nil) and RMB810 million (2010: nil), respectively, are guaranteed by certain banks and financial institutions with a repayment due date within one year.

The unlisted investments of the Group and the Company are not stated at fair value but at cost less accumulated impairment losses because they do not have a quoted market price in an active market and the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
		(Restated)		(Restated)
Cash and bank balances	**26,196**	16,498	**6,254**	2,167
Time deposits	**16,754**	15,805	**—**	1
	42,950	32,303	**6,254**	2,168
Less: Pledged bank balances and time deposits for securing general banking facilities	**(1,546)**	(2,924)	**—**	—
Cash and cash equivalents as stated in the consolidated statement of financial position	**41,404**	29,379	**6,254**	2,168
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(15,515)**	(12,010)	**—**	—
Cash and cash equivalents as stated in the consolidated statement of cash flows	**25,889**	17,369	**6,254**	2,168

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

29. SHARE CAPITAL

Group and Company

	2010 RMB million	2009 RMB million
Registered, issued and fully paid:		
— 5,760,388,000 (2009: 5,760,388,000) Domestic Shares of RMB1.00 each	**5,760**	5,760
— 2,855,732,000 (2009: 2,855,732,000) H shares of RMB1.00 each	**2,856**	2,856
	8,616	8,616

30. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 88 of the financial statements.

Company

	Capital reserve RMB million	Statutory reserves RMB million (note (a))	Retained profits RMB million	Proposed final dividend RMB million	Total RMB million
At 1 January 2009	1,363	1,593	2,081	388	5,425
Final 2008 dividend declared	—	—	—	(388)	(388)
Total comprehensive income for the year	—	—	3,607	—	3,607
Transfer to reserves	—	610	(610)	—	—
Proposed final dividend	—	—	(776)	776	—
At 31 December 2009 and 1 January 2010	1,363	2,203	4,302	776	8,644
Final 2009 dividend declared	—	—	—	(776)	(776)
Total comprehensive income for the year	—	—	5,249	—	5,249
Transfer to reserves	—	1,067	(1,067)	—	—
Proposed final dividend	—	—	(1,551)	1,551	—
At 31 December 2010	1,363	3,270	6,933	1,551	13,117

30. RESERVES (continued)

Company (continued)

Notes:

(a) *Statutory reserves*

In accordance with the PRC Company Law, the Company and each of its subsidiaries, jointly-controlled entities and associates are required to allocate 10% of their profits after tax (determined under PRC GAAP) to their respective statutory surplus reserves (the "SSR"). No allocation to the SSR is required after the balance of such reserve reaches 50% of the registered capital of the respective companies. Subject to certain restrictions set out in the PRC Company Law, part of the SSR may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital of the respective companies.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises and the memorandum and articles of association of the relevant companies, the Group's Sino-foreign jointly-controlled entities are also required to make appropriations of certain of their profits after tax thereof to their enterprise expansion funds and reserve funds, which are restricted as to use.

(b) *Distributable reserves*

As set out in note 13, for dividend distribution purpose, the Company's distributable profit is based on the lower of the net profit after tax as determined under PRC GAAP and IFRSs following its restructuring into a joint stock limited liability company on 12 October 2004. The amounts that the Company's subsidiaries and jointly-controlled entities can legally distribute by way of dividend are determined by reference to their profits as reflected in their financial statements prepared in accordance with PRC GAAP. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

In accordance with the PRC Company Law, the net profits after transfers to the SSR can be distributed as dividends by the companies comprising the Group as set out above.

Under the relevant laws and regulatory requirements, the net profits of the Group's Sino-foreign jointly-controlled entities after transfers to the enterprise expansion fund and the reserve funds can be distributed as dividends by the Group's Sino-foreign jointly-controlled entities.

31. INTEREST-BEARING BORROWINGS

Group

	2010			2009		
	Effective interest rate (%)	Maturity	RMB million	Effective interest rate (%)	Maturity	RMB million
Current						
Bank loans — secured	0.3–10.46	2011	1,655	0–6.59	2010	1,460
Bank loans — secured	LIBOR + 2.28	2011	2	LIBOR + 1.5	2010	241
Bank loans — unsecured	4.37–9.6	2011	134	0.22–7.47	2010	2,528
Bank loans — unsecured	LIBOR + 0.6 - LIBOR + 1.2	2011	608	LIBOR + 0.55 - LIBOR + 1.2	2010	587
Debentures — unsecured			–	1.72	2010	1,981
Other loans — unsecured*			872			420
			3,271			7,217
Non-current						
Bank loans — secured	0.3–2	2012-2030	392	1–7.47	2011-2030	517
Bank loans — unsecured	0.3–6.59	2012	29	0.3–6.59	2012	46
Bank loans — unsecured	LIBOR + 0.8 - LIBOR + 1.2	2012-2015	894	LIBOR + 0.8 - LIBOR + 1.2	2011-2015	885
Medium term notes — unsecured	3.49-3.8	2012-2013	4,974	3.8	2012	2,976
			6,289			4,424
			9,560			11,641

* Other loans represented cash deposits placed by DMC amounting to RMB513 million (2009: RMB248 million) and other unrelated third parties with a jointly-controlled entities of the Group which involved in the provision of financing services. Such loans bear interest at a prevailing saving interest rate published by the PBOC.

31. INTEREST-BEARING BORROWINGS (continued)

Company

	2010			2009		
	Effective interest rate (%)	Maturity	RMB million	Effective interest rate (%)	Maturity	RMB million
Current						
Bank loans — unsecured	5	2011	25	5	2010	25
Debentures — unsecured			—	1.72	2010	1,981
			25			2,006
Non-current						
Medium term notes — unsecured	3.49-3.8	2012-2013	4,974	3.8	2012	2,976
			4,999			4,982

The above secured bank loans and certain general facilities granted by the banks were secured by certain assets of the Group. An analysis of the carrying values of these assets included in the financial statements is as follows:

Group

	2010 RMB million	2009 RMB million
Property, plant and equipment	206	836
Intangible assets	4	8
Inventories	59	54
Time deposits and bank balances	2,994	2,933
Other assets	3,994	1,250
	7,257	5,081

The other assets represent other non-current assets, trade and bills receivables and prepayments, deposits and other receivables.

31. INTEREST-BEARING BORROWINGS (continued)

On 16 June 2009, short term debentures with a face value of RMB2,000 million were issued at a discount in the inter-bank debenture market of the PRC. The issue price was RMB98.31 each and the term of maturity was 365 days. The total proceeds from the issue of the short term debentures amounted to RMB1,966.20 million. The short term debentures issued in 2009 were fully settled during the year.

On 21 September 2009, medium term notes with a principal amount of RMB3,000 million were issued to investors. The medium term notes were issued at a face value of RMB100 each and will mature on 21 September 2012. The medium term notes carries a fixed interest rate of 3.8% per annum and is payable annually on 21 September each year.

