東風汽車集團股份有限公司

DONGFENG MOTOR GROUP COMPANY LIMITED*

Stock Code: 489

2011 ANNUAL REPORT

*For reference only

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Dongfeng Motor Group Company Limited

2011 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 66.9%) and RMB2,855,732,000 (approximately 33.1%), 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 2011, the Dongfeng Motor Group commanded a market share of approximately 11.7% 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

Dear Shareholders,

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

The growth of PRC auto industry slowed down in 2011. Approximately 18,505,100 vehicles were sold by domestic automobile manufacturers, representing an increase of approximately 2.5% over last year. Sales volume of passenger vehicles and commercial vehicles were approximately 14,472,400 units and 4,032,700 units respectively, representing an increase of approximately 5.2% and a decrease of approximately 6.3% over last year. Fluctuations in the market and the slowdown of the industry were mainly due to the following reasons. Firstly, the industry was undergoing adjustment after the dramatic growth over last two years. It is expected that the growth of the market will return to stable. Secondly, the consumer confidence was adversely affected by the slowdown of economic growth and macro tightening policies, which especially restricted demand for commercial vehicles. Lastly, auto parts and components supply chain was disrupted by precipitating factors such as the earthquake in Japan. As a result, various vehicle models experienced production suspension or short supply due to the shortfall of parts.

In spite all these negative factors, Dongfeng Motor Group managed to achieve a growth which was around 5 times that of the industry average in 2011. Aggregate numbers of vehicles sold by Dongfeng Motor Group were approximately 2,172,700 units, representing an increase of approximately 11.7% over last year. Sales volume of passenger vehicles and commercial vehicles were approximately 1,646,400 units and 526,300 units, representing an increase of approximately 16.1% and a decrease of approximately 0.3%. In 2011, the Group's sales revenue was approximately RMB131,441 million, representing an increase of approximately 7.4% over the last year. The sales revenues of passenger vehicles and commercial vehicles were approximately RMB94,921 million and RMB35,473 million, representing an increase of approximately 7.7% and 6.1% respectively. Profit attributable to shareholders of the Company was approximately RMB10,481 million, which was approximately 4.6% lower than that of last year. Dongfeng Motor Group's overall business and financial performances surpassed the industry average and achieved its annual target. Leveraging on its risk resistance experience and capacity, the market shares of the Group increased and its position in the market was further consolidated.

Chairman's Statement

2011 is the first year of Dongfeng Motor Group's twelfth five-year plan. In response to risks and challenges, all business units of the Group exerted efforts in strengthening capabilities in internal control, response to precipitating factors, launch of new products, sales of existing models, expansion of sales network, quality and cost control. As a result, the twelfth five-year plan got off to a good star.

In 2011, Dongfeng Motor Group enhanced its efforts in developing its own brand business and its innovation capability was further strengthened. Dongfeng Motor Group's own brand commercial vehicle business gained more competitive advantages and the Group's own brand passenger vehicles further enriched its product mix, while the joint venture local brand passenger vehicles business is also gaining momentum. Dongfeng Motor Group further improved its R&D and mass production capability in new energy vehicles. Furthermore, the Group also strengthened its overall R&D capacity and recruited more talents.

In 2011, Dongfeng Motor Group took an important step forward in leveraging synergy among its various business segments. As a result, the strategic synergy was full initiated between whole vehicle business and parts and components business, joint venture business and own brand vehicle business, newly established business and traditional business, domestic business and global business.

Currently, with continuous increase of Chinese people's per capita disposable income and consumption capability, comparatively lower vehicle penetration rate, strong demand for vehicles in tier two, tier three cities, together with the strong replacement demand in tier one cities, we are confident that there are still a lot of opportunities and bright prospect for Chinese auto industry, especially for passenger vehicle segment. As for commercial vehicle sector, with the stable development of Chinese economy, the industry will be more consolidated and favor those competitive enterprises. Despite the adjustment and fluctuation in 2011, we are still confident of the medium to long term development of Chinese auto industry because the industry is still in its golden growth stage. At the mean time, we also remain sober-minded of the fact that with the further development of the industry, the competition will be more severe. The Company will quickly adapt to market change and make proper adjustment and improvement in its operation and management so as to counter risks and uncertainties.

Aiming to maintain its results and cope with long-term challenges, based on the strategies of twelfth five-year plan in 2012, we will push forward the development of joint venture and strengthen our own businesses. In order to ensure the coordination and stable development of all businesses of Dongfeng Motor Group, we will strengthen our synergy and balance, and reform and refine our management system. Adhering to our profit-oriented principle, we will expand our operating scale in a rational manner so as to consolidate and enhance our position in the industry and lay a solid foundation for the long term development of the Group and to create values for our shareholders.

Xu Ping
Chairman

27 March 2012

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 energy vehicle business, which is principally operated by Dongfeng Electrical Motor Joint Stock Co., Ltd.

The Dongfeng Motor Group's 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 Finance Co., Ltd and Dongfeng Peugeot Citroën Automobiles Company Ltd).

1. Commercial vehicles

As at 31 December 2011, the members of the Dongfeng Motor Group produced 39 series of commercial vehicles, including 33 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 2011, the members of the Dongfeng Motor Group produced 35 series of passenger vehicles, including 23 series of sedan, 6 series of MPV and 6 series of SUV. The passenger vehicles manufactured by the Dongfeng Motor Group are sold through seven independently managed sales and the after-sales 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 2011, the production and sales volumes for whole vehicles of the Dongfeng Motor Group were 2,170,079 units and 2,172,723 units respectively. According to statistics published by the China Association of Automobile Manufacturers, the Dongfeng Motor Group had a market share of approximately 11.7% in terms of sales volume of commercial and passenger vehicles made by domestic manufacturers in 2011. 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 2011:

	No. of units produced (units)		No. of units sold (units)		Market share in terms of sales volume (%)[1]	
Commercial Vehicles	514,163		526,313		13.1	
Trucks		471,953		483,998		13.7
Buses		42,210		42,315		8.7
Passenger Vehicles	1,655,916		1,646,410		11.4	
Basic passenger cars		1,194,146		1,191,081		11.8
MPVs		145,964		144,389		29.0
SUVs		315,806		310,940		19.5
Total	2,170,079		2,172,723		11.7	

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 2011

	No. of units sold by Dongfeng Motor Group (units)	Ranking in Domestic market[2]
Heavy trucks	179,888	1
Medium trucks	63,405	1
Light trucks	224,542	2
Basic passenger cars	1,191,081	3
MPVs	144,389	1
SUVs	310,940	1

[2.] *Calculated based on the statistics of each manufacturer group published by the China Association of Automobile Manufacturers*

3. Sales revenue

For the year ended 31 December 2011, the sales revenue of the Group was approximately RMB131,441 million.

Business	Sales revenue (RMB millions)	Contribution to the Group's sales revenue
Commercial vehicles	35,473	27.0%
Passenger vehicles	94,921	72.2%
Others	1,047	0.8%
Total	131,441	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 11 brands in China. Each of these 11 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 truck)	605	1,205	31
Dongfeng Liuzhou Motor Co., Ltd	Dongfeng (heavy and medium truck)	320	687	31
Dongfeng Automobile Co., Ltd	Dongfeng (high-end light truck, light truck,mini truck, pickup)	3,173	2,584	31
Dongfeng Nissan Diesel Motor Co., Ltd	Dongfeng Nissan Diesel	48	80	29

Sales and after-sales service of passenger vehicles are mainly provided through seven 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	482	481	31
Dongfeng Peugeot Citroën Automobiles Company Ltd	Dongfeng Peugeot	398	398	31
Dongfeng Motor Co., Ltd (Dongfeng Nissan Passenger Vehicle Company)	Dongfeng Nissan	538	538	31
Dongfeng Liuzhou Motor Co., Ltd	Dongfeng Future	310	455	31
Dongfeng Honda Automobile Co., Ltd	Dongfeng Honda	321	321	30
Zhengzhou Nissan Automobile Co., Ltd	Zhengzhou Nissan	908	423	31
Dongfeng Passenger Vehicles Company	Dongfeng Fengshen	150	150	30

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

As at 31 December 2011, the total whole vehicle production capacity of the Dongfeng Motor Group was approximately 2,161,000 units. The total production capacity of engines was approximately 2,050,000 units, among which the production capacities of commercial vehicles and commercial vehicle engines were approximately 611,000 units and 290,000 units respectively; the production capacities of passenger vehicles and passenger vehicle engines were approximately 1,550,000 units and approximately 1,760,000 units, respectively.

The following table shows the production capacity distribution of vehicles and engines of the Dongfeng Motor Group as at 31 December 2011.

1. Production capacity of commercial vehicles

1.1 Whole vehicle

Company	Production capacity ('000 units)
Dongfeng Motor Co., Ltd	600
Dongfeng Nissan Diesel Motor Co., Ltd	1
Dongfeng Special Commercial Vehicle Co., Ltd	10

1.2 Engines

Company	Production capacity ('000 units)
Dongfeng Motor Co., Ltd	290

2. Production capacity of passenger vehicles

2.1 Whole vehicle

Company	Production capacity ('000 units)
Dongfeng Motor Co., Ltd	770
Dongfeng Peugeot Citroën Automobiles Company Ltd	460
Dongfeng Honda Automobile Co., Ltd	240
Dongfeng Passenger Vehicles Company	80

2.2 Engines

Company	Production capacity ('000 units)
Dongfeng Motor Co., Ltd	750
Dongfeng Peugeot Citroën Automobiles Company Ltd	360
Dongfeng Honda Automobile Co., Ltd	240
Dongfeng Honda Engine Co., Ltd	410

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 2012, the production capacity of whole vehicles is expected to reach approximately 2,770,000 units.

V Investment in 2011 and Investment Plan for the Next Two Years

In 2011, 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 were 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 RMB13,120 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 relevant regulations and policies of the PRC and the market demand.

2. Prudently managing the investments in production capacity expansion or construction to minimize investment risks in face of the slowing down of the growth of the auto market.

