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

Stock Code: 489

2011 Interim Report

*For reference only

Designed and Printed: RR Donnelley Roman Financial

Contents

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the interim report of the Company for 2011 for your review.

In the first half of 2011, the growth of auto industry in China slowed down after a series of fluctuation. In particular, the sales in traditional peak season in April and May recorded a month-on-month and a year-on-year decrease. In the first half of the year, approximately 9,325,200 vehicles were sold by domestic automobile manufacturers, representing an increase of approximately 3.3% over the corresponding period of last year. Sales volume of passenger vehicles and commercial vehicles were approximately 7,110,300 units and 2,215,000 units respectively, representing an increase of 5.7% and -3.7% over the corresponding period of last year. The fluctuation in the market and the slow down of its growth were mainly attributable to the following three factors: (1) the growth in the market slightly fell back after experiencing a consecutive rapid growth in 2009 and 2010; (2) demand from end-customers of passenger vehicles and commercial vehicles was suppressed by inflation and high oil price as well as tightened monetary policies; and (3) the existing supply of components and parts was disrupted by the earthquake in Japan, and production of certain types of vehicles suspended or the supply of such vehicles was insufficient due to the shortage of components and parts.

Amid an overall industrial integration, the production and sales of Dongfeng Motor Group were inevitably affected. Nevertheless, it was able to achieve its phased goals. In the first half of the year, the aggregate number of vehicles sold by Dongfeng Motor Group was approximately 1,064,600 units, representing an increase of approximately 9.5% over the corresponding period of last year. The market share amounted to approximately 11.4%, representing an increase of 0.64 percentage points as compared with the corresponding period of last year. Sales volume of passenger vehicles and commercial vehicles were approximately 772,900 units and 291,700 units, representing an increase of approximately 12.7% and 1.9%, respectively over the corresponding period of last year. In the first half of 2011, the Group's consolidated sales revenue was approximately RMB63,706 million, representing an increase of approximately 3.0% over the corresponding period of last year. The revenue from the sales of passenger vehicles and commercial vehicles were approximately RMB44,329 million and RMB18,791 million, representing an increase of approximately 4.5% and 0.1%, respectively over the corresponding period of last year. Profit attributable to shareholders of the Company was approximately RMB5,861 million, representing a decrease of approximately 10.2% over the corresponding period of last year.

In the first half of 2011, all business units and segments of the Group continued to enhance their management and control, strengthen the cost control, and exert their effort in marketing and dealt with difficulties and contingencies in timely manner. Leveraging its risk prevention experience and capacity, the Group has achieved a steady growth and maintained a leading position among its peers with its quality operations. In addition to maintaining a sound operation, the Group also achieved a balanced development between vehicles and components, new bases and existing bases, joint venture brands and Dongfeng brands.

The growing momentum of the PRC auto industry will not be affected by short-term fluctuation. Though the growth of the PRC auto industry experienced a fluctuation in the first half of the year, we are confident about the long-term and sustainable growth in the PRC auto industry in the next decades. Notwithstanding uncertainties will exist in the second half of the year, we will continue to implement various planned measures and exert our efforts to expand markets. We will also rationalize the production and expedite our organizational restructuring. Through enhancing our management and quality control and expediting to launch major projects, we aim to achieve operating goals set at the beginning of the year and lay a solid foundation for the "12th Five Year" Plan.

Xu Ping
Chairman

Wuhan, the PRC
30 August 2011

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

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COMPANY WEBSITE

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COMPANY SECRETARIES

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

AUDITORS

ERNST & YOUNG

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

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

00489

Directors, Supervisors and Senior Management

During the disclosure period, of 2011 interim report, the directors, supervisors and senior management of the Company include:

DIRECTORS

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

SENIOR MANAGEMENT

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

SUPERVISORS

Ma Liangjie (馬良杰)	Chairman of the Supervisory Committee
Ren Yong (任勇)	Supervisor
Li Chunrong (李春榮)	Supervisor
Chen Binbo (陳斌波)	Supervisor
Huang Gang (黃剛)	Supervisor
Kang Li (康理)	Supervisor
Wen Shiyang (溫世揚)	Independent Supervisor
Deng Mingran (鄧明然)	Independent Supervisor

HEADS OF DEPARTMENTS

The head of the Audit Department of the Company is Mr. Kang Li.

The head of the Personnel Department of the Company is Mr. He Wei.

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. Lei Ping.

The head of the Organization and Information Department of the Company is Mr. Lv Chuanwen.

The head of the International Business Department of the Company is Mr. Pan Chengzheng.

The head of the President's Office of the Company is Mr. Zhao Shuliang.

The head of the Strategic Planning 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. Zhong Bing.

The head of the Legal and Securities Affairs Department of the Company is Mr. Hu Xindong.

The head of the Capital Operation Department of the Company is Mr. Hu Xindong.

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

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

Management Discussion and Analysis

FINANCIAL RESULTS OVERVIEW

During the period, revenue of the Group amounted to approximately RMB63,706 million, representing an increase of approximately RMB1,853 million, or 3.0%, when compared with approximately RMB61,853 million for the corresponding period of last year. Profit attributable to shareholders of the Group amounted to approximately RMB5,861 million for the period, representing a decrease of approximately RMB668 million, or 10.2%, when compared with approximately RMB6,529 million for the corresponding period of last year. Earnings per share were approximately RMB68.02 cents, decreased by approximately RMB7.76 cents, or 10.2%, when compared with approximately RMB75.78 cents for the corresponding period of last year.

During the year, net decrease in cash and cash equivalent amounted to approximately RMB1,074 million, representing a decrease of approximately RMB6,511 million, or 119.8%, when compared with approximately RMB5,437 million for the net increase in cash and cash equivalent of the corresponding period of last year.

Revenue

In 2011, the automobile industry of China has maintained reasonable growth after the rapid development in past few years under the combined effects of various factors, including the expiration of preferential policies which stimulated automobile consumption, the tightening of national fiscal and monetary policy, increasing prices of domestic oil, the increasing conflict between urban transportation capacity, infrastructure and environmental protection demand and the rapid growth of the automobile industry, and the disorder in the supply chain of parts triggered by the Japan earthquake in March.

In the first half of the year, approximately 9,325,200 vehicles were sold by domestic automobile manufacturers, representing an increase of approximately 3.3% over last year. Sales volume of passenger vehicles and commercial vehicles were approximately 7,110,300 units and 2,215,000 units respectively, representing an increase of 5.7% and a decrease of 3.7% over last year.