On 15 July 2010, medium term notes with a principal amount of RMB2,000 million were issued to investors. The medium term notes were issued at a face value of RMB100 each and will mature on 15 July 2013. The medium term notes carries a fixed interest rate of 3.49% per annum and is payable annually on 15 July each year.

Details of the medium term notes at 31 December 2010 are as follows:

	2010 **RMB million**	2009 RMB million
Principal amount	**5,000**	3,000
Notes issuance cost	**(39)**	(27)
Proceeds received	**4,961**	2,973
Accumulated amortised amounts of notes issuance cost	**13**	3
	4,974	2,976

31. INTEREST-BEARING BORROWINGS (continued)

The maturity profiles of the interest-bearing borrowings of the Group and the Company are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Bank loans repayable:				
Within one year or on demand	**2,399**	4,816	**25**	25
In the second year	**503**	487	**—**	—
In the third to fifth years, inclusive	**481**	590	**—**	—
Beyond five years	**331**	371	**—**	—
	3,714	6,264	**25**	25
Debentures repayable within one year	**—**	1,981	**—**	1,981
Medium term notes repayable:				
In the second year	**2,984**	—	**2,984**	—
In the third year	**1,990**	2,976	**1,990**	2,976
	4,974	2,976	**4,974**	2,976
Other loans repayable:				
Within one year or on demand	**872**	420	**—**	—
	9,560	11,641	**4,999**	4,982

The carrying amount of the interest-bearing borrowings approximates to their fair value.

32. PROVISIONS

The Group's and the Company's provisions are analysed as follows:

	Group				Company
	Environmental restoration costs	Warranty expenses	Reorganisation expenses	Total	Warranty expenses
	RMB million	RMB million	RMB million	RMB million	RMB million
At 31 December 2010:					
Current portion	135	997	—	1,132	26
Non-current portion	—	—	69	69	—
	135	997	69	1,201	26
At 31 December 2009:					
Current portion	146	701	—	847	16
Non-current portion	—	—	102	102	—
	146	701	102	949	16

The carrying amounts of the Group's and the Company's provisions approximate to their fair values.

32. PROVISIONS (continued)

The movements of the above provisions are analysed as follows:

	Group				Company
	Environmental restoration costs	Warranty expenses	Reorganisation expenses	Total	Warranty expenses
	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2009	131	406	129	666	—
Provision during the year	27	690	—	717	16
Utilised	(12)	(395)	(27)	(434)	—
At 31 December 2009 and 1 January 2010	146	701	102	949	16
Provision during the year	—	909	—	909	23
Utilised	(11)	(613)	(33)	(657)	(13)
At 31 December 2010	135	997	69	1,201	26

Environmental restoration costs

In accordance with the prevailing regulations in the PRC, the Group is required to restore to the original condition of the land on which their production plants are located. The directors have estimated and provided for the expected costs of the restoration of the land.

Warranty expenses

The Group and the Company provides warranties for certain automotive products and undertake to repair or replace items that fail to perform satisfactorily. The amount of provision for product warranties is estimated based on the sales volume and past experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and is revised when appropriate.

Reorganisation expenses

A provision for reorganisation expenses was recorded by a jointly-controlled entity in 2003 in connection with the reorganisation of its workforce. The reorganisation plan was drawn up and announced to the employees of the jointly-controlled entity in December 2003.

33. GOVERNMENT GRANTS

The movements of the government grants of the Group are analysed as follows:

	RMB million
At 1 January 2009	106
Received during the year	333
Recognised as other income during the year (note 6)	(345)
At 31 December 2009 and 1 January 2010	94
Received during the year	442
Recognised as other income during the year (note 6)	(379)
At 31 December 2010	157

34. TRADE PAYABLES

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Within three months	**22,206**	17,228	**678**	929
More than three months but within one year	**1,109**	935	**119**	89
More than one year	**519**	251	**6**	6
	23,834	18,414	**803**	1,024

34. TRADE PAYABLES (continued)

Included in the above balances are the following balances with related parties:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
DMC	**43**	35	**2**	3
Joint venture partners and their holding companies	**2,270**	2,068	**—**	—
Associates	**209**	162	**38**	44
A non-controlling shareholder of a jointly-controlled entity's subsidiary	**1**	—	**—**	—
Fellow subsidiaries	**24**	26	**11**	4
	2,547	2,291	**51**	51

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

35. BILLS PAYABLE

The maturity profile of the bills payable of the Group is as follows:

	2010	2009
	RMB million	RMB million
Within three months	**5,066**	3,428
More than three months but within one year	**5,301**	3,963
	10,367	7,391

36. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Advances from customers	**6,783**	3,809	**163**	242
Accrued salaries, wages and benefits	**2,543**	2,130	**198**	411
Other payables	**10,047**	8,452	**652**	221
	19,373	14,391	**1,013**	874

Included in the other payables and accruals are the following balances with related parties:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
DMC	**191**	164	**—**	—
Joint venture partners	**1,091**	815	**—**	—
A non-controlling shareholder of a jointly-controlled entity's subsidiary	**3**	5	**—**	—
Fellow subsidiary	**10**	87	**—**	—
Associates	**7**	2	**—**	—
	1,302	1,073	**—**	—

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

37. COMMITMENTS

(a) Operating lease commitments as lessee

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Within one year	**143**	184	**25**	65
After one year but not more than five years	**513**	653	**100**	262
More than five years	**1,540**	1,869	**921**	1,216
	2,196	2,706	**1,046**	1,543

(b) Capital commitments

In addition to the operating lease commitments detailed in note 37(a) above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Contracted, but not provided for:				
Property, plant and equipment	**2,296**	1,638	**77**	178
Authorised, but not contracted for:				
Property, plant and equipment	**2,471**	3,584	**—**	—

38. CONTINGENT LIABILITIES

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB million	RMB million	**RMB million**	RMB million
Bank acceptance bills discounted with recourse	**572**	997	**123**	465
Bank acceptance bills endorsed with recourse	**4,941**	5,411	**—**	71
Guarantees given to banks in connection with facilities granted to the following parties at nil consideration:				
— Subsidiaries	**—**	—	**200**	200
— Jointly-controlled entities	**576**	571	**1,153**	1,083
— Associates	**15**	45	**—**	—
— Other third parties	**—**	18	**—**	—
Pending litigation	**—**	3	**—**	—
	6,104	7,045	**1,476**	1,819

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 31 December 2009 and 2010.

As at 31 December 2010, the banking facilities granted to the subsidiaries and jointly-controlled entities subject to guarantees given to the banks by the Company were utilised to the extent of approximately RMB1,353 million (2009: RMB1,283 million), and the banking facilities guaranteed by the Group to the jointly-controlled entities, associates and other third parties were utilised to the extent of approximately RMB591 million (2009: RMB634 million).

39. RELATED PARTY TRANSACTIONS

(a) Transactions with 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' subsidiaries.