3. Strengthening the building work 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 RMB19,900 million and RMB21,700 million in 2012 and 2013 respectively.

VI Research and Development and Intellectual Property

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 106 SOP 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 11 models, such as A08 light bus, W03 mini bus, Car Derived Van Shuaike and new energy model.

(2) Passenger Vehicles: development of new models in 2012 under the series of Dongfeng Fengshen S30 was completed with a total of 10 models launched to the market. The development of A60 was completed. Dongfeng Peugeot 508 and 308 was introduced by Dongfeng Peugeot Citroen Automobile Company Ltd to the market and the layout of the high-end, mid-end and economical models of both brands has become more balanced. Dongfeng Nissan completed the development of its first product under the brand of Venucia and the development and launch of two new models, namely New TIIDA and MURANO, as well as one modified models. Dongfeng Honda completed the development and launch of the ninth generation of CIVIC and the development of a new model CRV and its self-developed model.

(3) New Energy Vehicles: The Dongfeng Motor Group's technical centre completed and announced the EJ02 electric sedans (EJ02純電動轎車) and the relevant reporting formalities had been accomplished. Trial run, reporting formalities or engineering design of BF series hybrid sedans were successfully carried out. The 863 electromechanical power transmission device passed through the national testing. Dongfeng Nissan launched a small scale sales and trial run for LEAF electric car (聆風電動汽車) in Guangzhou and Wuhan.

(4) Scientific achievements: In 2011, Dongfeng Motor Group received ten scientific and technological advancement awards in the PRC automobile industry.

2. Product qualities and services

(1) Steadily enhancing quality management. In 2011, Dongfeng Motor Group further adjusted its organizational structure, and continuously introduced and adopted external advanced quality management models and skills and integrated them with the existing quality management to form a series of quality management skills and methods which are suitable for total value chain of automobile products.

(2) Emphasizing quality of products and services. In 2011, each segment of Dongfeng Motor Group strived to enhance the quality of its before sales services, in sales services and after sales services of automobiles, establish and improve information system of service quality of product markets in order to provide services to meet the market needs timely.

(3) Continuously improving the manufacturing processes. In 2011, each segment of Dongfeng Motor Group strictly complied with the quality control rules and fully adopted the management of "quality assurance" during the manufacturing processes. Through staff training and scientific control in manufacturing processes, the Group ensured the quality of its products.

VII Fulfilment of Social Responsibilities

(1) Energy conservation and environment protection

In 2011, Dongfeng Motor Group focused on "three major indicators" for energy conservation and emission reduction (including energy consumption with RMB10,000 in added value at current price, COD and SO_2) in order to push forward with the environmental protection. Under the continuous growth of automobile production, the result of major indicators for energy conservation and emission reduction was satisfactory and the annual target was accomplished. When compared with 2010, energy consumption with RMB10,000 in added value at current price dropped approximately by 6.3%, reducing COD and SO_2 emission approximately by 9.4% and 7.4%, respectively.

(2) Production safety

In 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 all targets of production safety were met during the year. In 2011, 42 cases of production safety accidents occurred, representing a decrease of three cases as compared with last year.

(3) Safeguard the legal rights of the employees

1. Corporate campaigns were launched to establish a harmonious employee relationship. The Company strengthened the protection of labour union and prevention and control of occupational diseases and exerted efforts on the promotion of labour safety and health and supervision of occupational health.

2. Resolution of labour disputes was reinforced. The Company duly dealt with the enquiries, visits and claims from its staff.

3. The Company endeavored to provide assistance to the needy by promoting "Loving Care Project" (愛心工程) and establishing 16 new "Branches of Loving Care Project" (愛心分會) for its staff.

VIII. Business Prospects

The domestic automobile industry will maintain its growth but the growth is expected to slow down. It is expected that the total sales volume of domestic automobiles will increase by approximately 7% in 2012. According to the current anticipation of the future market trend and the development plan of the Dongfeng Motor Group, the Dongfeng Motor Group will launch approximately 15 new passenger vehicle models, including medium-high sedans, compact sedans, small sedans, SUVs and MPVs and approximately three series of commercial vehicles, including heavy duty 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 growth of production and sales volume of Dongfeng Motor Group will continue to outpace the industry in the next few years, which will further consolidate and enhance its market position in the automobile industry in the PRC.

Management Discussion and Analysis

FINANCIAL RESULTS OVERVIEW

The revenue of the Group for the year was approximately RMB131,441 million, representing an increase of approximately RMB9,046 million, or 7.4%, when compared with approximately RMB122,395 million for last year. Profit attributable to shareholders amounted to approximately RMB10,481 million for the year, representing a decrease of approximately RMB500 million, or 4.6%, when compared with approximately RMB10,981 million for last year. Earnings per share were approximately RMB121.65 cents, representing a decrease of approximately RMB5.80 cents, or 4.6%, when compared with approximately RMB127.45 cents for last year.

During the year, net increase in cash and cash equivalent amounted to approximately RMB5,492 million. Net cash inflow from operating activities, net cash outflow from investment activities and net cash outflow from finance activities amounted to approximately RMB9,216 million, RMB535 million and RMB3,189 million respectively.

Revenue

In 2011, the development of automobile industry in the PRC was significantly limited by the increasingly unfavourable market conditions and government policies. The government tightened its fiscal and monetary policies while economic growth slowed down. All government policies in favour of the automobile industry introduced after the outbreak of financial crises had also been withdrawn. Even worse, the supply chain of the automobile industry was badly affected by the severe earthquake in Japan. The development of the industry was suppressed significantly to a moderate level after a high speed growth.

In 2011, approximately 18,505,100 vehicles were sold by domestic automobile manufacturers, representing an increase of approximately 2.5% over last year. Sales volume of passenger vehicles and commercial vehicles were approximately 14,472,400 units and 4,032,700 units respectively, representing an increase of approximately 5.2% and a decrease of approximately 6.3% over last year respectively. In the face of challenging operation environment, all business sectors of Dongfeng Motor Group managed to maintained a moderate growth in their profitability by improving efficiency and laid a solid foundation for further growth during the Twelfth Five-year period.

The total sales of Dongfeng Motor Group for the year were approximately 2,172,700 vehicles, representing an increase of approximately 11.7% over last year. Sales of passenger vehicles were approximately 1,646,400 units, representing an increase of approximately 16.1% over last year and higher than the industry average by approximately 10.9 percentage points. Sales of commercial vehicles were approximately 526,300 units, representing a decrease of approximately 0.3% over last year and better than the industry average by approximately 6.0 percentage points. Dongfeng Motor Group had a market share of approximately 11.7% in terms of sales volume, representing an increase of approximately 0.9 percentage point over last year. The market share of its passenger vehicles was approximately 11.4%, representing an increase of approximately 1.1 percentage points over last year. The market share of its commercial vehicles was approximately 13.1%, representing an increase of approximately 0.8 percentage points over last year.

During the period, the total sales revenue of the Group was approximately RMB131,441 million, representing an increase of approximately RMB9,046 million, or 7.4%, as compared with approximately RMB122,395 million of last year.

	2011		2010	
	Sales revenue RMB million	**Unit**	Sales revenue RMB million	Unit
Passenger vehicle	**94,921**	**1,646,410**	88,143	1,418,091
Commercial vehicle	**35,473**	**526,313**	33,418	527,865
Others	**1,047**	**N/A**	834	N/A
Total	**131,441**	**2,172,723**	122,395	1,945,956

Note: The revenue figures were adjusted to reflect the revenue attributable to the Group. However, the corresponding figures of the units of vehicles sold were the actual number of vehicles sold by the Group in 2011 and were not adjusted on consolidated basis.

As for passenger vehicles, Dongfeng Motor Group strategically allocated its resources to promote the sales of major popular models to maximize profitability. The strategy was proved to be successful. The revenue from sales of passenger vehicles for the year increased by approximately RMB6,778 million, or 7.7%, from approximately RMB88,143 million of last year to approximately RMB94,921 million. The revenue from sales of whole passenger vehicles for the year increased by approximately RMB7,322 million, or 9.6%, from approximately RMB76,059 million of last year to approximately RMB83,381 million.

As for commercial vehicle, with the strong support of our comprehensive value product offering, marketing efforts and vertically integrated business structure, the sales volume of commercial vehicle of Dongfeng Motor Group only marginally decreased by approximately 0.3%, far better than the industry average. The sales volume of heavy trucks of the Group ranked first for the year and it ranked third for last year. The improvement was due to the significant growth in sales of Dongfeng Kinland, our major heavy truck model, to nearly 100,000 units. Dongfeng Kinland was recognized as China Renowned Brand by the State Administration of Industry and Commerce and was the first commercial vehicle brand name to be selected. The sales of medium-size trucks maintained its leading market position in terms of sales volume. The sales of Dongfeng Kingrun increased by 100%. The model is regarded the most value for money medium-size trucks and help consolidate the leading position of Dongfeng in the domestic medium-size truck market. The revenue from sales of commercial vehicles increased by approximately RMB2,055 million, or 6.1%, from approximately RMB33,418 million of last year to approximately RMB35,473 million for the year. The revenue from sales of whole commercial vehicles increased by approximately RMB730 million, or 2.5%, from approximately RMB29,079 million of last year to approximately RMB29,809 million for the year.

Cost of sales and gross profit

The total costs of sales of the Group for the year was approximately RMB105,051 million, representing an increase of approximately RMB9,018 million, or 9.4%, when compared with approximately RMB96,033 million for last year. The total gross profit of the Group for the year was approximately RMB26,390 million, representing an increase of approximately RMB28 million, or 0.1%, over approximately RMB26,362 million for last year. The gross margin decreased by 1.4 percentage points from 21.5% for last year to 20.1% for the year.