Dongfeng Motor Group effectively overcame the difficulties arising from the slowdown of rapid growth in the automobile industry during the period, and demonstrated the leading business growth in the industry. The total vehicle sales of Dongfeng Motor Group for the year amounted to approximately 1,064,600 units, representing an increase of approximately 9.5% over last year. Of which, sales of passenger was approximately 772,900 units, representing an increase of approximately 12.7% over last year; sales of commercial vehicles amounted to approximately 291,700 units, representing an increase of approximately 1.9% over last year. Dongfeng Motor Group had a market share of approximately 11.4% in terms of sales volume, representing an increase of approximately 0.6 percentage point over last year. The market shares of its passenger vehicles was approximately 10.9%, representing an increase of approximately 0.7 percentage points over last year, and the market share of its commercial vehicles was approximately 13.2%, representing an increase of approximately 0.7 percentage points over last year.

During the period, the total sales revenue of the Group was approximately RMB63,706 million, representing an increase of approximately RMB1,853 million, or 3.0%, as compared with approximately RMB61,853 million of the corresponding period last year.

	Six months ended 30 June 2011 Sales revenue RMB million	Units sold	Six months ended 30 June 2010 Sales revenue RMB million	Units sold
Passenger vehicles	**44,329**	**772,905**	42,403	685,855
Commercial vehicles	**18,791**	**291,697**	18,769	286,122
Others	**586**	**N/A**	681	N/A
Total	**63,706**	**1,064,602**	61,853	971,977

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

The Dongfeng Motor Group maintained a steady and healthy growth for passenger vehicles business. Adhered to the key operating objective of increasing market share, we enhanced the brand image, marketing efforts and sales volume of each type of vehicle, and seized opportunities for development. In addition, our sales performance delivered a significant growth surpassing the market average as a result of the effective measures in response to the adverse impact of Japan earthquake, and improvement in marketing. During the period, sales revenue increased by approximately RMB1,926 million, or 4.5%, from approximately RMB42,403 million of the corresponding period last year to approximately RMB44,329 million. Of which, the revenue from sales of whole passenger vehicles increased by approximately RMB1,897 million, or 5.1%, from approximately RMB36,962 million of the corresponding period last year to approximately RMB38,859 million for the period.

As for commercial vehicles, the domestic commercial vehicle market continued to decline after the boost and the demand for medium-sized and heavy trucks reduced as a result of the unfavourable macro-economic condition. Facing such adverse situation, the Group adopted advanced management concept and model to strengthen its production and sales continuously. With the increasing capacity and efficiency of corporate governance and capability of operation, the sales revenue increased by 1.9% when compared with the corresponding period last year despite the negative growth in the general commercial vehicle market, and our market shares expanded. Sales of medium-sized trucks continued to be the top in the industry, and sales of heavy trucks became the first in the industry for the first time. The sales revenue during the period was approximately RMB18,791 million, representing an increase of approximately RMB22 million, or 0.1%, when compared with approximately RMB18,769 million for the corresponding period last year.

Cost of Sales and Gross Profit

The total costs of sales of the Group for the period was approximately RMB51,029 million, representing an increase of approximately RMB3,233 million, or 6.8%, when compared with approximately RMB47,796 million for the corresponding period last year. The total gross profit of the Group was approximately RMB12,677 million, representing a decrease of approximately RMB1,380 million over approximately RMB14,057 million for the corresponding period last year, representing a drop of 9.8%. The gross margin decreased by 2.8 percentage points from 22.7% for the corresponding period last year to 19.9% for the period.

Among which, the gross profit margin of passenger vehicles of the Group decreased by 3.6 percentage points to approximately 21.9% from approximately 25.5% of the previous year, and that of whole passenger vehicles decreased by 4.3 percentage points to approximately 21.9% from approximately 26.2% of the previous year. These decreases were mainly attributable to: (1) various degree of influence on the sales volume, sales revenue and profit levels of the joint venture resulting from the Japan earthquake; (2) urban construction tax for foreign investment enterprise and education surcharges adopted by the Chinese government since last December, which were not incurred in the corresponding period last year; (3) the decrease in average selling price as compared to the corresponding period last year due to the adjustment of sales mix by the Group in order to adapt to the new competitive landscape effectively under the keen competition in automobile industry during the year; and (4) an increase of the production cost attributable to the impacts of the changes in macro environment during the year.

The gross profit margin of commercial vehicles of the Group decreased by 2.0 percentage points to approximately 14.5% from approximately 16.5% of the previous year, and that of whole commercial vehicles of the Group decreased by 2.3 percentage points to approximately 14.5% from approximately 16.8% of the previous year. The decrease in gross profit margin was mainly attributable to: (1) the decrease in profit margin of products as a result of the price rise in steel, the major raw material for production of commercial vehicles, and the increase in staff cost; and (2) the decrease in price of commercial vehicles as compared to the corresponding period last year as a result of reduction in pricing of major competitors for purpose of increasing market shares.

Other Income

During the period, the total other income of the Group amounted to approximately RMB1,589 million, representing an increase of approximately RMB634 million when compared with approximately RMB955 million for the corresponding period last year. It was mainly attributable to: (1) an increase of approximately RMB42 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 RMB120 million in the sales of materials and auto parts; (3) the increase of approximately RMB132 million in bank deposit interest due to an increase in bank deposits; and (4) the increase of RMB292 million in investment income as a result of the equity disposal regarding Dongfeng Dana Axle Co., Ltd. (東風德納車橋有限公司).

Selling and Distribution Costs

During the period, the selling and distribution costs of the Group amounted to approximately RMB2,591 million, representing a decrease of approximately RMB345 million when compared with approximately RMB2,936 million of the corresponding period last year. The percentage of selling and distribution costs to sales revenue decreased by approximately 0.6 percentage points to approximately 4.1% from 4.7% of the corresponding period last year. It was mainly due to: (1) the decrease in the advertising and market expenses of approximately RMB138 million; and (2) the reduction of incentives to distributors of RMB315 million.

Administrative Expenses

During the period, administrative expenses of the Group amounted to approximately RMB1,538 million, representing a decrease of approximately RMB263 million when compared with approximately RMB1,801 million for the corresponding period of last year. During the period, the proportion of administration expenses in sales revenue decreased by approximately 0.5 percentage points to approximately 2.4%, down from approximately 2.9% of the corresponding period last year due to the strengthening of the Group's control over administration expenses.

Other Expenses

During the period, other expenses of the Group were approximately RMB2,227 million, representing an increase of approximately RMB545 million when compared with approximately RMB1,682 million for the corresponding period last year. The increase was mainly due to: (1) the increase in technology development and technology transfer fee by approximately RMB274 million over the corresponding period last year; and (2) the decrease in exchange gains during the period by RMB151 million from RMB198 million of the corresponding period last year to RMB47 million influenced by the change in foreign exchange rates.