During the year, in addition to those disclosed elsewhere in these financial statements, the Group had the following significant transactions with its related parties:

	Note	2010 RMB million	2009 RMB million
Purchases of automotive parts/raw materials from:	(i)		
— DMC		**81**	53
— A fellow subsidiary		**48**	179
— Joint venture partners and their holding companies		**23,355**	21,185
— Associates		**1,779**	1,025
— Jointly-controlled entities		**6,433**	3,775
— Non-controlling shareholders of jointly-controlled entities' subsidiaries		**76**	39
		31,772	26,256
Purchases of automobiles from:	(i)		
— Jointly-controlled entities		**909**	962
— Associates		**231**	100
— Joint venture partners and their holding companies		**110**	32
		1,250	1,094
Purchases of water, steam and electricity from DMC	(i)	**1,103**	870
Purchases of items of property, plant and equipment from:	(i)		
— The holding company of a joint venture partner		**308**	71
— A jointly-controlled entity		**132**	23
— An associate		**13**	33
— Fellow subsidiaries		**9**	8
— DMC		**575**	—
		1,037	135
Rental expenses to DMC	(i)	**227**	213

39. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Note	2010 RMB million	2009 RMB million
Purchases of services from:	(i)		
— DMC		**69**	50
— A fellow subsidiary		**54**	27
— A joint venture partner		**24**	29
— An associate		**19**	17
— Jointly-controlled entities		**—**	6
		166	129
Purchases of technology know-how from joint venture partners and their holding companies	(i)	**3,848**	3,323
Sales of automotive parts/raw materials to:	(i)		
— DMC		**70**	50
— Fellow subsidiaries		**—**	1
— A joint venture partner		**262**	168
— An associate		**91**	31
— Jointly-controlled entities		**1,754**	995
— A non-controlling shareholder of a jointly-controlled entity's subsidiary		**16**	3
		2,193	1,248
Sales of automobiles to an associate	(i)	**626**	346
Provision of services to:	(i)		
— Jointly-controlled entities		**9**	10
— Joint venture partners and their holding companies		**28**	41
— Associates		**1**	—
		38	51

39. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Note:

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

(b) Outstanding balances with related parties:

(i) Details of the Group's balances with its related parties as at the end of the reporting period are disclosed in notes 23, 25, 31, 34 and 36 to the financial statements.

(ii) Details of the Group's balances with jointly-controlled entities as at the end of the reporting period are disclosed in note 26 to the financial statements.

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

	2010	2009
	RMB'000	RMB'000
Short term employee benefits	**9,636**	7,897
Post-employment benefits	**587**	531
Total compensation paid to key management personnel	**10,223**	8,428
Stock appreciation right credit recognised in the income statement	**—**	(73)
	10,223	8,355

Further details of the directors' emoluments are included in note 9 to the financial statements.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period were as follows:

2010

Group

Financial assets

	Loans and receivables RMB million	Available-for-sale financial assets RMB million	Total RMB million
Available-for-sale financial assets	—	1,546	1,546
Trade receivables	2,087	—	2,087
Bills receivable	15,810	—	15,810
Financial assets included in prepayments, deposits and other receivables	2,848	—	2,848
Due from jointly-controlled entities	1,595	—	1,595
Pledged bank balances and time deposits	1,546	—	1,546
Cash and cash equivalents	41,404	—	41,404
	65,290	1,546	66,836

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB million
Trade payables	23,834
Bills payable	10,367
Financial liabilities included in other payables and accruals	10,047
Due to jointly-controlled entities	1,586
Interest-bearing borrowings	9,560
	55,394

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2009

Group

Financial assets

	Financial assets at fair value through profit or loss — held for trading RMB million	Loans and receivables RMB million	Available-for-sale financial assets RMB million	Total RMB million
Available-for-sale financial assets	—	—	1,274	1,274
Trade receivables	—	1,685	—	1,685
Bills receivable	—	10,667	—	10,667
Financial assets included in prepayments, deposits and other receivables	—	3,567	—	3,567
Due from jointly-controlled entities	—	592	—	592
Financial assets at fair value through profit or loss	17	—	—	17
Pledged bank balances and time deposits	—	2,924	—	2,924
Cash and cash equivalents	—	29,379	—	29,379
	17	48,814	1,274	50,105

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB million
Trade payables	18,414
Bills payable	7,391
Financial liabilities included in other payables and accruals	8,452
Due to jointly-controlled entities	503
Interest-bearing borrowings	11,641
	46,401

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2010

Company

Financial assets

	Loans and receivables RMB million	Available-for-sale financial assets RMB million	Total RMB million
Available-for-sale financial assets	—	1,368	1,368
Trade receivables	197	—	197
Bills receivable	381	—	381
Financial assets included in prepayments, deposits and other receivables	1,607	—	1,607
Due from jointly-controlled entities	3,809	—	3,809
Cash and cash equivalents	6,254	—	6,254
	12,248	1,368	13,616

Financial liabilities

	Financial liabilities at amortised cost RMB million
Trade payables	803
Financial liabilities included in other payables and accruals	652
Due to jointly-controlled entities	1,190
Interest-bearing borrowings	4,999
	7,644

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2009

Company

Financial assets

	Loans and receivables RMB million	Available-for-sale financial assets RMB million	Total RMB million
Available-for-sale financial assets	—	1,178	1,178
Trade receivables	116	—	116
Bills receivable	72	—	72
Financial assets included in prepayments, deposits and other receivables	4,507	—	4,507
Due from jointly-controlled entities	1,045	—	1,045
Cash and cash equivalents	2,168	—	2,168
	7,908	1,178	9,086

Financial liabilities

	Financial liabilities at amortised cost RMB million
Trade payables	1,024
Financial liabilities included in other payables and accruals	221
Due to jointly-controlled entities	626
Interest-bearing borrowings	4,982
	6,853

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, other interest-bearing loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward and swap foreign currency contracts and swap contracts. The purpose is to manage the currency risk arising from the Group's operations and its sources of finance. The impact of such derivative transactions on the Group is not material.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. The directors review and agree policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its non-current interest-bearing borrowings with the floating interest rates. The Group does not use derivative financial instruments to hedge its interest rate risk.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in percentage %	Decrease/ (increase) in profit before tax RMB million
2010	**1**	**31**
2009	1	68

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The businesses of the Group are principally located in the PRC. While most of the sales of the Group are conducted in RMB, certain of the Group's purchases and borrowings were denominated in other currencies including, amongst others, United States dollars ("USD"), European currency units ("Euro") and Japanese yen ("JPY"). Fluctuations in the exchange rates of RMB against these foreign currencies can affect the Group's results of operations.

During the year, the Group entered into certain foreign currency forward and swap contracts, which do not qualify for hedge accounting, to manage its risks associated with foreign currency fluctuations.

As at the end of the reporting period, the fair values of these foreign currency forward and swap contracts were insignificant.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD, Euro and JPY exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities). There is no impact on the Group's equity.