The gross margin of passenger vehicles of the Group for the year decreased by 2.4 percentage points to approximately 22.0% from approximately 24.4% of the previous year. The gross margin of whole passenger vehicles for the year decreased by 2.9 percentage points to approximately 22.1% from approximately 25.0% of the previous year. These decreases were mainly attributable to: (1) impact of the Japan earthquake on the sales volume, sales revenue and profit of joint ventures; (2) higher costs of construction tax for foreign investment enterprise and education surcharges levied by the Chinese government since December 2010; (3) lower prices under keen competition in the automobile industry.

The gross margin of commercial vehicles of the Group for the year increased by 0.2 percentage points to approximately 14.3% from approximately 14.1% of the previous year. The gross margin of whole commercial vehicles of the Group for the year increased by 0.1 percentage points to approximately 14.2% from approximately 14.1% of the previous year. The increase in gross margin was mainly attributable to: (1) the change in product mix with higher proportion of Dongfeng Kinland T-LIFT heavy trucks and Dongfeng Kingrun medium-size trucks of higher margins; (2) successful cost control through purchasing arrangements and technology improvements.

Other incomes

The total other incomes of the Group for the year amounted to approximately RMB2,853 million, representing an increase of approximately RMB531 million when compared with approximately RMB2,322 million for last year. The increase was mainly attributable to: (1) an increase of approximately RMB78 million in government subsidies for the development of automotive technologies and automobile projects; (2) the increase of approximately RMB375 million of bank interest;

Selling and distribution costs

The selling and distribution costs of the Group for the year amounted to approximately RMB6,275 million, representing a decrease of approximately RMB142 million when compared with approximately RMB6,417 million of last year. The percentage of selling and distribution costs to sales revenue for the year decreased by approximately 0.4 percentage points to approximately 4.8% from 5.2% of last year.

Administrative expenses

The administrative expenses of the Group for the year amounted to approximately RMB3,641 million, representing an increase of approximately RMB61 million when compared with approximately RMB3,580 million for last year. The ratio of administration expenses to sales revenue decreased by approximately 0.1 percentage points to approximately 2.8%, down from approximately 2.9% of last year.

Other expenses, net

Other net expenses of the Group for the year were approximately RMB4,943 million, representing an increase of approximately RMB772 million when compared with approximately RMB4,171 million for last year. The increase was mainly due to: (1) the increase in technology development cost by approximately RMB839 million over last year; and (2) the decrease in exchange gains for the year by RMB48 million from RMB166 million of last year to RMB214 million.

Staff costs

The staff costs (including directors' and supervisors' emoluments) of the Group for the year amounted to approximately RMB5,988 million, representing an increase of approximately RMB469 million when compared with approximately RMB5,519 million for last year. The increase was mainly due to the increase in basic salaries and benefits as a result of higher number of staff in line with the increase in production and sales and the general upward adjustment of salary.

Depreciation charges

The depreciation charges for the year amounted to approximately RMB2,725 million, representing a decrease of approximately RMB861 million when compared with approximately RMB3,586 million of last year. The decrease was mainly due to: (1) the adjustment of residual value ratio for fixed assets to 0% since 1 January 2010 resulting in the written-off of RMB418 million in 2010; (2) a decrease of RMB350 million in deprecation in 2011 as the deprecation of some moulds was fully provided for in 2010.

Finance costs

The finance costs of the Group for the year amounted to approximately RMB402 million, representing an increase of approximately RMB173 million when compared with approximately RMB229 million for last year. The increase was mainly attributable to the increase of interest expenses on loans and debentures of the Group.

Income tax

The income tax of the Group for the year amounted to approximately RMB3,401 million, representing an increase of approximately RMB395 million when compared with approximately RMB3,006 million of last year. The effective tax rate was approximately 23.7%, representing an increase of approximately 3.1 percentage points when compared to 20.6% of last year.

Profit for the year

As a result of the above reasons, the Group's profit attributable to shareholders of the Company for the year amounted to approximately RMB10,481 million, representing a decrease of approximately RMB500 million, or 4.6%, when compared with approximately RMB10,981 million for last year. Earnings per share were approximately RMB121.65 cents, down by approximately RMB5.80 cents, or 4.6%, when compared with approximately RMB127.45 cents for last year. The net profit margin (a percentage of profit attributable to shareholders of the Company to total revenue) was approximately 8.0%, representing a decrease of approximately one percentage points when compared with that of approximately 9.0% for last year. The return on net assets (a percentage of profit attributable to shareholders of the Company to average net assets) was approximately 25.0%, representing a decrease of approximately 8.9 percentage points when compared with that of 33.9% for last year.

Liquidity and sources of capital

	2011	2010
	RMB million	RMB million
Net cash flows from operating activities	**9,216**	17,903
Net cash flows used in investing activities	**(535)**	(6,078)
Net cash flows used in financing activities	**(3,189)**	(3,305)
Net increase in cash and cash equivalents	**5,492**	8,520

Net cash inflows from operating activities of the Group for the year amounted to approximately RMB9,216 million, reflecting mainly (1) profit before tax less non-cash items of depreciation and impairment of approximately RMB14,361 million; (2) an increase of approximately RMB2,751 million in trade receivables, bills receivable and prepayments, deposits and other receivables; (3) a decrease of approximately RMB1,176 million in inventory; and (4) an increase of approximately RMB763 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 RMB8,687 million, compared to the net cash inflow of approximately RMB17,903 million for last year. The decrease was mainly attributed to (1) a decrease of RMB2,054 million due from distributors due to the improvement of the management of receivables and the speedy collection of payments; (2) a decrease of RMB6,354 million in inventory; (3) an increase of RMB12,894 million in payments to suppliers due to satisfactory cash flow of the Group; (4) an increase of RMB1,936 million in payment of income tax.

Net cash outflows from investing activities of the Group for the year amounted to approximately RMB535 million, reflecting mainly (1) the purchase of property, plant and equipment of approximately RMB6,072 million for expansion of production capacity and development of new products; (2) the purchase and disposal of available-for-sale assets of approximately RMB1,313 million during the period; and (3) the decrease of approximately RMB3,695 in fixed deposit. The net cash used in investing activities for the year decreased by approximately 5,543 million, compared to the net cash inflows of approximately RMB6,078 million for last year. The decrease was mainly due to (1) a decrease of approximately of RMB1,490 million in the net cash outflow on available-for-sale financial assets; (2) increased investment of property, plant and equipment of RMB2,145 million; and (3) the decrease of approximately RMB5,822 million of time deposits.

Net cash inflows from investing activities of the Group for the year amounted to approximately RMB3,189 million, reflecting mainly (1) a decrease in bank loans of approximately RMB701 million; (2) payment of dividends of approximately RMB1,093 million to minority shareholders; and (3) payment of dividend of approximately of RMB1,551 million. The net cash inflows from financing activities for the year decreased by approximately RMB116 million, compared to the approximately RMB3,305 million of net cash outflows of last year.

Based on above analysis:

As at 31 December 2011, the Group's cash and cash equivalents (excluding time deposits with an original maturity of three months or more) amounted to approximately RMB31,381 million, representing an increase of approximately RMB5,492 million when compared with approximately RMB25,889 million as at 31 December 2010. Cash and bank balances (including time deposits with an original maturity of three months or more) amounted to approximately RMB44,747 million, representing an increase of approximately RMB1,797 million when compared with approximately RMB42,950 million as at 31 December 2010. Net cash (cash and bank balances less borrowings) of the Group as at 31 December 2011 amounted to approximately RMB35,934 million, representing an increase of approximately RMB2,544 million when compared with approximately RMB33,390 million as at 31 December 2010.

As at 31 December 2011, the Group's equity ratio (percentage of total borrowings to total shareholders' equity) was approximately 19.0%, representing a decrease of 6.5 percentage points as compared with approximately 25.5% as at 31 December 2010.

As at 31 December 2011, the Group's liquidity ratio was approximately 1.30 times, representing a slightly decrease over the level of approximately 1.31 times as at 31 December 2010. The Group's quick ratio for the year was approximately 1.10 times, representing a slightly improvement from the level of approximately 1.09 times as at 31 December 2010.

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

The Group's turnover days of receivables (including bills receivable) for the year increased by approximately 1 days to approximately 54 days from approximately 53 days of last year. The turnover days of receivables (excluding bills receivable) for the year increased by approximately 1 day to approximately 7 days from approximately 6 days of last year. The turnover days of bills receivable remained the same as last year, and was approximately 47 days The Group adopts stringent polices for the management of bills receivable and only accepts applications by trustworthy banks and customers with sound credibility, while the credit risks related to bank promissory notes are assumed by the bankers of customers.

Profiles of Directors, Supervisors and Senior Management

Directors

Mr. Xu Ping (徐平), aged 55, 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 for a term of three years commencing 11 October 2010.

Mr. Zhu Fushou (朱福壽先生), aged 49, 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. In June 2010, he was appointed as the President of the Company. In August 2010, he was appointed as the Executive Director of the Board of Directors of the Company. In April 2011 he was appointed as the director and General Management of the Dongfeng Motor Corporation. In June 2011, he was appointed as the director and vise chairman of the Dongfeng Peugeot Citroen Automobile Company Limited. Mr. Zhu has more than 20 years of business and management experience in the automotive industry in the PRC. Mr. Zhu was re-elected 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 59, 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 for a term of three years commencing 11 October 2010.

Mr. Li Shaozhu (李紹燭先生), aged 51, is a senior post-graduate engineer and an Executive Director of the Company. Mr. Li graduated from Tsinghua 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. In August 2011, Mr Li was appointed as the chairman and director of the Dongfeng Design and Institute Company Limited and was appointed as the chairman and director of the Dongfeng Motorcity Logistics Company Limited. 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 for a term of three years commencing 11 October 2010.

Mr. Fan Zhong (范仲先生), aged 58, 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. In October 2011,he was appointed as the director of the Dongfeng Chaoyang Diesel Engine Company Limited. 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 for a term of three years commencing 11 October 2010.

NON-EXECUTIVE DIRECTORS

Mr. Tong Dongcheng (童東城先生), aged 55, 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. In September 2011, he has served as the chairman of the Dongfeng Motor Parts and Components Group Company Limited. In October 2011, he was appointed as the chairman and the director of the Dongfeng Nanchong Automobile Company Limited. 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 for a term of three years commencing 11 October 2010.