Staff Costs

During the period, the staff costs (including directors' and supervisors' emoluments) of the Group amounted to approximately RMB2,438 million, representing a decrease of approximately RMB95 million when compared with approximately RMB2,533 million for the corresponding period last year.

Depreciation Charges

During the period, the depreciation charges amounted to approximately RMB1,344 million, representing an increase of approximately RMB79 million when compared with approximately RMB1,265 million for the corresponding period last year, which was attributable to the increase investments in plant and equipment with a view to expanding the business and increasing the production capacity of the Group.

Finance Costs

During the period, the finance costs of the Group amounted to approximately RMB136 million, representing an increase of approximately RMB26 million when compared with approximately RMB110 million for the corresponding period last year, which was mainly attributable to the increase of the interest expenses on loans and debenture of the Group.

Income Tax

During the period, the statutory tax rate for Sino-foreign equity joint ventures was increased to 24% from 22% for the corresponding period last year in accordance with relevant requirement of the State Administration of Taxation. The income tax of the Group amounted to approximately RMB1,808 million, representing an increase of approximately RMB58 million when compared with approximately RMB1,750 million for the corresponding period last year. The effective tax rate for the period was approximately 22.8%, representing an increase of approximately 2.5 percentage points when compared to approximately 20.3% for the corresponding period last year.

Profit for the Year

Based on the above reasons, the Group's profit attributable to shareholders of the Company amounted to approximately RMB5,861 million for the year, representing a decrease of approximately RMB668 million around 10.2%, when compared with approximately RMB6,529 million for the corresponding period last year. Earnings per share were approximately RMB68.02 cents, down by approximately RMB7.76 cents, around 10.2%, when compared with approximately RMB75.78 cents for the corresponding period last year. The net profit margin (a percentage of profit attributable to shareholders of the Company to total revenue) was approximately 9.2%, representing a decrease of approximately 1.4 percentage points when compared with that of approximately 10.6% for the corresponding period last year. The return on net assets (a percentage of profit attributable to shareholders of the Company to average net assets) was approximately 29.6% representing a decrease of approximately 13.7 percentage points when compared with that of 43.3% for the corresponding period last year.

Liquidity and Sources of Capital

	Six months ended 30 June 2011 (RMB million)	Six months ended 30 June 2010 (RMB million)
Net cash inflows from operating activities	**101**	5,813
Net cash inflows/(outflows) from investing activities	**(2,926)**	1,471
Net cash inflows/(outflows) from financing activities	**1,751**	(1,847)
Net increase/(decrease) in cash and cash equivalents	**(1,074)**	5,437

During the period, net cash inflows from operating activities of the Group amounted to approximately RMB101 million. This principally represents: (1) profit before tax less non-cash items of depreciation and impairment amounting to approximately RMB7,917 million; (2) an increase of approximately RMB6,186 million in trade receivables, bills receivable and prepayments, deposits and other receivables; (3) a decrease of approximately RMB1,638 million in inventory; and (4) a decrease of approximately RMB1,380 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 RMB5,712 million, compared to the net cash inflow of approximately RMB5,813 million last year. It was mainly attributed to (1) an increase of RMB1,851 million due from distributors resulted from expansion of the sales volume of the Group; and an increase of RMB1,550 million in increment of bills receivable of during the period resulted from the increase in settlement of payments for goods by dealers with bank note; (2) an increase of RMB861 million in payments for goods made to suppliers due to satisfactory cash flow of the Group; (3) an increase of RMB1,587 million in payment of income tax expenses.

During the period, net cash outflows from investing activities of the Group amounted to approximately RMB2,926 million. This principally represents: (1) the purchase of property, plant and equipment of approximately RMB2,343 million for the expansion of production capacity and development of new products; (2) the purchase and disposal of available-for-sale assets of approximately RMB3,008 million during the period; and (3) the decrease of approximately RMB1,569 in fixed deposit. The net cash used in investing activities of the period increased by approximately 4,397 million, compared to the net cash inflows of approximately RMB1,471 million last year. The main reason is (1) the purchase and disposal of available-for-sale assets of approximately RMB3,008 million during the period; (2) an increase of approximately RMB1,156 million in expenses on purchase of available-for-sale property, plant and equipment during the period.

During the period, net cash inflows from investing activities of the Group amounted to approximately RMB1,751 million. This principally represents: (1) increase in bank loans of approximately RMB1,790 million; and (2) payment of dividends of approximately RMB60 million to the minority shareholders. The net cash inflows from financing activities of the period increased by approximately RMB3,598 million, compared to the approximately RMB1,847 million of the net cash outflows of the corresponding period last year, mainly attributable to the increase in bank borrowings during the period.

Based on above analysis:

As at 30 June 2011, the Group's cash and cash equivalents (excluding the time deposits with an original maturity of three months or more) amounted to approximately RMB24,815 million, representing a decrease by approximately RMB1,074 million when compared with approximately RMB25,889 million 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 RMB40,576 million, representing a decrease of approximately RMB2,374 million when compared with approximately RMB42,950 million as at 31 December 2010. Net cash (cash and bank balances less borrowings) of the Group amounted to approximately RMB29,226 million, representing a decrease by approximately RMB4,164 million when compared with approximately RMB33,390 million as at 31 December 2010.

As at 30 June 2011, the Group's equity ratio, as a percentage of total borrowings to total shareholders' equity, was approximately 27.2%, representing an increase of 1.7 percentage points when compared with approximately 25.5% as at 31 December 2010.

As at 30 June 2011, the Group's liquidity ratio for the period was 1.35 times, representing an increase from over approximately 1.31 times as at 31 December 2010. The Group's quick ratio for the period was approximately 1.16 times, representing an improvement from approximately 1.09 times as at 31 December 2010.

Inventory turnover days of the Group for the period was approximately 43 days, representing an increase of approximately 4 day over the turnover days of approximately 39 for the corresponding period last year.

The Group's turnover days of receivables (including bills receivable) increased by approximately 7 days to approximately 61 days from approximately 54 days of the corresponding period last year, and the turnover days of receivables (excluding bills receivable) was approximately 11 days, representing an increase of approximately 2 days over the turnover days of approximately 9 days of the corresponding period last year. The turnover days of bills receivable were approximately 50 days, representing an increase of approximately 5 days over the turnover days of approximately 45 days of the corresponding period last year, which was mainly attributable to the increase in bank promissory notes received by the Group resulted from the increase in sales volume. The Group adopts stringent polices for the management of bills receivable and only accepts applications by trustworthy customers with financial strengths, while the credit risks related to bank promissory notes are assumed by the customers banks.