	Increase/(decrease) in profit before tax	
	2010	2009
	RMB million	RMB million
If RMB strengthens against USD by 1%	**27**	24
If RMB weakens against USD by 1%	**(27)**	(24)
If RMB strengthens against Euro by 1%	**4**	6
If RMB weakens against Euro by 1%	**(4)**	(6)
If RMB strengthens against JPY by 1%	**2**	1
If RMB weakens against JPY by 1%	**(2)**	(1)

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The cash and bank balances and time deposits of the Group are mainly deposited with state-owned banks in the PRC.

The Group has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not have a significant exposure to any individual customer.

The Group's financing services are primarily focused on supporting the sale of the commercial vehicles of the Group. As a consequence of these activities, the Group is exposed to credit risk, which is monitored and managed based on defined standards, guidelines and procedures. The Group mitigates credit risk by credit protection provided by guarantors and by loan collateral such as vehicle licences. Scoring systems are applied for the assessment of the default risk of individual customers. All loans and receivables from financing services are reviewed for objective evidence of impairment and classified based on a ten-tier classification system. Customers' loans that are classified as substandard, doubtful or loss are assessed individually for impairment.

The carrying amount of each financial asset included in these financial statements represents the maximum exposure of the Group to credit risk in relation to its financial assets. In addition, the guarantees given by the Group to banks in favour of banking facilities granted to the Group's jointly-controlled entities and associates represent the Group's other exposure to credit risk. The Group has no other financial assets carrying significant exposure to credit risk and has no significant concentration of credit risk.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, and other available sources of financing.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	2010				
	Within one year or on demand RMB million	In the second year RMB million	In the third to fifth years RMB million	Beyond five years RMB million	Total RMB million
Interest-bearing borrowings	3,271	3,487	2,471	331	9,560
Trade payables	23,834	—	—	—	23,834
Bills payable	10,367	—	—	—	10,367
Other payables	10,047	—	—	—	10,047
Due to jointly-controlled entities	1,586	—	—	—	1,586
Guarantees given to banks in connection with facilities granted to jointly-controlled entities, associates and other third parties	591	—	—	—	591
	49,696	3,487	2,471	331	55,985

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group

	2009				
	Within one year or on demand RMB million	In the second year RMB million	In the third to fifth years RMB million	Beyond five years RMB million	Total RMB million
Interest-bearing borrowings	7,217	487	3,566	371	11,641
Trade payables	18,414	—	—	—	18,414
Bills payable	7,391	—	—	—	7,391
Other payables	8,452	—	—	—	8,452
Due to jointly-controlled entities	503	—	—	—	503
Guarantees given to banks in connection with facilities granted to jointly-controlled entities, associates and other third parties	634	—	—	—	634
	42,611	487	3,566	371	47,035

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a net debt to equity ratio, which is net debt divided by equity. Net debt includes interest-bearing borrowings, less cash and cash equivalents. Equity represents equity attributable to equity holders of the parent. The net debt to equity ratio as at the end of the reporting period was as follows:

Group

	2010 **RMB million**	2009 RMB million
Interest-bearing borrowings	**9,560**	11,641
Less: Cash and cash equivalents	**(41,404)**	(29,379)
Net debt	**(31,844)**	(17,738)
Equity	**37,494**	27,284
Net debt to equity ratio	**(84.9%)**	(65.0%)

42. COMPARATIVE FIGURES

Certain comparatives figures have been reclassified to conform with the current year's presentation.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2011.

Five Year Financial Summary

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

	Year ended 31 December				
	2010	2009	2008	2007	2006
	RMB million	RMB million	RMB million	RMB million	RMB million
RESULTS					
Revenue — Sale of goods	**122,395**	91,758	70,569	59,318	48,264
Cost of sales	**(96,033)**	(74,274)	(58,688)	(49,503)	(40,058)
Gross profit	**26,362**	17,484	11,881	9,815	8,206
Other income	**2,322**	1,520	1,228	935	736
Selling and distribution costs	**(6,417)**	(4,297)	(3,379)	(2,642)	(2,157)
Administrative expenses	**(3,580)**	(3,138)	(2,655)	(2,569)	(2,219)
Other expenses, net	**(4,171)**	(3,110)	(1,970)	(1,432)	(1,285)
Finance costs	**(229)**	(245)	(393)	(365)	(411)
Loss on dilution of interests in jointly-controlled entities	**—**	—	—	—	(252)
Share of profits and losses of associates	**296**	195	95	69	61
Profit before tax	**14,583**	8,409	4,807	3,811	2,679
Income tax	**(3,006)**	(1,671)	(647)	202	(428)
Profit for the year	**11,577**	6,738	4,160	4,013	2,251
Attributable to:					
Equity holders of the parent	**10,981**	6,250	3,955	3,746	2,081
Non-controlling interests	**596**	488	205	267	170
	11,577	6,738	4,160	4,013	2,251

	As at 31 December				
	2010	2009	2008	2007	2006
	RMB million	RMB million	RMB million	RMB million	RMB million
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**110,622**	85,689	60,449	52,340	44,113
Total liabilities	**(69,286)**	(55,134)	(35,557)	(31,932)	(27,291)
Non-controlling interests	**(3,842)**	(3,271)	(2,837)	(2,686)	(2,534)
	37,494	27,284	22,055	17,722	14,288

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)*

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

Notice of Annual General Meeting and Relating Information

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR 2010

NOTICE IS HEREBY GIVEN that an Annual General Meeting (the "AGM") of Dongfeng Motor Group Company Limited (the "Company") for the year 2010 will be held at 9:00 a.m. on Tuesday, 21 June 2011 at Special No.1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei 430056, the People's Republic of China (the "PRC") for the purposes of considering and, if thought fit, passing with or without amendments, the following resolutions:

I. As ordinary resolutions:

1. To consider and approve the report of the board of directors (the "Board") for the year ended 31 December 2010.

2. To consider and approve the report of the supervisory committee for the year ended 31 December 2010.

3. To consider and approve the Independent auditors' report and audited financial statements for the year ended 31 December 2010.

4. To consider and approve the profit distribution proposal of the Company for the year ended 31 December 2010, and authorise the Board to deal with all issues in relation to the Company's distribution of final dividend for the year 2010.

5. To consider and approve the authorization to the Board to deal with all issues in relation to the Company's distribution of interim dividend for the year 2011 at its sole discretion (including, but not limited to, determining whether to distribute interim dividend for the year 2011).

6. To consider and approve the re-appointments of Ernst & Young as the international auditors of the Company, and Ernst & Young Hua Ming as the domestic auditors of the Company for the year 2011 to hold office until the conclusion of annual general meeting for the year 2011, and to authorize the Board to determine their remunerations.

7. To consider and approve the authorization of the Board to determine the remuneration of the directors and the supervisors of the Company for the year 2011.

8. To consider and approve the authorization to the Board to deal with all issues in relation to guarantees provided to third parties by the Company, provided that the maximum amount of guarantees provided to third parties from 2011 to 2013 will not exceed RMB1 billion.

9. To consider and approve the provision of a guarantee in respect of a bank unified credit of US$80 million per year obtained by China Dongfeng Motor Industry Import and Export Co., Ltd., a subsidiary of the Company, from 1 January 2011 to 31 December 2013.