Mr. Ouyang Jie (歐陽潔先生), aged 55, 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 for a term of three years commencing 11 October 2010.

Mr. Liu Weidong (劉衛東先生), aged 45, 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. In July 2011, he was appointed as the chairman and director of the Dongfeng Passenger Vehicle Company. In August 2011,he was appointed as the chairman and director of the Dongfeng Hongtai Wuhan Holdings Group Limited. 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 for a term of three years commencing 11 October 2010.

Mr. Zhou Qiang (周強先生), aged 50, 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. In August 2011, Mr Zhou has appointed as the director and chairman of the China Dongfeng Automobile Industry Import and Export Company. In May 2011, he was served as the director of the Dongfeng Motor Corporation Shiyan Administration Division. Mr. Zhou has 20 years of business and management experience in the automotive industry in the PRC. Mr. Zhou was re-elected as a Director of the Third Session of the Board of Directors 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 for a term of three years commencing 11 October 2010.

Mr. Ng Lin-fung (吳連烽先生), aged 70, 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 Hong Kong Branch 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 for a term of three years commencing 11 October 2010.

Mr. Yang Xianzu (楊賢足先生), aged 73, 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 Telecom International 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 for a term of three years commencing 11 October 2010.

SENIOR MANAGEMENT

Cai Wei (蔡瑋), aged 53, 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 from November 2001 to 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. (Since December 2009) and Dongfeng Peugeot Citroën Automobiles Company Ltd.

SUPERVISORIES

Mr. Ma Liangjie (馬良杰先生), aged 55, 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 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 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 for a term of three years commencing 11 October 2010.

Mr. Ren Yong (任勇先生), aged 48, 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 July 2005, an assistant to general manager of Dongfeng Motor Corporation 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 for a term of three years commencing 11 October 2010.

Mr. Li Chunrong (李春榮先生), aged 47, 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 for a term of three years commencing 11 October 2010.

Mr. Chen Binbo (陳斌波先生), aged 47, 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 director of the Board Meeting and 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 for a term of three years commencing 11 October 2010.

Mr. Huang Gang (黃剛先生), aged 44, 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 for a term of three years commencing 11 October 2010.

Mr. Kang Li (康理先生), aged 48, 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 1984 and is the head of the Audit Department of Dongfeng Motor Corporation and the Audit and Risk Management Committee of the Board Meeting of Dongfeng Motor Corporation. 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 for a term of three years commencing 11 October 2010.

JOINT COMPANY SECRETARY

Hu Xindong (胡信東), aged 44, 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.

Lo, Yee Har, Susan (盧綺霞), aged 53, is Joint Company Secretary of the Company. Ms. Lo Yee Har, Susan is an Executive 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. 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 & 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 Asset Management Department of the Company is Mr. Hu Xindong

The head of the Company Office of the Company is Mr. Zhao Shuliang

The head of the Strategy & 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 & Securities Affairs Department of the Company is Mr. Hu Xindong

The Secretary for the Communist Youth League of the Company is Mr. Chen Bin

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

Report of the Directors

The Board of Directors hereby present the report of the directors and its annual report for the year ended 31 December 2011 together with the audited financial statements of the Company and its subsidiaries and jointly-controlled entities prepared in accordance with the International Financial Reporting Standards (the "IFRS").

PRINCIPAL ACTIVITIES

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

Substantially all of the Dongfeng Motor Group's vehicles, engines and auto parts businesses as well as other businesses are carried out at the major operating entities of the Company and through subsidiaries, JCEs and other companies in which it has direct equity interests. The Company and the aforesaid subsidiaries, JCEs and the other shareholders having direct equity interests in the above companies jointly manage branding, strategies, operations, marketing and other areas in accordance with the relevant joint venture agreements.

RESULTS

The Group's results for the year ended 31 December 2011 and the state of affairs of the Company and the Group as at that date are set out in the audited financial statements on pages 67 to 179 in this annual report.

DIVIDENDS

The Board of Directors recommends the dividend distribution of RMB0.18 per share in respect of 2011 results, subject to consideration and approval at the annual general meeting to be held on 21 June 2012

DIVIDEND DISTRIBUTIONS BY THE COMPANY'S JOINTLY-CONTROLLED ENTITIES

In 2011, the Company's JCEs, in total, declared and distributed aggregate dividends of approximately RMB9,891 million to the Company. Although the exact amounts of dividend distributions are not set each year, pursuant to each of the joint venture agreements, distributions are required to be paid out of the profit made by the relevant JCE (after payments of income tax) in accordance with the relevant PRC law as determined at the meetings of the Board of Directors of each JCE as being appropriate dividend distributions on the circumstances of each JCE. When determining dividend distributions, the Board of Directors of each JCE will offset losses of previous years and deduct from the profit made by the relevant JCE the portion of profit to be allocated for applicable legal reserves as required under the PRC laws and regulations and company reserve (including but not limited to amounts allocated to cover the relevant JCE's working capital or to increase capital or expand production), employee bonus and welfare and company development. Pursuant to each of the joint venture agreements, distributions of profit will be made in proportion to the capital contributions paid by the relevant joint venture party and the Company respectively in accordance with the PRC laws.

None of the JCEs has any specific dividend policies other than those disclosed above. However, if both the Company and the joint venture partners agree, the JCEs can declare dividends when there are distributable profits. Since dividend distribution is the primary channel for return of investment to the Company and the relevant joint venture partner in respect of each JCE, in the past, the JCEs have fully paid out all profits for each year after offsetting losses of previous years, after deducting applicable legal reserves as required under the PRC laws and regulations and after allocations were made by each relevant JCE for company reserve (including but not limited to amounts allocated to cover working capital or to increase capital or expand production). In the future, it is the intention of the Company and the relevant joint venture partner to continue to declare dividends when there are distributable profits for the relevant JCE, subject to agreement between the Company and the relevant joint venture partner on the appropriate dividend distributions based on the circumstances of each JCE and pursuant to the provisions of the relevant joint venture agreement and the applicable PRC laws and regulations.

FINANCIAL SUMMARY

A summary of the operating results, assets and liabilities of the Group for the last five years ended 31 December 2011 is set out on page 180 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 30 to the audited financial statements.

INTEREST CAPITALISED

Details of the interest capitalised of the Group for the year ended 31 December 2011 are set out in note 7 to the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Changes in the Company's and the Group's property, plant and equipment for the year ended 31 December 2011 are set out in note 14 to the audited financial statements.

DESIGNATED DEPOSITS AND OVERDUE TERM DEPOSITS

As at 31 December 2011, the Group had no designated deposits and overdue term deposits in any financial or other authorities.

RESERVES

Details of movements in reserves of the Company and the Group for the year ended 31 December 2011 are set out in note 29 to the audited financial statements and the consolidated statement of changes in equity on page 72, respectively.

Pursuant to Article 155 of the Articles of Association of the Company, if there are material discrepancies between the financial statements prepared in accordance with the accounting standards and regulations in 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 after-tax profit to be allocated for the relevant accounting period shall be the lower of the after-tax profits in these financial statements.

The Board of Directors recommends allocation of 10% of total profit to the statutory surplus reserve and no allocation to the discretionary surplus reserve under the laws and the Articles of Association, subject to consideration and approval at the annual general meeting to be held on 21 June 2012.

DONATIONS

The Group has made total donations of RMB10 million for the year ended 31 December 2011.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2011, 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 2011, the purchases (other than those of a capital nature) from 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 COMPANIES IN WHICH THE COMPANY HAS DIRECT EQUITY INTERESTS

As at 31 December 2011, details of the subsidiaries and JCEs as well as other companies in which the Company has direct equity interests are set out in notes 17, 18 and 19 respectively to the audited financial statements for the year.

SHARE CAPITAL

As at 31 December 2011, the aggregate share capital of the Company was RMB8,616,120,000 divided into 8,616,120,000 ordinary shares with a nominal value of RMB1 each, of which 5,760,388,000 were Domestic Shares representing approximately 66.86% of the aggregate number of shares in issue, and 2,855,732,000 were H Shares representing approximately 33.14% of the aggregate number of shares in issue. During the year ended 31 December 2011, there is no change in the aggregate share capital of the Company.

STOCK APPRECIATION RIGHTS

The shareholders of the Company adopted a plan of stock appreciation rights, or SARs, for the senior management of the Company. The plan is designed to link 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. Consequently, the shareholdings of the Company's shareholders will not be diluted as a result of the granting of SARs.

In the first round of SARs, 55,665,782 SAR units were granted on 23 January 2006, the date of grant. The grant price was HK$2.01. The SARs are subject to a minimum 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 first round grant implementation plan 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 implemented the second round SAR grant plan in 2007, and the date of grant was 15 January 2007. In this round of SARs, 31,417,405 SAR units were granted at a grant price of HK$4.09. The SARs are subject to a minimum 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 grant implementation plan 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.

As at 31 December 2011, in respect of the first round of SARs, an aggregate of 55,665,782 SAR units became effective, representing 100% of the total SAR units granted. As at 31 December 2011, an aggregate of 51,148,410 SAR units were exercised, representing 91.88 % of the total SAR units granted. As at 31 December 2011, an aggregate of 4,517,372 SAR units lose effectiveness, representing 8.12% of the total SAR units granted.