Business Overview

MAJOR BUSINESSES

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

The Dongfeng Motor Group's commercial vehicles as well as engines and auto parts of commercial vehicles businesses are principally operated by Dongfeng Motor Co., Ltd, a joint venture of the Company and Nissan Motor Co., Ltd through Nissan (China) Investment Co., Ltd. As at 30 June 2011, the Dongfeng Motor Group manufactured 39 basic series of commercial vehicles, including 33 series of trucks and 6 series of buses. Current annual production capacities of commercial vehicles and their engines were 571,000 units and 250,000 units, respectively.

The Dongfeng Motor Group's passenger vehicle business is principally operated by the Company (through Dongfeng Passenger Vehicle Company) and the following joint ventures: Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobiles Company Ltd (a joint venture of the Company and PSA Peugeot Citroën Group), and Dongfeng Honda Automobile Co., Ltd (a joint venture of the Company and Honda Motor Co., Ltd, partly through Honda Motor (China) Investment Co., Ltd). The engines and auto parts of passenger vehicles businesses are mainly operated by Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobiles Company Ltd, Dongfeng Honda Engine Co., Ltd., Dongfeng Honda Auto Parts Co., Ltd and Dongfeng Honda Automobile Co., Ltd. As at 30 June 2011, the Dongfeng Motor Group manufactured 33 series of passenger vehicles, including 22 series of sedans, 6 series of MPVs and 5 series of SUVs. Current annual production capacities of passenger vehicles and their engines were 1,357,000 units and 1,420,000 units, respectively.

Major Operating Information for the First Half of 2011

In the first half of 2011, 9,155,990 units and 9,325,201 units of vehicles were manufactured and sold by domestic automobile manufacturers of the PRC, respectively, representing respective comparable increases of approximately 2.5% and approximately 3.3%. Among which, the production and sales volume of passenger vehicles were 7,044,868 units and 7,110,250 units, respectively, representing increases of approximately 5.4% and approximately 5.7% over the corresponding period last year, respectively. The production and sales volume of commercial vehicles were 2,111,122 units and 2,214,951 units, respectively, representing decreases of 6.1% and 3.7% over the corresponding period last year, respectively.

The accumulated vehicle production and sales volume of the Dongfeng Motor Group in the first half of 2011 were 1,035,034 units and 1,064,602 units, respectively, representing increases of approximately 6.7% and 9.5% over the corresponding period last year, respectively. Among which, the production and sales volume of passenger vehicles were 758,182 units and 772,905 units, respectively, representing increases of approximately 10.5% and 12.7% over the corresponding period last year, respectively, and the production and sales volume of commercial vehicles were 276,852 units and 291,697 units, respectively, representing a decrease of approximately 2.5% and an increase of approximately 1.9% over the corresponding period last year, respectively. The Dongfeng Motor Group had a market share of approximately 11.4% in terms of sales volume among the domestic automobile manufacturers, of which passenger vehicles and commercial vehicles were approximately 10.9% and 13.2%, respectively.

Business Overview

Revenue of the Group for the six months ended 30 June 2011:

Business	Sales revenue (RMB millions)	Contribution to the Group's sales revenue (%)
Commercial vehicles	18,791	29.5
Passenger vehicles	44,329	69.6
Others	586	0.9
Total	63,706	100

Sales volume of commercial vehicles and passenger vehicles of the Dongfeng Motor Group and their market shares for the six months ended 30 June 2011:

		Sales volume (units)		Market share (%)
Commercial vehicles	291,697		13.2	
Trucks		273,271		13. 8
Buses		18,426		8.0
Passenger vehicles	772,905		10.9	
Sedans		574,936		11.6
MPVs		70,190		29.4
SUVs		127,779		18.0
Total	1,064,602		11.4	

New Products

In the first half of 2011, the Dongfeng Motor Group launched various new passenger vehicle models, including New Dongfeng Nissan Sunny (東風日產新陽光), New Dongfeng Tiida (新騏達) and Dongfeng Fengshen H30CROSS.

Production Safety and Environment Protection

In the first half of 2011, the Dongfeng Motor Group insisted on production safety by strictly following the principle of "integrated management with safety first and precaution as priority" and complied with all national occupational safety laws and regulations. The Group exerted efforts to carry out on-site inspections and eliminate potential hazards so as to enhance basic production safety. Elimination of potential hazards and integrated management were reinforced by enhancing training and assessment on production safety, rectifying violations of relevant regulations and optimizing the systems of safety production responsibility and accountability. These initiatives laid a solid foundation for maintaining the healthy and steady development of all businesses of the Dongfeng Motor Group.

The Dongfeng Motor Group also increased efforts on energy conservation and reduction of pollutant emissions to prevent environmental pollution accidents. Compared with the corresponding period of 2009, the comparable added-value energy consumption per ten-thousand RMB reduced by approximately 25.12% while COD and SO2 emission also decreased by 6.54% and 31.34%, respectively, in the first half of 2011. Such decline successfully fulfilled the goal of energy saving and emission reduction with high quality.

Sales and Service Networks

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

As at 30 June 2011, the sales and service networks of the Dongfeng Motor Group were as follows:

	Number of sales outlets	Number of service outlets	Number of provinces covered
Commercial vehicles	3,547	5,850	31
Passenger vehicles	2,724	2,480	31
Total	6,271	8,330	31

Business Outlook

The second half of 2011 will face various uncertainties in the macro-economy level. The automobile industry tends to grow at slower speed as compared to the corresponding period of 2010. Nevertheless, the national economy will continue to gather growth momentum. The acceleration of urbanization and increasing consumption power will provide a solid foundation for the sustainable growth of the automobile industry. The new policy on energy-saving and new energy automobiles will further stimulate the automobile industry and its restructuring. The strategy of “opening-up” for the domestic automobile enterprises will also boost opportunities for the industry.

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

INTERIM RESULTS AND DIVIDENDS

The results for the six months ended 30 June 2011 of the Group and the financial states of affairs of the Group as at that date are set out in the unaudited interim condensed consolidated financial statements on page 20 to 46 of this interim report.

The Board of Directors resolved not to distribute any dividends for the earnings of the Company for the first half of 2011.

MATERIAL LEGAL PROCEEDINGS

As at 30 June 2011, the Dongfeng Motor Group was not involved in any material litigation or arbitration and, as far as the Company was aware, no material litigation or claim was pending or threatened or made against the Dongfeng Motor Group.