II. As special resolutions:

10. For the purpose of increasing the flexibility and efficiency of operation, to grant a general mandate to the Board to issue, allot and deal with additional Domestic Shares not exceeding 20 per cent. of the Domestic Shares in issue and additional H Shares not exceeding 20 per cent. of the H Shares in issue, and authorize the Board to make corresponding amendments to the Articles of Association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares:

"**THAT**

(A) (a) subject to paragraph (c) and in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Articles of Association of the Company and the applicable laws and regulations of the PRC, the exercise by the Board during the Relevant Period of all the powers of the Company to allot, issue and deal with, either separately or concurrently, additional Domestic Shares and H shares and to make or grant offers, agreements, options and powers of exchange or conversion which might require the exercise of such powers be hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall authorize the Board during the Relevant Period to make or grant offers, agreements, options and powers of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;

(c) each of the aggregate nominal amounts of Domestic Shares and H shares allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with (whether pursuant to an option or otherwise) by the Board pursuant to the approval granted in paragraph (a) shall not exceed 20 per cent. Of each of the aggregate nominal amounts of Domestic Shares and H shares in issue as at the date of passing this resolution, otherwise than pursuant to (i) a Rights Issue or (ii) any scrip dividend or similar arrangement providing for allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company; and

(d) for the purposes of this resolution:

"**Relevant Period**" means the period from (and including) the date of passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of a period of 12 months from the date of passing of the special resolution granting the general mandate; or

(iii) the date of revocation or variation of the authority given under this resolution by a special resolution of the Company in a general meeting.

"**Rights Issue**" means an offer of shares open for a period fixed by the directors to the holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws, or the requirements, of any recognized regulatory body or any stock exchange in any territory outside Hong Kong) and an offer, allotment or issue of shares by way of rights shall be construed accordingly.

(B) The Board be authorized to make corresponding amendments to the Articles of Association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issue of shares as provided in subparagraph (a) of paragraph (A) of this resolution.

11. To consider and approve the amendments to the Articles of Association of the Company. The details of the amendments to the Articles of Association of the Company are as follows:

No.	Article	Amendment	Original	Reasons of amendment
1	Article 3	Address of the Company: Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei 430056, the People's Republic of China	Address of the Company: No. 8 Checheng North Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei 430056, the People's Republic of China	The change of registered address and business place was announced but no corresponding amendment was made to the Articles of Association
2	Article 13	The business scope of the Company includes: investment in automobile industry; development, design, manufacturing and sales, import and export of vehicles, auto parts, metal machines, castings and forgings, engines, powder metallurgy, tools and moulds; technical consultancy, technical services, information services and after-sale services related to the operating projects of the Company.	The business scope of the Company includes: investment in automobile industry; development, design, manufacturing and sales of vehicles, auto parts, metal machines, castings and forgings, engines, powder metallurgy, tools and moulds; technical consultancy, technical services, information services and after-sale services related to the operating projects of the Company.	Strategic requirements

No.	Article	Amendment	Original	Reasons of amendment
3	85 spots in Article 14	president(s) and vice president(s)	manager(s) and deputy manager(s)	Alignment with the terms used in announcements
4	Item (3) of Article 47	(3) If the Company decides to issue new share certificates to the applicants, it shall issue an announcement in respect of the issue of new share certificates in newspapers determined by the Board. The period of the announcement shall be 90 days, and the announcement shall be re-issued once every 30 days. Chinese and English version of such announcements shall be published in a major Chinese newspaper and a major English newspaper in Hong Kong respectively.	(3) If the Company decides to issue new share certificates to the applicants, it shall issue an announcement in respect of the issue of new share certificates in newspapers determined by the Board. The period of the announcement shall be 90 days, and the announcement shall be re-issued once every 30 days. Such announcements shall be published in at least one Chinese and one English newspaper in Hong Kong.	Compliance with the amended Listing Rules which requires related announcements shall be published in at least one Chinese and one English newspaper in Hong Kong
5	Clause 3 of Article 51	The Company has the right to send dividend warrants by post, either directly or through receiving agents. Where such warrants have been left uncashed on two consecutive occasions, the Company has power to cease sending dividend warrants by post. Nevertheless, such power may be exercised after the first occasion on which such a warrant is returned undelivered.	The Company has the right to send dividend warrants by post, either directly or through receiving agents. Where such warrants have been left uncashed, such power will not be exercised until such warrants have been so left uncashed on two consecutive occasions. Nevertheless, such power may be exercised after the first occasion on which such a warrant is returned undelivered.	Supplement to the incompleteness of the previous expression
6	Clause 1 of Article 63	Subject to the requirements of this Articles of Association, notices of general meetings may be delivered to the addresses of shareholders (whether has voting rights in such general meetings or not) registered in the register of members by hand or by prepaid post. In case of domestic shareholders, such notices may be delivered by way of announcement.	Notices of general meetings may be delivered to the addresses of shareholders (whether has voting rights in such general meetings or not) registered in the register of members by hand or by prepaid post. In case of domestic shareholders, such notices may be delivered by way of announcement.	Compliance with the amended requirements regarding notices in Listing Rules

No.	Article	Amendment	Original	Reasons of amendment
7	Clause 2 of Article 63	Announcements mentioned in the previous clause shall be published in one or more newspaper(s) designated by the securities authorities under the State Council prior to 40 to 50 days immediately before such meeting. Once the announcement was published, it shall be regarded that all domestic shareholders had received such notice of the relevant general meeting. Chinese and English version of such announcements shall be published in a major Chinese newspaper and a major English newspaper in Hong Kong respectively.	Announcements mentioned in the previous clause shall be published in one or more newspaper(s) designated by the securities authorities under the State Council prior to 40 to 50 days immediately before such meeting. Once the announcement was published, it shall be regarded that all domestic shareholders had received such notice of the relevant general meeting. As far as us practicable, Chinese and English version of such announcements shall be published in a major Chinese newspaper and a major English newspaper in Hong Kong respectively on the same day.	Compliance with the amended Listing Rules which requires related announcements shall be published in at least one Chinese and one English newspaper in Hong Kong
8	Clause 2 of Article 154	Subject to the requirements of this Articles of Association, the Company shall deliver the abovementioned report to the address of each overseas listed foreign shareholders registered in the register of members by hand or by prepaid post prior to at least 21 days immediately before such annual general meeting.	The Company shall deliver the abovementioned report to the address of each overseas listed foreign shareholders registered in the register of members by hand or by prepaid post prior to at least 21 days immediately before such annual general meeting.	Compliance with the amended requirements regarding notices in Listing Rules