In respect of the second round of SARs, 9,425,220 SAR units became effective during the year, representing 30% of the total SAR units granted. As at 31 December 2011, an aggregate of 31,417,405 SAR units became effective, representing 100% of the total SAR units granted. During the year, 4,251,284 SAR units were exercised, representing 13.55% of the total SAR units granted. As at 31 December 2011, an aggregate of 5,147,869 SAR units were exercised, representing 16.39% of the total SAR units granted. As at 31 December 2011,an aggregate of 3,435,356 SAR units lose effectiveness, representing 10.93% of the total SAR units granted.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or 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 2011, 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%
JPMorgan Chase & Co	H Shares	228,798,716(L)	8.01%	2.66%
		16,074,493(S)	0.56%	0.19%
		165,728,701(P)	5.80%	1.92%
UBS AG	H Shares	170,997,076(L)	5.99%	1.98%
		14,954,641(S)	0.52%	0.17%
Blackrock, Inc.	H Shares	156,665,651(L)	5.48%	1.82%
		9,825,473(S)	0.34%	0.11%
Edinburgh Partners Limited	H Shares	153,514,000(L)	5.38%	1.78%

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
Zhu Fushou	Executive Director and President
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
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

Brief biographies of each of the directors and senior management are set out on pages 23 to 26 in this annual report.

Supervisors

The supervisors of the Company during the year were:

Ma Liangjie	Chairman of the Supervisory Committee
Wen Shiyang	Independent Supervisor
Deng Mingran	Independent Supervisor
Ren Yong	Supervisor
Li Chunrong	Supervisor
Chen Binbo	Supervisor
Huang Gang	Supervisor
Kang Li	Supervisor

Brief biographies of each supervisor are set out on pages 27 to 28 in this annual report.

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

As at 31 December 2011 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 2011, the Company did not grant to any director, or senior management or supervisor of the Company or their respective spouses or children under eighteen years of age 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 Directors nor supervisors proposed to be re-elected at the forthcoming annual general meeting have 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

Except for service contracts, no director or supervisor of the Company has a material interest, 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 2011.

REMUNERATIONS OF DIRECTORS AND SUPERVISORS

Details of the remunerations of the directors and supervisors of the Company are set out in note 8 to the audited financial statements.

FIVE HIGHEST-PAID INDIVIDUALS

Information on the five highest-paid individuals of the Company is set out in note 9 to the audited financial statements.

EMPLOYEES

As at 31 December 2011, the Dongfeng Motor Group had a total of 102,219 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
Manufacturing workers	57,438	56.2%
Engineering and technology	15,526	15.2%
Management	21,962	21.5%
Services	7,293	7.1%
Total	102,219	100%

The remuneration package of the Dongfeng Motor Group's employees includes salary, bonuses and allowances. The Dongfeng Motor Group has joined the social insurance payment programme organised by the Dongfeng Automobile Social Insurance Association. In accordance with the relevant national and local laws and regulations on labour and social welfare, each member of the Dongfeng Motor Group is required to pay in respect of each of its relevant employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, occupational injury insurance and insurance for maternity leave.

The Dongfeng Motor Group is committed to providing trainings for its employees. The scope of completed and on-going training programmes includes management skills and technology training, overseas exchange programmes and other courses. The Dongfeng Motor Group also encourages its employees to engage in self-learning programmes by awarding scholarships.

The SARs are granted to 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. The Board of Directors or its remuneration committee is authorised to determine which other key employees are eligible for the SARs.

RETIREMENT BENEFITS

Details of the retirement benefits provided by the Group are set out in note 6(a) to the audited financial statements for the year.

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 2011.

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. Zhu Fushou, Mr. Zhou Wenjie, Mr. Li Shaozhu and Mr. Fan Zhong) devote most of their time managing the day-to-day 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 2011.

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. The Dongfeng Motor Group is capable of and has carried on its diesel engine manufacturing business independent of, and at arm's length from, the business of Chaoyang Diesel Engine.

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 Kia series of passenger vehicles and competes with the passenger vehicles manufactured and sold by the Dongfeng Motor Group. Dongfeng Yueda Kia Motors Co., Ltd is a joint venture company of the Dongfeng Motor Corporation and has been managed and operated independently from the Dongfeng Motor Group. In addition, the Company does not have any equity interests in this company. Accordingly, the Dongfeng Motor Group is capable of carrying on, and has carried on, its passenger vehicle manufacturing business independently of, and at arm's length from, the business of Dongfeng Yueda Kia Motors Co., Ltd.

Save as disclosed above, none of Director nor their associates own any interests in businesses which compete or are likely to compete with the businesses of the Dongfeng Motor Group nor have other interest conflicts with the Dongfeng Motor Group.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

The Company has received from Dongfeng Motor Corporation a written confirmation confirming that during the year ended 31 December 2011 it had complied with Non-competition Agreement signed with the Company.

PUBLIC FLOAT

As at the date hereof, on the basis of publicly available information and to the best knowledge of the Company and its directors, more 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 2011, 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 exempted subject to the Listing Rules, were as follows:

(The following connected transaction amounts of the Group (including jointly-controlled entities) are prepared on a full consolidation basis, before adjustment on a proportionate consolidation basis)

1. Land Use Rights Leasing Agreement

On 14 April 2009, the Company entered into land use right leasing agreements with Dongfeng Motor in respect of the leases of (i) three parcels of land in Xiangfan used as the Vehicle Testing Site (which cover an aggregate area of 1,892,684 square metres); (ii) five parcels of land for use by the Professional Equipment Plant of the Company (which originally cover an aggregate area of 114,447 square metres and was changed to 129,431 square metres); (iii) eight parcels of land for use by the Power Equipment Plant of the Company (which originally cover an aggregate area of 112,924 square metres and was changed to 69,720 square metres); and (iv) three parcels of land for use by Dongfeng (Shiyan) Special Purpose Commercial Vehicle Co., Ltd. (東風(十堰)特種商用車有限公司) (which originally cover an aggregate area of 54,679 square metres and was changed to 34,064 square metres).

The annual rent payable under the Land Use Rights Leasing Agreement for the three years from 1 January 2009 to 31 December 2011 will be approximately RMB19.29 million, RMB26.9108 million and RMB26.9108 million. The rents payable are determined on a fair basis and reflect market rates, and the independent valuer has confirmed that the rent payable is not higher than the prevailing market rates. The annual rent payable of the leased property will be reviewed every three years and the new amount of rent payable will not be higher than the then prevailing market rent as confirmed by an independent valuer.

The Dongfeng Motor Group may require Dongfeng Motor Corporation to renew the term of the lease by giving notice to it twelve months before the expiry of the lease. The Dongfeng Motor Group may, by giving six months' written notice, terminate the lease of all or some of the Leased Properties. If the lease of some of the lands is terminated, the rent payable by the Dongfeng Motor Group shall be reduced accordingly. According to the Land Use Rights Leasing Agreement, Dongfeng Motor Corporation cannot terminate the lease unilaterally without the Dongfeng Motor Group's consent unless the Dongfeng Motor Group has changed the use of the Leased Properties without the consent of Dongfeng Motor Corporation.

The 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 the Dongfeng Motor Group wish to modify the manner in which it uses some or all of the Leased Properties, the Dongfeng Motor Group may notify Dongfeng Motor Corporation. Dongfeng Motor Corporation shall determine within 30 days whether it agrees to such modification, and if so, seek the necessary regulatory approvals.

Dongfeng Motor Corporation has agreed to pay land taxes, fees and other statutory charges relating to the Lease Properties.

During the year, the amount payable for land use rights leased by Dongfeng Motor Group was RMB26.9108 million. Dongfeng Motor Corporation is a substantial shareholder of the Company. Accordingly, the Land Use Rights Leasing Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

2. Provision of Ancillary Services

On 22 December 2010, the Company entered into agreements for the provision of ancillary services with Dongfeng Motor Corporation, pursuant to which, effective from 1 January 2011, Dongfeng Motor Corporation has agreed, or procure other members of the Parent Group, to provide the following services to the Dongfeng Motor Group:

(i) Water Supply Agreement: Water is produced by the Parent Group and is supplied to the Dongfeng Motor Group (the "Water Supply Agreement");

(ii) Steam Supply Agreement: Steam is produced by the Parent Group and is supplied to the Dongfeng Motor Group (the "Steam Supply Agreement"); and

(iii) Electricity Supply Agreement: Electricity is produced by the Parent Group and is supplied to the Dongfeng Motor Group (the "Electricity Supply Agreement"), (together the "Ancillary Services Agreements").

The above Ancillary Services Agreements each have a term of three years commencing on 1 January 2011. Under the Ancillary Services Agreements, the 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. Moreover, 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 the Dongfeng Motor Group in any respect, the 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 the 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 the Dongfeng Motor Group providing or requiring the relevant ancillary service may enter into specific agreements which set out the terms and conditions under which such products and/or ancillary services are to be provided. Such agreements shall be entered into in accordance with the provisions of the relevant Ancillary Services Agreement.

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 the 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 type of products or services are provided by independent third parties in their ordinary course of business.

The prices for electricity, water 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 of the ancillary services by members of the Dongfeng Motor Group. The charges of the ancillary services will be satisfied in cash by internal resources of the Dongfeng Motor Group and no payment will be made on a deferred basis.

As approved in the board meeting and disclosed in the announcement on 22 December 2010, the annual cap for the connected transaction of water supply is approximately RMB80 million for 2011. The Group paid approximately RMB54 million of water supply fees to Dongfeng Motor Corporation for the year ended 31 December 2011.

As approved in the board meeting and disclosed in the announcement on 22 December 2010, the annual cap for the connected transaction of steam supply is approximately RMB150 million for 2011. The Group paid approximately RMB110 million of steam supply fee to Dongfeng Motor Corporation for the year ended 31 December 2011.

As approved in the board meeting and disclosed in the announcement on 22 December 2010, the annual cap for the connected transaction of electricity supply is approximately RMB1,500 million for 2011. The Group paid approximately RMB926 million of electricity supply fee to Dongfeng Motor Corporation for the year ended 31 December 2011.

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 22 December 2010, Dongfeng Chaoyang Diesel Co., Ltd. (“Chaoyang Diesel”) and the Company entered into the Mutual Supply Agreement (“Mutual Supply Agreement”) effective from 1 January 2011 and with a term of three years, pursuant to which Chaoyang Diesel will supply diesel engines to the Dongfeng Motor Group and Dongfeng Motor Group will supply other auto parts to Chaoyang Diesel.