SHARE CAPITAL

As at 30 June 2011, the total share capital of the Company was RMB8,616,120,000 divided into 8,616,120,000 ordinary shares of RMB1 each, of which 5,760,388,000 shares were Domestic Shares, representing 66.86% of the total number of shares in issue, and 2,855,732,000 shares were H Shares, representing 33.14% of the total number of shares in issue.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the interests and short positions of the persons (other than directors and supervisors of the Company) interested in 5% or more of the respective classes of issued share capital, as recorded in the register required to be kept pursuant to Section 336 of the SFO are set out below:

Long positions and lending pool

Name	Class of shares	Number of shares	Percentage in the class of issued share capital (%)	Percentage of the total Share capital (%)
Dongfeng Motor Corporation	Domestic shares	5,760,388,000	100	66.86
SCMB Overseas Limited	H shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Asia Limited	H shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Bank	H shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Holding Limited	H shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Holdings (International) B.V.	H shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered MB Holdings B.V.	H shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Private Equity Limited	H shares	242,282,000(L)	9.76(L)	2.81
UBS AG	H shares	213,485,846(L)	7.48(L)	2.48
		28,330,282(S)	0.99(S)	0.33
JPMorgan Chase & Co.	H shares	172,753,851(L)	6.05(L)	2.01
		308,000(S)	0.01(S)	0.004
		148,609,270(P)	5.20(P)	1.72
Edinburgh Partners Limited	H shares	153,514,000(L)	5.38(L)	1.78
Blackrock, Inc.	H shares	147,849,573(L)	5.18(L)	1.72
		17,534,745(S)	0.61(S)	0.20

Note:

L — Long Position

S — Short Position

P — Lending Pool

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

As at 30 June 2011, the Company had not been notified that the directors and supervisors of the Company were interested in any share capital of the Company, or were involved in any sale and purchase of the interests in the share capital of the Company during the six months ended 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

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

STOCK APPRECIATION RIGHTS

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

Initially, 55,665,782 SAR units were granted on 23 January 2006 at HK$2.01 each. There is a minimum vesting period of two years from the date of grant before the SARs can be exercised subject to the following restrictions:

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

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

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

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

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

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

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

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

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

In respect of the first round of SARs, 55,665,782 units of SAR were exercisable as at 30 June 2011, representing 100% of the total SAR units granted. As at 30 June 2011, 51,148,410 units of SAR were exercised, representing 91.88% of the total SAR units granted. As at 30 June 2011, 4,517,372 units of SAR were expired, representing 8.12% of the total SAR granted.

In respect of the second round of SARs, 9,425,220 units of SAR were exercisable during the period, representing 30% of the total SAR units granted. As at 30 June 2011, 31,417,405 units of SAR were exercisable, representing 100% of the total SAR units granted. 789,930 units of SAR were exercised during the period, representing 2.51% of the total SAR units granted. As at 30 June 2011, 1,686,515 units of SAR were exercised, representing 5.37% of the total SAR granted. As at 30 June 2011, 3,435,356 units of SAR were expired, representing 10.93% of the total SAR granted.

CORPORATE GOVERNANCE

1. Overview of Corporate Governance

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

2. Code on Corporate Governance Practice

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

3. Securities Transaction of the Directors

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

4. Independent Non-executive Directors

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

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

5. Audit Committee

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

The audit committee has reviewed the unaudited financial reports of the Group for the six months ended 30 June 2011.

Unaudited Interim Condensed Consolidated Financial Statements and Notes

For the six months ended 30 June 2011

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2011 RMB million (Unaudited)	2010 RMB million (Unaudited)
Revenue — Sale of goods	2	**63,706**	61,853
Cost of sales		**(51,029)**	(47,796)
Gross profit		**12,677**	14,057
Other income	3	**1,589**	955
Selling and distribution costs		**(2,591)**	(2,936)
Administrative expenses		**(1,538)**	(1,801)
Other expenses, net		**(2,227)**	(1,682)
Finance costs	5	**(136)**	(110)
Share of profits and losses of associates		**143**	149
Profit before tax	4	**7,917**	8,632
Income tax expense	6	**(1,808)**	(1,750)
Profit for the period		**6,109**	6,882
Attributable to:			
Owners of the parent		**5,861**	6,529
Non-controlling interests		**248**	353
		6,109	6,882
Dividend	7	**—**	—
Earnings per share attributable to ordinary equity holders of the parent	8		
Basic for the period		**68.02 cents**	75.78 cents
Diluted for the period		**N/A**	N/A

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	2010
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Profit for the period	**6,109**	6,882
OTHER COMPREHENSIVE INCOME		
Available-for-sale financial assets:		
Changes in fair value	**(2)**	6
Income tax effect	—	(2)
OTHER COMPRHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(2)**	4
TOTAL COMPRHENSIVE INCOME FOR THE PERIOD	**6,107**	6,886
Total comprehensive income attributable to:		
Owners of the parent	**5,859**	6,531
Non-controlling interests	**248**	355
	6,107	6,886

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2011 RMB million (Unaudited)**	31 December 2010 RMB million (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	**19,297**	18,551
Lease prepayments		**1,257**	1,248
Intangible assets		**2,190**	2,294
Goodwill		**636**	479
Investments in associates		**1,378**	1,148
Available-for-sale financial assets		**250**	246
Other non-current assets		**2,560**	2,129
Deferred tax assets		**2,316**	2,190
Total non-current assets		**29,884**	28,285
Current assets			
Inventories		**12,162**	13,935
Trade receivables	10	**3,938**	2,087
Bills receivables		**17,360**	15,810
Prepayments, deposits and other receivables		**6,241**	4,660
Due from jointly-controlled entities		**1,380**	1,595
Available-for-sale financial assets		**3,000**	1,300
Pledged bank balances and time deposits	11	**1,815**	1,546
Cash and cash equivalents	11	**38,761**	41,404
Total current assets		**84,657**	82,337
TOTAL ASSETS		**114,541**	110,622
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital		**8,616**	8,616
Reserves		**9,052**	8,668
Retained profits		**24,133**	18,659
Proposed final dividend		**—**	1,551
		41,801	37,494

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	30 June 2011 RMB million (Unaudited)	31 December 2010 RMB million (Audited)
Non-controlling interests		**3,855**	3,842
Total equity		**45,656**	41,336
Non-current liabilities			
Interest-bearing borrowings		**5,996**	6,289
Other non-current liabilities		**61**	64
Provisions		**48**	69
Government grants		**184**	157
Deferred tax liabilities		**57**	51
Total non-current liabilities		**6,346**	6,630
Current liabilities			
Trade payables	12	**22,973**	23,834
Bills payable		**11,094**	10,367
Other payables and accruals		**18,615**	19,373
Due to jointly-controlled entities		**1,688**	1,586
Interest-bearing borrowings		**5,354**	3,271
Income tax payables		**1,700**	3,093
Provisions		**1,115**	1,132
Total current liabilities		**62,539**	62,656
TOTAL LIABILITIES		**68,885**	69,286
TOTAL EQUITY AND LIABILTIES		**114,541**	110,622
NET CURRENT ASSETS		**22,118**	19,681
TOTAL ASSETS LESS CURRENT LIABILTIES		**52,002**	47,966