No.	Article	Amendment	Original	Reasons of amendment
9	Article 200	Notices referred in this Articles of Association may be delivered by the one or more following means: (i) by designated person; (ii) by mail; (iii) by fax or electronic mail; (iv) subject to laws, administrative regulations and any applicable requirements of securities regulation authorities of the place where the shares of the Company were listed, by publishing information on the website of the Company and other websites designated by the Hong Kong Stock Exchange; (v) by publishing announcements in newspapers or other specified media; (vi) by other means agreed by the Company and the addressees or notified to the addressees in advance; (vii) by other means recognized by securities regulation authorities of the place where the shares of the Company were listed or required by this Articles of Association. Notwithstanding any other provisions that provide otherwise, regarding the provision and/or dispatch of any documents, notices or other corporate communications according to this Articles of Association, subject to any applicable requirements of securities regulation authorities of the place where the shares of the Company were listed, the Company may opt to deliver the corporate communications by notices in accordance with Item (4) of this Clause 1 instead of delivery in written form to each overseas listed foreign shareholders by hand or prepaid post. Such corporate communications shall refer to any documents issued or to be issued by the Company for the information or action of the shareholders, including but not limited to annual report (together with annual financial statements), interim report (together with interim financial statements), report of the Directors (together with balance sheet and income statement), notice of general meeting, circular, proxy form, reply slip and other corporate communications.	Subject to the requirements of this Articles of Association, notices, information or written statements made to overseas listed foreign shareholders by the Company must be delivered to the address of each overseas listed foreign shareholders registered in the register of members by hand or by prepaid post.	Compliance with the amended requirements regarding corporate communications in Listing Rules

No.	Article	Amendment	Original	Reasons of amendment
10	Article 201	For any notice delivered by hand, the addressee shall signed or sealed with chop on the receipt slip and the date of delivery shall be the date of the confirmation of receipt by such addressee. For any notice delivered by mail, the date of delivery shall be the 48th hours upon the delivery to the post office. For any notice delivered by fax or email or publishing information on websites, the date of delivery shall be the date of issue. For any notice delivered by announcement, the date of delivery shall be the first day of such announcement published in the newspapers as required.	If a notice is delivered by mail, the address shall be clearly specified and such notice shall be placed in a prepaid envelope. It shall be regarded that the notice had been delivered once the envelope with such notice was put into the mail box and it shall be regarded the notice had been received after 48 hours upon its posting.	Compliance with the amended requirements regarding corporate communications in Listing Rules

By order of the Board
Xu Ping
Chairman

29 April 2011, Wuhan, the PRC

As at the date of this notice, Mr. Xu Ping, Mr. Zhu Fushou, Mr. Zhou Wenjie, Mr. Li Shaozhu and Mr. Fan Zhong are the executive directors of the Company; Mr. Tong Dongcheng, Mr. Ouyang Jie, Mr. Liu Weidong and Mr. Zhou Qiang are the non-executive directors of the Company and Mr. Sun Shuyi, Mr. Ng Lin-fung and Mr. Yang Xianzu are the independent non-executive directors of the Company.

Notes:

1. Eligibility for attending the general meeting and closure of register of members for H shares

   In order to determine the shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from Sunday, 22 May 2011 to Tuesday, 21 June 2011, both days inclusive, during which period no registration of shareholders and transfer of shares will be effected. In order to attend and vote at the AGM, holders of H shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on Friday, 20 May 2011.

2. Proxy

   (1) A shareholder entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company. Where a shareholder appoints more than one proxy, his proxies may vote in a poll.

   (2) The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorized in writing. If the shareholder is a corporation, that instrument must be either under its common seal or under the hand(s) of its director(s) or duly authorized attorney(s). If that instrument is signed by an attorney of the shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.

   (3) In order to be valid, the form of proxy together with the power of attorney or other authorization document (if any) must be deposited at the Secretariat of the Board at the Company's principal place of business in the PRC for holders of the Domestic Shares and at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, for holders of the H Shares not later than 9:00 a.m. on 20 June 2011.

   (4) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointer, or the revocation of the proxy or the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the AGM.

3. Registration for attending the AGM

   (1) A shareholder or his proxy shall produce proof of identity when attending the AGM. If a shareholder is a corporation, its legal representative or other person authorized by the board of directors or other competent body of such shareholder may attend the AGM by producing a copy of the resolution of the board of directors or other competent body of such shareholder appointing such person to attend the meeting.

   (2) In accordance with the Articles of Association of the Company, where two or more persons are registered as the joint holders of any share, only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting rights attached to such share at the AGM, and this notice shall be deemed to be given to all joint holders of such share.

   (3) For information purpose only, shareholders who intend to attend the AGM in person or by proxy shall return the reply slip to the Secretariat of the Board at the Company's principal place of business in the PRC for the holders of the domestic shares or to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, for the holders of the H shares on or before Tuesday, 31 May 2011 by hand, by post or by fax.

4. Miscellaneous

   (1) The AGM is expected to be concluded within half a day. Shareholders (in person or by proxy) attending the AGM are responsible for their own transportation and accommodation expenses.

   (2) The address and contact details of the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, are as follows:

   Address: Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
   Tel: (852) 2862 8628
   Fax: (852) 2865 0990

   (3) The address and contact details of the Company's principal place of business in the PRC are as follows:

   Address: Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei 430056, the People's Republic of China
   Tel: (86 27) 8428 5041
   Fax: (86 27) 8428 5057

3rd Meeting of the Third Session of the Board of Directors
Dongfeng Motor Group Company Limited

Resolution on the Amendments to the Articles of Association

To: Annual General Meeting of the Company

According to the resolutions on the amendments to the Articles of Association considered and passed by the 3rd Meeting of the third Session of Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors shall propose the resolutions on the amendments to the Articles of Association (see attachment) to the Annual General Meeting of the Company:

The above resolutions will be submitted to the Annual General Meeting for shareholders' consideration.

The Board of Directors
Dongfeng Motor Group Company Limited

30 March 2011

Proposed amendments to the Articles of Association

No.	Article	Amendment	Original	Reasons of amendment
1	Article 3	Address of the Company: Special No.1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei 430056, the People's Republic of China	Address of the Company: No.8 Checheng North Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei 430056, the People's Republic of China	The change of registered address and business place was announced but no corresponding amendment was made to the Articles of Association

No.	Article	Amendment	Original	Reasons of amendment
2	Article 13	The business scope of the Company includes: investment in automobile industry; development, design, manufacturing and sales, import and export of vehicles, auto parts, metal machines, castings and forgings, engines, powder metallurgy, tools and moulds; technical consultancy, technical services, information services and after-sale services related to the operating projects of the Company.	The business scope of the Company includes: investment in automobile industry; development, design, manufacturing and sales of vehicles, auto parts, metal machines, castings and forgings, engines, powder metallurgy, tools and moulds; technical consultancy, technical services, information services and after-sale services related to the operating projects of the Company.	Strategic requirements
3	85 spots in Article 14	president(s) and vice president(s)	manager(s) and deputy manager(s)	Alignment with the terms used in announcements
4	Item (3) of Article 47	(3) If the Company decides to issue new share certificates to the applicants, it shall issue an announcement in respect of the issue of new share certificates in newspapers determined by the Board. The period of the announcement shall be 90 days, and the announcement shall be re-issued once every 30 days. Chinese and English version of such announcements shall be published in a major Chinese newspaper and a major English newspaper in Hong Kong respectively.	(3) If the Company decides to issue new share certificates to the applicants, it shall issue an announcement in respect of the issue of new share certificates in newspapers determined by the Board. The period of the announcement shall be 90 days, and the announcement shall be re-issued once every 30 days. Such announcements shall be published in at least one Chinese and one English newspaper in Hong Kong.	Compliance with the amended Listing Rules which requires related announcements shall be published in at least one Chinese and one English newspaper in Hong Kong