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

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

The purchases of diesel engines by the Dongfeng Motor Group will be made on a batch basis based on its actual needs. The consideration of the diesel engines will be satisfied in cash and no payment will be made on a deferred basis.

As approved in the board meeting and disclosed in the announcement in December 2010, for the year ended 31 December 2011, (i) the annual cap for the connected transaction of Chaoyang Diesel purchasing auto parts from the Group is approximately RMB90 million. Chaoyang Diesel actually paid RMB31 million to the Dongfeng Motor Group for purchasing auto parts; (ii) the annual cap for the connected transaction of Chaoyang Diesel supplying diesel engines to Dongfeng Motor Group is approximately RMB1,300 million. The Dongfeng Motor Group actually paid Chaoyang Diesel RMB744 million for purchasing diesel engines.

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 the 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. The agreement came into effect on 7 December 2005 and the term of the licence is 10 years. Upon expiration of the first and each subsequent ten-year term, the agreement automatically renews for another ten years.

5. Social Insurance Funds

For the year ended 31 December 2011, the Dongfeng Motor Group made payments 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 provident fund (together "Social Insurance Funds"). These payments were made to or through an independent department of Dongfeng Motor Corporation. This department is responsible for handling all matters relating to social insurance funds for all parts of the organisation located within Hubei Province.

6. For the year ended 31 December 2011, the continuing connected transactions relating to the JCEs include:

The following are additional continuing connected transactions of the 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 2011, 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 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 2011, 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 approximately RMB34,245 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.

For the year ended 31 December 2011, Guangzhou Honda Automobile Co., Ltd continued to purchase from Dongfeng Honda Engine engines and auto parts needed by it.

(iii) 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 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 2011, the total consideration paid by the JCEs in respect of purchases of technology licences and technical assistance stated above was RMB4,473 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.

(iv) 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 (the "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 (the "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. from Dongfeng Motor Corporation. 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 231, while the area in aggregate increased from the original Nissan JV Lease of 6,193,777.41 square metres to 6,022,680.52 square metres. 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 2011, the annual rent paid by Dongfeng Motor Co., Ltd to Dongfeng Motor Corporation should be approximately RMB168 million.

(v) 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 2011.

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.

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), (iii). 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), 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. Financial Service

The Dongfeng Motor Group holds 20% equity interest in Dongfeng Motor Finance Company Limited, while the remaining 80% equity interest is held by Dongfeng Motor Co., Ltd. Dongfeng Motor Finance Company Limited has been regarded as a subsidiary of the Company since 1 January 2006, and its continuing transactions with its Parent Group constitute continuing connected transactions.

With a view to regulating the above transactions by a framework agreement, on 22 December 2010, Dongfeng Motor Finance Company Limited and Parent entered into the Financial Services Master Agreement, which will become effective on 1 January 2011. According to the Financial Services Master Agreement, Dongfeng Motor Finance Company Limited has agreed to provide treasury services (including budget management, settlement, fund allocation and depository), financing services (including lending, discount, acceptance and factoring) and auto financial services (including consumer facilities, buyer facilities and leasing) to Parent and its subsidiaries.

The Financial Services Master Agreement will be effective for a term of 3 years.

Financial services to be provided under the Financial Services Master Agreement will be charged at market rates (at government fixed rates or government guidance rates, if such rates are available) or at rates determined on an arm's length and reasonable basis and comply with the applicable policies and requirements stipulated by the financial regulatory authorities from time to time and other applicable laws, rules and regulations of the PRC.

Upon the approval and disclosure of the Board Meeting in December 2010, The proposed annual cap for the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Finance to the Parent and its subsidiaries of the year 2011 is RMB200 million. As at 31 December 2011, the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Finance to the Parent and its subsidiaries is approximately RMB46 million.

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 (the "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 Hongtai, 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 2011, the total consideration paid by Dongfeng Motor Group to Dongfeng Hongtai for purchases of vehicle and auto parts from Dongfeng Hongtai was RMB1,366 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 RMB930 million.

9. Dongfeng Motor Group sells commodity vehicles to Dongfeng Motor Trade Corporation

Dongfeng Motor Group sells whole vehicles and chassis of commodity vehicles to Dongfeng Motor Trade Corporation.

Dongfeng Motor Trade Corporation, which previously was an independent third party to the Company, became a wholly-owned subsidiary of Parent in July 2007, has also become a connected person of the Company within the meaning of the Listing Rules. As a result, the ongoing transactions above between the Dongfeng Motor Group and Dongfeng Motor Trade Corporation have become continuing connected transactions of the Company.

On 22 December 2010, 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, the Dongfeng Motor Group has agreed to sell commodity vehicles to Dongfeng Motor Trade Corporation.

The Commodity Vehicles Master Sales Agreement will be effective for a term of 3 years.

According to the Master Sales Agreement, the price of commodity vehicles will be determined with reference to the market price on an arm's length and reasonable basis. Dongfeng Motor Trade Corporation will purchase commodity vehicles by batches pursuant to its actual demands.

Upon the approval and disclosures of the Board in December 2010, the proposed annual caps for Dongfeng Motor Trade Corporation's purchase of commodity vehicles from the Dongfeng Motor Group for the year 2011 is approximately RMB1,700 million. For the year ended 31 December 2011, the actual amount for Dongfeng Motor Trade Corporation's purchase of commodity vehicles from the Dongfeng Motor Group are approximately RMB1,192 million.

10. Dongfeng Motorcity Logistics Co., Ltd. Provide logistics services to the Dongfeng Motor Group

Dongfeng Motorcity Logistics Co., Ltd. is a subsidiary of Parent. Parent holds 70.46% equity interests in Dongfeng Motorcity Logistics Co., Ltd. The ongoing logistics services provided by Dongfeng Motorcity Logistics Company limited to Dongfeng Motor Group have become continuing connected transactions of the Company.

On 22 December 2010, 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 Agreement, Dongfeng Motorcity Logistics Co., Ltd. provides logistics services for whole vehicles and auto parts to the Dongfeng Motor Group and its subsidiaries and jointly-controlled entities.

The Logistics Services Master Agreement will be effective for a term of 3 years.

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 rate 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.

Upon the approval and disclosures of the Board in December 2010, the proposed annual caps for the logistics services provided by Dongfeng Motorcity Logistics Co., Ltd. to Dongfeng Motor Group for the year 2011 is approximately RMB950 million. For the year ended 31 December 2011, the actual amount for Logistics Service provided by Dongfeng Motorcity Logistics Co., Ltd. to Dongfeng Motor Group is approximately RMB635 million.

11. Dongfeng Motor Finance provide financial service to Dongfeng Nissan Auto Finance and The Company place Deposits with Dongfeng Nissan Auto Finance

The equity interests in Dongfeng Nissan Auto Finance are owned as to 65% by Nissan Motor Co., Ltd, As such, Dongfeng Nissan Auto Finance is a connected person of the Company. Accordingly, the ongoing financial services provided by Dongfeng Motor Finance to Dongfeng Nissan Auto Finance and the Company placing deposits with Dongfeng Nissan Auto Finance constitute continuing connected transactions of the Company.

Dongfeng Motor Finance has entered into the Financial Services Master Agreement on 31 March 2011 with Dongfeng Nissan Auto Finance for the provision of financial services by Dongfeng Motor Finance to Dongfeng Nissan Auto Finance. The Company also has entered into the Deposit Agreement on 31 March 2011 with Dongfeng Nissan Auto Finance for placing Deposits time to time with Dongfeng Nissan Auto Finance.

The Financial Services Master Agreement and Deposit Agreement will be effective from 1 January 2011 for a term of 3 years.

As Dongfeng Nissan Auto Finance mainly provides auto loans to end users and auto dealers for purchase of NISSAN brand vehicles and INIFNITI brand vehicles, the Company considers that providing financial services to, and placing the Deposits with, Dongfeng Nissan Auto Finance will improve the fund utilisation efficiency of the Group and facilitate the sale of Dongfeng Nissan passenger vehicles.

Financial services and deposits to be provided under the Financial Services Master Agreement and Deposit Agreement will be charged at market rates (at government fixed rates or government guidance rates, if such rates are available) or/and at rates determined on an arm's length and reasonable basis and comply with the applicable policies and requirements stipulated by the relevant financial regulatory authorities from time to time and other applicable laws, rules and regulations of the PRC.

Upon the approval and disclosures of the Board in March 2011, the proposed annual cap for the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Finance to Dongfeng Nissan Auto Finance for the year 2011 is RMB300 million; The maximum balance of Deposits (including the accrued interests) maintained by the Company with Dongfeng Nissan Auto Finance shall not exceed RMB2 billion on any given day. As at 31 December 2011, the amount for the outstanding loans to be provided by Dongfeng Motor Finance to Dongfeng Nissan Auto Finance is RMB0 million; the outstanding amount of the deposits placed by the Company with Dongfeng Nissan Auto Finance is RMB1,000 million.

12. Acquisition of the entire equity interests in Dongfeng Yu'an (Wu Han) Motor Company Limited from Dongfeng Xiaokang Motor Company Limited

On 25 November 2011, the Board approved the Share Transfer Agreement which was entered into by the Company on 20 November 2011 with Dongfeng Xiaokang and Dongfeng Yu'an for the acquisition of the entire equity interest in Dongfeng Yu'an from Dongfeng Xiaokang.

The equity interests in Dongfeng Xiaokang are owned as to 50% by Dongfeng Motor Corporation, the controlling shareholder of the Company. As such, Dongfeng Xiaokang is an associate of Dongfeng Motor Corporation and a connected person of the Company and the Share Transfer Agreement constitutes a connected transaction of the Company under the Listing Rules. The Company has announced this connected transaction on 25 November 2011.

As Dongfeng Yu'an has the facilities and capabilities for manufacturing vehicles, the Company considers that the acquisition of Dongfeng Yu'an is in line with the long term strategy of the Company. It will accelerate the research and development of new energy vehicles by the Company and form a solid foundation for the sustainable development of the Company.