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent						Non-	
	Issued capital	Capital reserves	Statutory reserves	Retained profits	Proposed dividend	Total	controlling interests	Total equity
	RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)
As at 1 January 2011	**8,616**	**1,535**	**7,133**	**18,659**	**1,551**	**37,494**	**3,842**	**41,336**
Final 2010 dividend declared	—	—	—	—	**(1,551)**	**(1,551)**	—	**(1,551)**
Total comprehensive income for the period	—	**(2)**	—	**5,861**	—	**5,859**	**248**	**6,107**
Transfer to a reserve	—	—	**387**	**(387)**	—	—	—	—
Loss of control in a jointly-controlled entity's subsidiary	—	**(1)**	—	—	—	**(1)**	**(114)**	**(115)**
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	**18**	**18**
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	**(139)**	**(139)**
As at 30 June 2011	**8,616**	**1,532**	**7,520**	**24,133**	—	**41,801**	**3,855**	**45,656**
As at 1 January 2010	8,616	1,529	4,904	11,459	776	27,284	3,271	30,555
Final 2009 dividend declared	—	—	—	—	(776)	(776)	—	(776)
Total comprehensive income for the period	—	2	—	6,529	—	6,531	355	6,886
Transfer to a reserve	—	—	135	(135)	—	—	—	—
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	8	8
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	(94)	(94)
As at 30 June 2010	8,616	1,531	5,039	17,853	—	33,039	3,540	36,579

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Six months ended 30 June	
		2011	2010
		RMB million	RMB million
		(Unaudited)	(Unaudited)
Net cash flows generated from operating activities		**101**	5,813
Net cash flows generated from/(used in) investing activities		**(2,926)**	1,471
Net cash flows generated from/(used in) financing activities		**1,751**	(1,847)
Net increase/(decrease) in cash and cash equivalents		**(1,074)**	5,437
Cash and cash equivalents at 1 January		**25,889**	17,369
Cash and cash equivalents at 30 June	11	**24,815**	22,806

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 CORPORATE INFORMATION

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

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

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Dongfeng Motor Corporation ("DMC"), a state-owned enterprise established in the PRC.

1.2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

1.3 IMPACTS OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2010, except for the adoption of new and amended International Financial Reproting Standards ("IFRSs") and International Financial Reproting Intrepretations Committee Intrepretations ("IFRICs"), as noted below. Adoption of these Standards and Intrepretations has had no significant financial effect to the financial position or performance of the Group.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs — Limited Exemptions from Comparative IFRS 7 Disclosure of First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation — Classification of Right Issues*
IFRIC 14 Amendments	Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs (May 2010)	Amendments to a number of IFRSs

Other than as further explained below regarding the impact of IAS 24 (Revised), the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effect of adopting IAS 24 (Revised) Related Party Transactions is as follows:

IAS 24 (Revised) clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party transactions of an entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

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

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

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1]
IFRS 7 Amendemnts	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets* [1]
IFRS 9	*Financial Instrument* [4]
IFRS 10	*Consolidated Financial Statements* [4]
IFRS 11	*Joint Arrangements* [4]
IFRS 12	*Disclosure of Interests in Other Entities* [4]
IFRS 13	*Fair Value Measurement* [4]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements* [3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets* [2]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits* [4]
IAS 27 (Revised)	*Separate Financial Statements* [4]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures* [4]

1. Effective for annual periods beginning on or after 1 July 2011
2. Effective for annual periods beginning on or after 1 January 2012
3. Effective for annual periods beginning on or after 1 July 2012
4. Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application, but is not yet in a position to state whether these new and revised IFRSs and IFRICs would have a significant impact on the Group's result of operations and financial position.

2. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION

Revenue on sale of goods

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

Segment information

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

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating segment profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

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

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

Segment information (continued)

During the six months ended 30 June 2010 and 2011, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

For the six months ended 30 June 2011

	Commercial vehicles RMB million (unaudited)	Passenger vehicles RMB million (unaudited)	Corporate and others RMB million (unaudited)	Total RMB million (unaudited)
Revenue				
Sales to external customers	**18,791**	**44,329**	**586**	**63,706**
Results				
Segment results	**1,355**	**6,470**	**(312)**	**7,513**
Interest income	**35**	**264**	**98**	**397**
Finance costs				**(136)**
Share of profit and losses of associates	**61**	**38**	**44**	**143**
Profit before tax				**7,917**
Income tax expense				**(1,808)**
Profit for the period				**6,109**

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

Segment information (continued)

For the six months ended 30 June 2010

	Commercial vehicles RMB million (unaudited)	Passenger vehicles RMB million (unaudited)	Corporate and others RMB million (unaudited)	Total RMB million (unaudited)
Revenue				
Sales to external customers	18,769	42,403	681	61,853
Results				
Segment results	1,403	7,458	(533)	8,328
Interest income	30	185	50	265
Finance costs				(110)
Share of profit and losses of associates	73	37	39	149
Profit before tax				8,632
Income tax expense				(1,750)
Profit for the period				6,882

3. OTHER INCOME

	Six months ended 30 June	
	2011 RMB million (Unaudited)	2010 RMB million (Unaudited)
Government grants and subsidies	**218**	176
Net income from disposal of other materials	**427**	307
Interest income	**397**	265
Rendering of services	**40**	18
Gain on loss of control of a jointly-controlled entity's subsidiary	**292**	—
Others	**215**	189
	1,589	955

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2011	2010
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expense	**51,029**	47,796
Provision against inventories	**80**	33
Amortisation of intangible assets	**199**	191
Depreciation	**1,344**	1,265
Loss/(gain) on disposal of items of property, plant and equipment, net	**(10)**	13
Loss on disposal of intangible assets	**—**	1
Gain on disposal of available-for-sale financial assets	**(78)**	(11)
Gain on loss of control in a jointly-controlled entity's subsidiary	**(292)**	—
Gain on disposal of a jointly-controlled entity's subsidiary	**—**	(97)
Impairment of property, plant and equipment, net	**87**	105
Impairment of trade and other receivables	**24**	—
Reversal of provision for sales rebates	**(333)**	(599)

5. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings wholly repayable:		
Within 5 years	**36**	25
Beyond 5 years	**13**	12
Interest on discounted bills	**7**	8
Interest on short term debentures	**—**	19
Interest on medium term notes	**92**	57
	148	121
Less: Amount capitalised in construction in progress	**(12)**	(11)
Total interest expense	**136**	110

6. INCOME TAX

	Six months ended 30 June	
	2011	2010
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Current income tax	**1,950**	2,094
Deferred income tax	**(142)**	(344)
Income tax charge for the period	**1,808**	1,750

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2010 and 2011.