No.	Article	Amendment	Original	Reasons of amendment
5	Clause 3 of Article 51	The Company has the right to send dividend warrants by post, either directly or through receiving agents. Where such warrants have been left uncashed on two consecutive occasions, the Company has power to cease sending dividend warrants by post. Nevertheless, such power may be exercised after the first occasion on which such a warrant is returned undelivered.	The Company has the right to send dividend warrants by post, either directly or through receiving agents. Where such warrants have been left uncashed, such power will not be exercised until such warrants have been so left uncashed on two consecutive occasions. Nevertheless, such power may be exercised after the first occasion on which such a warrant is returned undelivered.	Supplement to the incompleteness of the previous expression
6	Clause 1 of Article 63	Subject to the requirements of this Articles of Association, notices of general meetings may be delivered to the addresses of shareholders (whether has voting rights in such general meetings or not) registered in the register of members by hand or by prepaid post. In case of domestic shareholders, such notices may be delivered by way of announcement.	Notices of general meetings may be delivered to the addresses of shareholders (whether has voting rights in such general meetings or not) registered in the register of members by hand or by prepaid post. In case of domestic shareholders, such notices may be delivered by way of announcement.	Compliance with the amended requirements regarding notices in Listing Rules

No.	Article	Amendment	Original	Reasons of amendment
7	Clause 2 of Article 63	Announcements mentioned in the previous clause shall be published in one or more newspaper(s) designated by the securities authorities under the State Council prior to 40 to 50 days immediately before such meeting. Once the announcement was published, it shall be regarded that all domestic shareholders had received such notice of the relevant general meeting. Chinese and English version of such announcements shall be published in a major Chinese newspaper and a major English newspaper in Hong Kong respectively.	Announcements mentioned in the previous clause shall be published in one or more newspaper(s) designated by the securities authorities under the State Council prior to 40 to 50 days immediately before such meeting. Once the announcement was published, it shall be regarded that all domestic shareholders had received such notice of the relevant general meeting. As far as us practicable, Chinese and English version of such announcements shall be published in a major Chinese newspaper and a major English newspaper in Hong Kong respectively on the same day.	Compliance with the amended Listing Rules which requires related announcements shall be published in at least one Chinese and one English newspaper in Hong Kong
8	Clause 2 of Article 154	Subject to the requirements of this Articles of Association, the Company shall deliver the abovementioned report to the address of each overseas listed foreign shareholders registered in the register of members by hand or by prepaid post prior to at least 21 days immediately before such annual general meeting.	The Company shall deliver the abovementioned report to the address of each overseas listed foreign shareholders registered in the register of members by hand or by prepaid post prior to at least 21 days immediately before such annual general meeting.	Compliance with the amended requirements regarding notices in Listing Rules

No.	Article	Amendment	Original	Reasons of amendment
9	Article 200	Notices referred in this Articles of Association may be delivered by the one or more following means: (i) by designated person; (ii) by mail; (iii) by fax or electronic mail; (iv) subject to laws, administrative regulations and any applicable requirements of securities regulation authorities of the place where the shares of the Company were listed, by publishing information on the website of the Company and other websites designated by the Hong Kong Stock Exchange; (v) by publishing announcements in newspapers or other specified media; (vi) by other means agreed by the Company and the addressees or notified to the addressees in advance; (vii) by other means recognized by securities regulation authorities of the place where the shares of the Company were listed or required by this Articles of Association.	Subject to the requirements of this Articles of Association, notices, information or written statements made to overseas listed foreign shareholders by the Company must be delivered to the address of each overseas listed foreign shareholders registered in the register of members by hand or by prepaid post.	Compliance with the amended requirements regarding corporate communications in Listing Rules

No.	Article	Amendment	Original	Reasons of amendment
		Notwithstanding any other provisions that provide otherwise, regarding the provision and/or dispatch of any documents, notices or other corporate communications according to this Articles of Association, subject to any applicable requirements of securities regulation authorities of the place where the shares of the Company were listed, the Company may opt to deliver the corporate communications by notices in accordance with Item (4) of this Clause 1 instead of delivery in written form to each overseas listed foreign shareholders by hand or prepaid post. Such corporate communications shall refer to any documents issued or to be issued by the Company for the information or action of the shareholders, including but not limited to annual report (together with annual financial statements), interim report (together with interim financial statements), report of the Directors (together with balance sheet and income statement), notice of general meeting, circular, proxy form, reply slip and other corporate communications.		

No.	Article	Amendment	Original	Reasons of amendment
10	Article 201	For any notice delivered by hand, the addressee shall signed or sealed with chop on the receipt slip and the date of delivery shall be the date of the confirmation of receipt by such addressee. For any notice delivered by mail, the date of delivery shall be the 48th hours upon the delivery to the post office. For any notice delivered by fax or email or publishing information on websites, the date of delivery shall be the date of issue. For any notice delivered by announcement, the date of delivery shall be the first day of such announcement published in the newspapers as required.	If a notice is delivered by mail, the address shall be clearly specified and such notice shall be placed in a prepaid envelope. It shall be regarded that the notice had been delivered once the envelope with such notice was put into the mail box and it shall be regarded the notice had been received after 48 hours upon its posting.	Compliance with the amended requirements regarding corporate communications in Listing Rules

3rd Meeting of the Third Session of the Board of Directors
Dongfeng Motor Group Company Limited

Resolution on the Remuneration of Directors and Supervisors

To: Annual General Meeting of the Company

According to the resolution on remuneration of Directors and Supervisors passed by the 3rd Meeting of the Third Session of Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors shall propose the resolution on the remuneration of Directors and Supervisors for 2011 to the Annual General Meeting of the Company:

Remuneration	Cash	Medium to Long Term Incentives
Executive Directors Non Executive Directors	Nil	Shares appreciation rights granted under the Third Share Appreciation Scheme of Dongfeng Motor Group Company Limited
Independent Non-executive Directors	Allowance of RMB120,000, net of tax	Nil
Supervisors	Nil	Nil
Independent Supervisors	Allowance of RMB40,000, net of tax	Nil

Note:

- The Executive Directors and Non Executive Directors receive salaries in their capacities of employee rather than director.
- Executive Directors and the Non Executive Directors are entitled to participate in the Stock Appreciation Scheme.
- Independent Directors and Independent Supervisors are not entitled to participate in the Stock Appreciation Scheme.
- Internal Supervisors receive salaries in their capacities of employee of the Company rather than supervisor.
- Internal Supervisors participate in the Stock Appreciation Scheme in their capacities of employee of the Company rather than supervisor.
- The grant of Share Appreciation Rights are subject to approval of the Stock Appreciation Scheme.