The Directors (including the independent non-executive Directors) believe that the entering into by the Company of the Share Transfer Agreement and its terms are fair and reasonable and are in the interests of the Shareholders of the Company.

The Consideration for the purchase of 100% of the equity interests of Dongfeng Yu'an is RMB109,545,400. In addition, Dongfeng Yu'an agreed to repay the Shareholder's Loan owed to Dongfeng Xiaokang in the amount of RMB140,454,600.

Up to 31 December 2011, the execution of the Share Transfer Agreement is still in progress.

MATERIAL LEGAL PROCEEDINGS

For the year ended 31 December 2011, the 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 the Dongfeng Motor Group as far as the 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 (the "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 56 to 64 in this annual report.

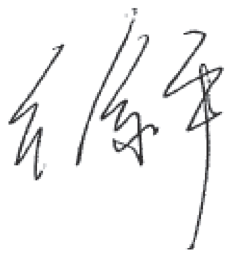
ACCOUNTING PRINCIPLES

The principal accounting policies used by the Company in the preparation of the financial statements for the year ended 31 December 2011 are consistent with those used in the audited annual financial statements for the year ended 31 December 2010, 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 2.2 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 2011. 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 ended 31 December 2012, and authorise the Board to fix their remunerations.

By Order of the Board of Directors



Xu Ping
Chairman

Wuhan, the PRC
27 March 2012

Report of the Supervisory Committee

Dear shareholders,

In 2011, 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 compliance of laws, financial positions, connected transactions and internal control of the Company. The Supervisory Committee expressed the following independent opinion of such matters of the Company during the reporting period.

1. PERFORMANCE OF THE SUPERVISORY COMMITTEE

The Supervisory Committee held two meetings in 2011. The numbers of attended supervisors formed quorums of the meetings as stipulated by the Company Law.

In 2011, the Supervisory Committee has reviewed and approved: the 2010 report of the Supervisory Committee of the Company; the 2010 financial statements, which was audited by Ernst & Young Hua Ming and the 2010 auditor's report, which was audited by Ernst & Young and reviewed and approved by the Audit Committee; the 2010 annual report and annual results announcement; the 2010 profit distribution and payment of dividend proposal; the 2011 interim report and results announcement.

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 normative documents of the Company for governing legally.

After the supervision on the Directors and senior management of the Company, 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 of Hong Kong, the Articles of Association of the Company and other relevant laws, rules and regulations and diligently performed their duties in 2011. 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 decision of the Company on material matters was reasonable and procedures of decision-marking were in compliance with laws and valid. The Directors and the senior management of the company complied with the laws, regulations, the Article of Association of the Company and the resolutions passed at the Shareholders' General Meeting and Board Meeting. They were devoted to performing their duties diligently and precisely and performed their duties cautiously and aggressively.

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.

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

The Supervisory Committee has attended the meetings of the Audit Committee, examined the financial system and financial position of the Company and reviewed the 2010 annual report and 2011 interim report of the Group. The Supervisory Committee considers that the financial statements of the Company were prepared in accordance with relevant provisions, such as Enterprise Accounting System and Accounting Standards for Enterprises. 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 2011 annual 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 financial 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 2011 to its satisfaction. In 2012, the Supervisory Committee will strictly follow the relevant provisions, such as the Company Law, Securities Law and the Articles of Association of the Company and carry out supervision on the Board of Directors and senior management in accordance with laws. The Supervisory Committee will also supervise the Company to refine the corporate governance structure based on the requirements of modern enterprise system, in order to enhance the corporate governance level. In addition, the Supervisory Committee will carry out supervision and perform their duties diligently and attend meetings of the Board of Directors, so as to ensure the decision-making procedures of material matters of the Company to be in compliance with laws and protect the interests of our shareholders. Besides, through supervising on the financial situation of the Company and further enhancing its internal control and operational risk prevention, the Group will further protect the interests of the Company and our shareholders, in order to consolidate its solid foundation for steady and sustainable development.

By Order of the Supervisory Committee

Ma Liangjie
Chairman of the Supervisory Committee

Wuhan, the PRC
27 March 2012

Corporate Governance Report

1. Overview of Corporate Governance

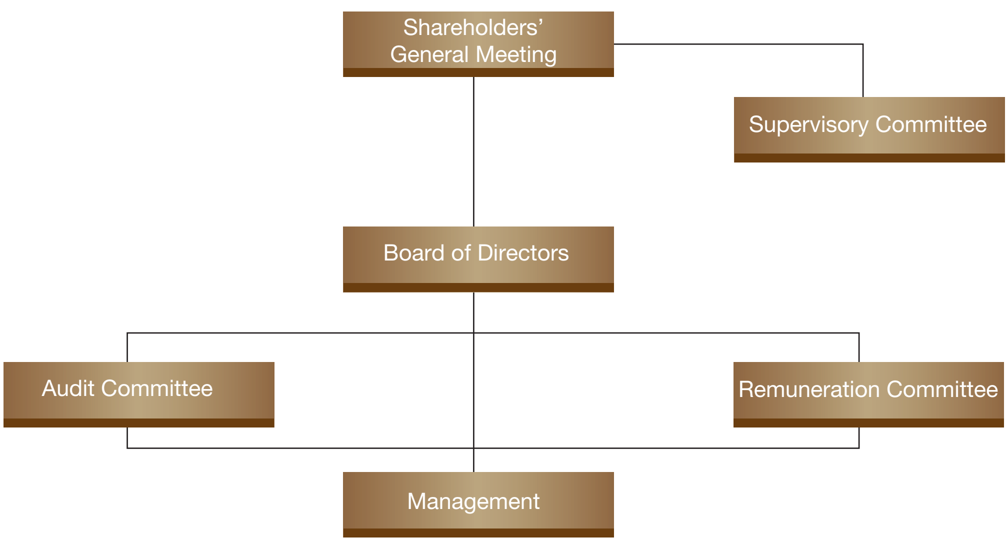
The Company has been in compliance with the Company Law of the People's Republic of China (the "Company Law"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Code of Corporate Governance Practice of the Stock Exchange of Hong Kong and the Articles of the Association. The Company is dedicated to maintain a high level of corporate governance. The Company believes that good corporate governance is significant to maintain and increase shareholders' confidence in the Company and is crucial for developing the Company's business as well as securing shareholders' benefits.

The Company regulates its daily operation in strict compliance with various governing regulations, enhances its internal control and risk prevention and management and fulfills its information disclosure obligations in a comprehensive, timely and accurate manner. The Board convenes meetings regularly to review the operations and management of the Company from time to time. The Company improves the transparency and independence of its operations and maintains its healthy development and maximizes shareholders' 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. In July 2011, the Company's annual report of 2010 was awarded the "The Silver Award of Vision Awards of Annual Report Session" (「遠見獎 — 年度報告：銀獎」) by LACP (美國傳媒專業聯盟) .

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 and the management, 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. As such, 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 2011, the Company held one Annual General Meeting, at which the annual report of 2010 and other related matters as well as the amendments to the Articles of Association of the Company were considered and approved.

ii. Substantial Shareholder

Dongfeng Motor Corporation is our substantial shareholder, holding 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 34 of this annual report.

(2) Directors and Board of Directors

i. 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.

The Third Session of the Board of Directors of the Company was elected at the Extraordinary General Meeting held on 11 October 2010, which consists of twelve Directors, five of which are executive directors, including Mr. Xu Ping, Mr. Zhu Fushou, Mr. Zhou Wenjie, Mr. Li Shaozhu and Mr. Fan Zhong; four of which are non-executive directors, including Mr. Tong Dongcheng, Mr. Ouyang Jie, Mr. Liu Weidong and Mr. Zhou Qiang; and three of which are independent non-executive directors, including Mr. Sun Shuyi, Mr. Yang Xianzu and Mr. Ng Lin-fung. 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 35 of this annual report.

1) Responsibilities of Directors

Name	Position(s)	Responsibilities
Xu Ping	Executive Director, Chairman of the Board	overall operations of the Board of Directors and the Party Committee, being responsible for the general management of the Group, significant strategies and senior management team
Zhu Fushou	Executive Director, President	daily operations and operational management of the Group
Zhou Wenjie	Executive Director, Executive Vice President	strategies and plans of the Group
Li Shaozhu	Executive Director	human resources, organizational development and information related matters of the Group
Fan Zhong	Executive Director	work of Communist Party and Youth League building, propaganda, the united front and military vehicles business of the Group
Tong Dongcheng	Non-executive Director	businesses of medium and heavy duty trucks, CV parts and components and the audit business
Ouyang Jie	Non-executive Director	safety and environmental protections, energy conservation and emission reduction of the Group
Liu Weidong	Non-executive Director	businesses of passenger vehicles, PV parts and components, as well as R&D work
Zhou Qiang	Non-executive Director	financial and international businesses, emergency management and social responsibilities of the Group

2) Performance of Duties of the Directors

All the directors of the Company attended the meetings of the Board, exercise their rights and fulfil their obligations properly in accordance with the Rules and Procedures for Board Meeting and General Meeting. All directors reviewed the monthly operational analysis reports and the newsletters for directors and supervisors of the Company regularly to fully understand the information and policies of the automobile industry as well as operations of the Company. The directors made independent, professional and objective judgments to related matters within their duties and provided individual opinions and recommendations through legal procedures.

3) 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 directors have fulfilled their duties with good faith, integrity and diligence according to the laws and regulations. The independent 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 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.

4) Introduction Program for Directors

In 2011, to promptly inform all the directors of the most updated rules and regulations for compliance, the Company Secretariat released 22 issues of newsletters for directors and supervisors, providing them with the latest market news and information of the Company. In addition, the Company also provided interim and annual operational analysis reports, reports of implementation of significant investment projects and financial analysis and forecasts of the Company to directors.

By providing them with information and reports, site visits and professional trainings, all directors, in particular 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.

5) 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 Linfung 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 any 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 actual 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.

6) Insurances for Directors

The Company is negotiating with an insurance agency to formulate insurance policies for its Directors. The Company will purchase insurances for its Directors immediately after the policies are determined.