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

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

7. DIVIDEND

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

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

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2011	2010
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent	**5,861**	6,529
	million	million
Shares:		
Weighted average number of ordinary shares in issue during the period	**8,616**	8,616

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment in an aggregate amount of approximately RMB2,355 million (six months ended 30 June 2010: RMB1,187 million) and disposed of property, plant and equipment with an aggregate net book value of approximately RMB17 million (six months ended 30 June 2010: RMB123 million), resulting in a net gain on disposal of approximately RMB10 million (six months ended 30 June 2010: net loss RMB13 million). Property, plant and equipment impairment of approximately RMB87 million (six months ended 30 June 2010: RMB105 million) was made during the period.

10. TRADE RECEIVABLES

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

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

	30 June 2011 RMB million (Unaudited)	31 December 2010 RMB million (Audited)
Within three months	**2,718**	1,399
More than three months but within one year	**1,106**	627
More than one year	**114**	61
	3,938	2,087

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

	30 June 2011 RMB million (Unaudited)	31 December 2010 RMB million (Audited)
Cash and bank balances	**24,223**	26,196
Time deposits	**16,353**	16,754
	40,576	42,950
Less: Pledged bank balances and time deposits for securing general banking facilities	**(1,815)**	(1,546)
Cash and cash equivalents in the interim condensed consolidated statement of financial position	**38,761**	41,404
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(13,946)**	(15,515)
Cash and cash equivalents in the interim condensed consolidated cash flow statement	**24,815**	25,889

12. TRADE PAYABLES

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

	30 June 2011 RMB million (Unaudited)	31 December 2010 RMB million (Audited)
Within three months	**20,394**	22,206
More than three months but within one year	**2,016**	1,109
More than one year	**563**	519
	22,973	23,834

13. LOSS OF CONTROL IN A JOINTLY-CONTROLLED ENTITY'S SUBSIDIARY

In February 2011, Dongfeng Motor Limited ("DFL"), a 50%-owned jointly-controlled entity of the Company, entered into an agreement with a non-controlling shareholder of Dongfeng Dana Axle Co., Ltd. ("Dongfeng Dana") for the disposal of a 25.23% equity interests in Dongfeng Dana, a then 75.23%-owned subsidiary of DFL for a total consideration of RMB438 million.

Upon the completion of the aforesaid disposal in June 2011, DFL owns a 50% equity interest in Dongfeng Dana which is thereafter accounted for as a jointly-controlled entity of DFL.

13. LOSS OF CONTROL IN A JOINTLY-CONTROLLED ENTITY'S SUBSIDIARY (continued)

The Group's share of identifiable assets and liabilities of Dongfeng Dana disposed of as at 30 June 2011 are as follows:

	RMB million (Unaudited)
Property, plant and equipment	337
Intangible assets	8
Deferred tax assets	19
Inventories	110
Trade and bills receivables	1,592
Prepayment, deposits and other receivables	342
Cash and cash equivalents	299
Trade and bills payables	(1,695)
Other payables and accrued liabilities	(494)
Income tax payable	(16)
Provisions	(24)
Non-controlling interests	(116)
	362
Gain on loss of control of a jointly-controlled enity's subsidiary	292
	654
Represented by:	
Fair value of the consideration — cash	219
Fair value of retained investment in a jointly-controlled entity's former subsidiary	435
	654

13. LOSS OF CONTROL IN A JOINTLY-CONTROLLED ENTITY'S SUBSIDIARY (continued)

Upon the completion of the disposal, the retained 50% equity interests in Dongfeng Dana held by DFL have been remeasured at fair value. The Group's share of fair value of identifiable assets and liabilities of Dongfeng Dana upon the completion of the disposal are as follows:

	RMB million (Unaudited)
Property, plant and equipment	215
Intangible assets	7
Deferred tax assets	9
Inventories	55
Trade and bills receivables	796
Prepayment, deposits and other receivables	171
Cash and cash equivalents	150
Trade and bills payables	(847)
Other payables and accrued liabilities	(248)
Income tax payable	(8)
Provisions	(12)
Deferred tax liabilities	(12)
Non-controlling interests	2
	278
Goodwill arising from the retained equity interests in Dongfeng Dana held by DFL attributable to the Group	157
Fair value of retained investment in a jointly-controlled entity's former subsidiary	435
An analysis of the cash flows in respect of the loss of control of a jointly-controlled entity's subsidiary is as follows:	
Cash consideration	219
Cash and cash equivalents disposed of	(299)
Cash and cash equivalents proportionate consolidated for the retained investments in a jointly-controlled enity's former subsidiary	150
Net inflow of cash and cash equivalents included in cash flows from investing activities	70

14. COMMITMENTS

(a) Operating lease commitments as lessee

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

	30 June 2011 RMB million (Unaudited)	31 December 2010 RMB million (Audited)
Within one year	**154**	143
After one year but not more than five years	**502**	513
More than five years	**1,501**	1,540
	2,157	2,196

(b) Commitments

In addition to the operating lease commitments detailed in note 14(a) above, the Group had the following commitments at the end of the reporting period:

	30 June 2011 RMB million (Unaudited)	31 December 2010 RMB million (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**2,086**	2,296
Authorised, but not contracted for:		
Property, plant and equipment	**1,878**	2,471

15. CONTINGENT LIABILITIES

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

	30 June 2011 RMB million (Unaudited)	31 December 2010 RMB million (Audited)
Bank acceptance bills discounted with recourse	**132**	572
Bank acceptance bills endorsed with recourse	**5,159**	4,941
Guarantees given to banks in connection with facilities granted to the following parties at nil consideration:		
— Jointly-controlled entities	**488**	576
— Associates	**55**	15
	5,834	6,104

No financial liabilities were recorded for the above guarantees given to banks as, in the opinion of the directors, the fair values of the financial guarantee contracts were not material as at 30 June 2011 and 31 December 2010.