The above resolutions will be submitted to the Annual General Meeting for shareholders' consideration.

The Board of Directors
Dongfeng Motor Group Company Limited

30 March 2011

3rd Meeting of the Third Session of the Board of Directors
Dongfeng Motor Group Company Limited

Resolutions on Matters in relation to Annual Reporting

To: Annual General Meeting of the Company

According to the resolutions on matters in relation to annual reporting passed by the 3rd Meeting of the Third Session of Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors shall propose the following resolutions to the Annual General Meeting of the Company:

1. To consider and approve the Independent auditors' report and audited financial statement for the year ended 31 December 2010.

2. To consider and approve the report of the Board of Directors for the year ended 31 December 2010.

3. To approve to declare dividends of RMB0.18 per ordinary share, RMB1,550,901,600.00 in aggregate, to shareholders for the year ended 31 December 2010.

4. To authorise the Board of Directors to deal with all matters in relation to the Company's distribution of interim dividend for 2011 at its discretion (including, but not limited to, determining whether to distribute interim dividend for 2011).

5. To approve the re-appointment of Ernst & Young as the overseas auditors of the Company, and Ernst & Young Hua Ming as the domestic auditors of the Company for 2011 to hold office until the conclusion of the annual general meeting of 2011, and to authorize the Audit Committee of the Board of Directors to determine their remunerations.

The above resolutions will be submitted to the Annual General Meeting for shareholders' consideration.

The Board of Directors
Dongfeng Motor Group Company Limited

30 March 2011

3rd Meeting of the Third Session of the Board of Directors
Dongfeng Motor Group Company Limited

Resolutions on Matters in relation to the Authorization to the Board to Approve Guarantees Provided to Third Parties

To: Annual General Meeting of the Company

According to the resolutions on matters in relation to the authorization to the Board to approve guarantees provided to third parties passed by the 3rd Meeting of the Third Session of Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors shall propose the following resolutions to the Annual General Meeting of the Company:

1. To approve to authorize the Board to deal with all issues in relation to guarantees provided to third parties.

2. Maximum amount of guarantees provided to third parties shall be not exceed RMB1 billion.

3. The term of this authorization shall be three year, commencing from 1 January 2011 and ending at 31 December 2013.

The above resolutions will be submitted to the Annual General Meeting for shareholders' consideration.

The Board of Directors
Dongfeng Motor Group Company Limited

30 March 2011

3rd Meeting of the Third Session of the Board of Directors
Dongfeng Motor Group Company Limited

Resolutions on the Issuance and Allotment of Shares

To: Annual General Meeting of the Company

According to the resolutions on the issuance and allotment of Shares passed by the 3rd Meeting of the Third Session of Board of Directors of Dongfeng Motor Group Company Limited (the “Company”), the Board of Directors shall propose the following resolutions to the Annual General Meeting of the Company:

1. To approve and authorize the Board of Directors to issue, allot and deal with, either separately or concurrently, additional domestic shares not exceeding 20 per cent of the domestic shares in issue and additional H shares not exceeding 20 per cent of H shares in issue.

2. To approve and authorize the Board of Directors to make corresponding amendments to the Articles of Association of the Company to reflect the new capital structure upon the allotment, issue and dealing of the additional domestic shares and/or additional H shares and the increase of registered capital of the Company.

The above resolutions will be submitted to the Annual General Meeting for shareholders’ consideration.

The Board of Directors
Dongfeng Motor Group Company Limited

30 March 2011

3rd Meeting of the Third Session of the Board of Directors
Dongfeng Motor Group Company Limited

Resolutions on Matters in relation to the Provision of a Guarantee in respect of an Annual Credit Obtained by a Subsidiary of the Company

To: Annual General Meeting of the Company

According to the resolutions on matters in relation to the provision of a guarantee in respect of an annual credit obtained by a subsidiary of the Company passed by the 3rd Meeting of the Third Session of Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors shall propose the following resolutions to the Annual General Meeting of the Company:

To approve to the provision of a guarantee in respect of a bank unified credit of US$80 million per year obtained by China Dongfeng Motor Industry Import and Export Co., Ltd., a subsidiary of the Company, from 2011 to 2013. The details are as follows:

No.	Unit	Credit amount (US$ million)
1	Bank of China, Huangpu Branch, Shanghai	30
2	China Everbright Bank, Zhabei Branch, Shanghai	35
3	China Merchants Bank, Zhongshan Branch, Shanghai	15
	Total	80

The above resolutions will be submitted to the Annual General Meeting for shareholders' consideration.

The Board of Directors
Dongfeng Motor Group Company Limited

30 March 2011

The 2nd Meeting of the Third Session of the Supervisory Committee
Dongfeng Motor Group Company Limited

Resolution

To: Annual General Meeting of the Company

According to the resolution passed by the 2nd Meeting of the Third Session of Supervisory Committee of Dongfeng Motor Group Company Limited (the "Company"), the Supervisory Committee has decided to submit the supervisory report for the year ended 31 December 2010 to the Annual General Meeting for consideration and approval.

The above resolution will be submitted to the Annual General Meeting for shareholders' consideration.

Supervisory Committee
Dongfeng Motor Group Company Limited

30 March 2011

Definitions

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

"Company"	東風汽車集團股份有限公司 (Dongfeng Motor Group Company Limited), a joint stock limited company registered in the PRC on 12 October 2004 in accordance with the laws of the PRC or where the context refers to any time prior to the date of incorporation, those entities and businesses which were contributed to and conducted by the Company upon its establishment
"Dongfeng Joint Venture Companies"	Jointly-controlled Entities in which the Company, its subsidiaries or Jointly-controlled Entities (including their respective subsidiaries and Jointly-controlled Entities) have equity interests as at 31 December 2010.
"Dongfeng Motor Corporation" or "DMC"	東風汽車公司 (Dongfeng Motor Corporation), a state-owned enterprise incorporatedunder the laws of the PRC
"Dongfeng Motor Group" or "Group"	the Company and its subsidiaries, the Dongfeng Joint Venture Companies and their respective subsidiaries and associates.
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"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
"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 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 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 profit and loss account 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 losse
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Parent Group"	Dongfeng Motor Corporation and its subsidiaries (excluding the Group)

Definitions

"PRC" or "China"	the People's Republic of China. Except where the context requires, geographical references in this annual 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 annual report, unless otherwise specified, all references to revenues, profits and other financial information of the Group include those of the relevant Dongfeng Joint Venture Companies to the extent that such information has been proportionately consolidated or otherwise reflected in the financial information set out in this annual report. Subject to the above and unless otherwise specified, all information in this annual report relating to the Dongfeng Motor Group includes information of the Group and all companies (including Dongfeng Joint Venture Companies and Associates) 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.