As at 30 June 2011, the banking facilities guaranteed by the Group to the jointly-controlled entities and associates were utilised to the extent of approximately RMB543 million (31 December 2010: RMB591 million)

16. RELATED PARTY TRANSACTIONS

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

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

	Notes	Six months ended 30 June **2011** **RMB million** **(Unaudited)**	 2010 RMB million (Unaudited and restated)
Purchases of automotive parts/raw materials from:	(i)		
DMC		**47**	11
Joint venture partners and their holding companies		**10,480**	11,403
Joint venture partners' subsidiaries, associates and jointly-controlled entities		**5,168**	5,160
Associates		**1,115**	769
Jointly-controlled entities		**2,791**	3,111
Non-controlling shareholder of a jointly-controlled entity's subsidiaries		**4**	31
Fellow subsidiaries		**1,063**	1,078
DMC's associates		**222**	163
		20,890	21,726
Purchases of automobiles from:	(i)		
Joint venture partners and their holding companies		**32**	10
Jointly-controlled entities		**255**	205
Associates		**241**	78
		528	293
Purchases of water, steam and electricity from DMC	(ii)	**518**	533

16. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Notes	Six months ended 30 June 2011 RMB million (Unaudited)	2010 RMB million (Unaudited and restated)
Rental expenses to DMC	(i)	**84**	84
Rental income from:	(i)		
Joint venture partners and their holding companies		**20**	—
Joint venture partners' subsidiaries, associates and jointly-controlled entities		**—**	3
Jointly-controlled entities		**4**	—
		24	3
Purchases of services from:	(i)		
DMC		**9**	—
A jointly-controlled entity		**5**	13
Fellow subsidiaries		**306**	161
		320	174
Purchases of property, plant and equipment from:	(i)		
Joint venture partners and their holding companies		**185**	142
Joint venture partners' subsidiaries, associates and jointly-controlled entities		**8**	—
Jointly-controlled entities		**31**	29
Associates		**4**	—
A non-controlling shareholder of a jointly-controlled entity's subsidiary		**4**	—
		232	171
Purchases of technology know-how from joint venture partners and their holding companies	(i)	**1,912**	1,855

16. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Notes	Six months ended 30 June **2011** **RMB million** **(Unaudited)**	 2010 RMB million (Unaudited and restated)
Sales of automotive parts/raw materials to:	(i)		
DMC		**1**	—
Joint venture partners and their holding companies		**207**	198
Joint venture partners' subsidiaries, associates and jointly-controlled entities		**6,930**	8,076
Associates		**24**	14
Jointly-controlled entities		**773**	775
A non-controlling shareholder of a jointly-controlled entity's subsidiary		**—**	19
Fellow subsidiaries		**75**	99
DMC's associates		**21**	21
		8,031	9,202
Sales of automobiles to:	(i)		
Joint venture partners and their holding companies		**11**	—
Fellow subsidiaries		**716**	545
Associates		**296**	227
		1,023	772
Provision of services to:	(i)		
Joint venture parenters and their holding companies		**4**	—
Jointly-controlled entities		**70**	11
A non-controlling shareholder of a jointly-controlled entity's subsidiary		**4**	—
		78	11

In addition, Dongfeng Motor Company Ltd, a jointly-controlled entity of the Company, disposed of its 51.6% interests in a subsidiary to DMC at a cash consideration of RMB2. As a result, a gain on disposal of a subsidiary attributable to the Group of RMB97 million is recognized in the Group's result for the six months ended 30 June 2010.

16. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

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

(ii) These transactions were conducted according to prices and conditions regulated by the PRC government.

(b) Outstanding balances with related parties

	30 June 2011 RMB million (Unaudited)	31 December 2010 RMB million (Audited)
Receivables from related parties included in trade receivables:		
— Joint venture partners and their holding companies	**24**	21
— Joint venture partners' subsidiaries, associates and jointly-controlled entities	**432**	225
— Associates	**21**	13
— Fellow subsidiaries	**152**	46
— DMC's associates	**3**	2
Receivables from related parties included in prepayments, deposits and other receivables:		
— Joint venture partners and their holding companies	**54**	18
— Joint venture partners' subsidiaries, associates and jointly-controlled entities	**15**	12
— Associates	**25**	20
— Fellow subsidiaries	**33**	6
— DMC's associates	**2**	4
Payables to related parties included in trade payables:		
— DMC	**42**	39
— Joint venture partners and their holding companies	**1,714**	1,722
— Joint venture partners' subsidiaries, associates and jointly-controlled entities	**217**	772
— Associates	**458**	235
— Fellow subsidiaries	**216**	304
— DMC's associates	**46**	49

16. RELATED PARTY TRANSACTIONS (continued)

(b) (continued)

	30 June 2011 RMB million (Unaudited)	31 December 2010 RMB million (Audited)
Payables to related parties included in other payables and accrued liabilities:		
— DMC	**206**	191
— Joint venture partners and their holding companies	**1,654**	1,286
— Joint venture partners' subsidiaries, associates and jointly-controlled entities	**13**	8
— A non-controlling shareholder of a jointly-controlled entity's subsidiary	**5**	8
— A fellow subsidiary	**74**	43
— Associates	**14**	15

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

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Short term employment benefits	**11,661**	6,212
Post-employment benefits	**329**	285
Total compensation paid to key management personnel	**11,990**	6,497

17. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2011.

Definitions

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

"Company"	東風汽車集團股份有限公司 (Dongfeng Motor Group Company Limited), a joint stock limited company registered in the PRC on 12 October 2004 in accordance with the laws of the PRC or where the context refers to any time prior to the date of incorporation, those entities and businesses which were contributed to and conducted by the Company upon its establishment
"Dongfeng Motor Corporation" or "DMC"	東風汽車公司 (Dongfeng Motor Corporation), a state-owned enterprise incorporated under the laws of the PRC and the parent of the Company
"Group" or "Dongfeng Motor Group"	the Company, its subsidiaries and Jointly-controlled Entities and their respective subsidiaries and Jointly-controlled Entities.
"Joint Venture Company"	a joint venture company is a company set up by contractual agreement, whereby joint venture parties undertake an economic activity. A joint venture company operates as a separate entity in which each party has an interest. The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with terms of the joint venture agreement. A joint venture company is treated by a joint venture party as: (a) a subsidiary, if the joint venture party has unilateral control, directly or indirectly, over the joint venture company; (b) a jointly-controlled entity, if the joint venture party does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company; (c) an associate, if the joint venture party does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or (d) an investment, if the joint venture party holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company

Definitions

"Jointly-controlled Entity" or "JCE"	a jointly-controlled entity is a Joint Venture Company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity. A joint venture party's investments in its Jointly-controlled Entities can be accounted for by proportionate consolidation, which involve recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements of the joint venture party on a line-by-line basis. When the profit sharing ratio is different to the joint venture party's equity interests in the Jointly-controlled Entities, the joint venture party's share of their assets, liabilities, income and expenses is determined based on the agreed profit sharing ratio. The results of Jointly-controlled Entities are included in the joint venture party's income statement to the extent of dividends received and receivable. The joint venture party's investments in Jointly-controlled Entities are treated as long term assets and are stated at cost less impairment losses
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"PRC" or "China"	the People's Republic of China. Except where the context requires, geographical references in this interim report to the PRC or China exclude Hong Kong, Macau or Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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