7) 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules of the Hong Kong Stock Exchange throughout the year of 2011.

ii. Board Meeting

Four board meetings were held by the Company in 2011 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 reports and the reports of the Board of Directors;
- To determine directors' and supervisors' remuneration for the year;
- To consider and approve the profit distribution proposal of the previous year;
- To re-appoint the international auditors and domestic auditors;
- To consider and approve continuous connected transactions and their respective annual caps;
- To acquire the own brand passenger vehicles business and related assets from the parent company and approve related connected transactions;
- To consider and approve the amendments to the Articles of Association;
- To deal with all issues in relation to guarantees provided to third parties by the Company and distribution of interim dividends pursuant to the authorization granted by the general meeting;
- To provide 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;
- 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 pursuant to the authorization granted by the general meeting;
- To adjust the organizational structure of the Company;
- To acquire additional equity interests in Dongfeng Peugeot Citroën Auto Finance Co., Ltd and increase its capital;
- To acquire equity interests in Dongfeng off-road vehicle company;
- To acquire the entire equity interests in Dongfeng Yu'an (Wu Han) Motor Company Limited and approve agreements related to connected transactions.

Meetings of Board of Directors can facilitate effective discussion and prompt and prudent decision. During the year, 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	3/4	75%	
Zhu Fushou	4/4	100%	
Zhou Wenjie	1/4	25%	
Li Shaozhu	2/4	50%	
Fan Zhong	3/4	75%	
Non-executive Directors			
Tong Dongcheng	3/4	75%	
Ouyang Jie	3/4	75%	
Liu Weidong	4/4	100%	
Zhou Qiang	4/4	100%	
Independent Non-executive Directors			
Sun Shuyi	1/4	25%	
Ng Lin-fung	4/4	100%	
Yang Xianzu	3/4	75%	

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

iii. Special Committees of the Board

1) Audit Committee

The Audit Committee was established by the Board of Directors and consists of one Non-executive Director and two Independent Non-executive Directors, of which one Independent Non-executive Director acts as the chairman of the Audit Committee.

At the first meeting of the Third Session of the Board of Directors, Sun Shuyi, Ouyang Jie and Ng Lin-fung were appointed as the members of the Audit Committee and Sun Shuyi was appointed as the chairman of the Audit Committee. The Audit Committee will perform its functions in accordance with the Terms of Reference of the Audit Committee. In 2011, the Audit Committee convened two meetings and held two meetings with the external auditors in respect of the audit result for the year 2010 and interim audit result for the year 2011.

2) Remuneration Committee

The Remuneration Committee was established by the Board of Directors and consists of one Non-executive Director and two Independent Non-executive Directors, of which one Independent Non-executive Director acts as the chairman of the Remuneration Committee.

At the first meeting of the Third Session of the Board of Directors, Yang Xianzu, Li Shaozhu and Ng Lin-fung were appointed as the members of the Remuneration Committee and Yang Xianzu was appointed as the chairman of the Remuneration Committee.

The Remuneration Committee will perform its functions in accordance with the Terms of Reference of the Remuneration Committee. In 2011, the Remuneration Committee convened one meeting.

3) Nomination Committee

The Board of Directors is identifying the candidates of the Nomination Committee and formulating the Terms of References of the Nomination Committee. It will convene a Board meeting to consider and approve the establishment of the Nomination Committee and the Terms of References of the Nomination Committee in due course. Upon the approval of the Board of the Directors, the Company shall post the Chinese and English versions of the Terms of References of the Nomination Committee in the websites of the Company and the Stock Exchange as required by the Stock Exchange.

4) 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

The current session of the Supervisory Committee was elected by the Extraordinary General Meeting held on 11 October 2010 that Ma Liangjie, Wen Shiyang, Deng Mingran, Ren Yong, Li Chunrong, Chen Binbo, Huang Gang and Kang Li were appointed as the supervisors. Ma Liangjie is the Chairman of the Third Session of the Supervisory Committee and Kang Li is the employees' Supervisor.

In 2011, 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 the performance of their duties. Two 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.

During the year, the Board of Directors thoroughly reviewed the effectiveness of the Company's internal control system for 2011 through the Audit Committee and the Company's audit department in five major areas of internal control, namely 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 also 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 shall be proposed by the Board of Directors to the general meetings for approval.

For the year ended 31 December 2011, 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 2011 was RMB12.90 million.

For the year ended 31 December 2011, Ernst & Young and its member institutions received professional fee of RMB4.64 million for the provision of non-audit services.

The Audit Committee has discussed and assessed the expertise of Ernst & Young, its performance of audit work for 2011 and the proposed fees for 2012. 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 2012 will be submitted to the 2011 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. The President of the Company is Zhu Fushou.

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 development 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 Hong Kong Stock Exchange. 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.

During the period under review, the Company published 29 announcements in accordance with the Listing Rules of The Stock Exchange of Hong Kong Limited. 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 13 road shows and reverse road shows, over 40 receptions of routine visits by the investors, and over 50 meetings and one-to-one telephone conferences during the year.

iii. Shareholders' Return

The Company always strives to enhance the shareholders' return, and had totally distributed cash dividend of approximately RMB3,446 million. The Board of Directors proposed to distribute a cash dividend of approximately RMB1,551 million, or RMB0.18 per share for the year 2011 and will submit the proposal at the shareholders' annual general meeting of 2011 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 67 to 179, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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

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 2011, 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
22th Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

27 March 2012

Consolidated Income Statement

Year ended 31 December 2011

	Notes	2011 RMB million	2010 RMB million
Revenue — Sale of goods	4	**131,441**	122,395
Cost of sales		**(105,051)**	(96,033)
Gross profit		**26,390**	26,362
Other income	5	**2,853**	2,322
Selling and distribution costs		**(6,275)**	(6,417)
Administrative expenses		**(3,641)**	(3,580)
Other expenses, net		**(4,943)**	(4,171)
Finance costs	7	**(402)**	(229)
Share of profits and losses of associates		**379**	296
PROFIT BEFORE TAX	6	**14,361**	14,583
Income tax expense	10	**(3,401)**	(3,006)
PROFIT FOR THE YEAR		**10,960**	11,577
Profit attributable to:			
Equity holders of the parent	11	**10,481**	10,981
Non-controlling interests		**479**	596
		10,960	11,577
Earnings per share attributable to ordinary equity holders of the parent:	13		
Basic for the year		**121.65 cents**	127.45 cents
Diluted for the year		**N/A**	N/A

Details of dividends proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Note	2011 RMB million	2010 RMB million
PROFIT FOR THE YEAR		10,960	11,577
OTHER COMPREHENSIVE INCOME			
Available-for-sale financial assets:			
Changes in fair value		**(52)**	16
Income tax effect		**11**	(5)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(41)**	11
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**10,919**	11,588
Total comprehensive income attributable to:			
Equity holders of the parent	11	**10,452**	10,987
Non-controlling interests		**467**	601
		10,919	11,588

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 RMB million	2010 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	14	**21,578**	18,551
Lease prepayments		**1,685**	1,248
Intangible assets	15	**2,361**	2,294
Goodwill	16	**640**	479
Investments in associates	19	**1,526**	1,148
Available-for-sale financial assets	26	**306**	246
Other non-current assets	20	**2,749**	2,129
Deferred tax assets	10	**2,672**	2,190
Total non-current assets		**33,517**	28,285
Current assets			
Inventories	21	**12,511**	13,935
Trade receivables	22	**2,623**	2,087
Bills receivable	23	**16,977**	15,810
Prepayments, deposits and other receivables	24	**5,706**	4,660
Due from jointly-controlled entities	25	**1,452**	1,595
Available-for-sale financial assets	26	**—**	1,300
Pledged bank balances and time deposits	27	**1,848**	1,546
Cash and cash equivalents	27	**42,899**	41,404
Total current assets		**84,016**	82,337
TOTAL ASSETS		**117,533**	110,622

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 RMB million	2010 RMB million
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	28	**8,616**	8,616
Reserves	29	**11,315**	8,668
Retained profits	29	**24,912**	18,659
Proposed final dividend	12	**1,551**	1,551
		46,394	37,494
Non-controlling interests		**3,190**	3,842
Total equity		**49,584**	41,336
Non-current liabilities			
Interest-bearing borrowings	30	**2,820**	6,289
Other long term liabilities		**57**	64
Provisions	31	**37**	69
Government grants	32	**271**	157
Deferred tax liabilities	10	**49**	51
Total non-current liabilities		**3,234**	6,630

	Notes	2011 RMB million	2010 RMB million
Current liabilities			
Trade payables	33	**23,055**	23,834
Bills payable	34	**9,978**	10,367
Other payables and accruals	35	**20,112**	19,373
Due to jointly-controlled entities	25	**1,551**	1,586
Interest-bearing borrowings	30	**5,993**	3,271
Income tax payable		**2,610**	3,093
Provisions	31	**1,416**	1,132
Total current liabilities		**64,715**	62,656
TOTAL LIABILITIES		**67,949**	69,286
TOTAL EQUITY AND LIABILITIES		**117,533**	110,622
Net current assets		**19,301**	19,681
Total assets less current liabilities		**52,818**	47,966

Xu Ping
Director

Zhou Qiang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Notes	Attributable to equity holders of the parent							
		Issued capital	Capital reserve	Statutory reserves	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
		RMB million	RMB million	RMB million (note 29)	RMB million	RMB million	RMB million	RMB million	RMB million
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	12	—	—	—	(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
As at 1 January 2011		8,616	1,535	7,133	18,659	1,551	37,494	3,842	41,336
Profit for the year		—	—	—	10,481	—	10,481	479	10,960
Other comprehensive income for the year:									
Changes in fair value of available-for-sale financial assets, net of tax		—	(29)	—	—	—	(29)	(12)	(41)
Total comprehensive income for the year		—	(29)	—	10,481	—	10,452	467	10,919
Transfer to reserves		—	—	2,677	(2,677)	—	—	—	—
Loss of control in a jointly-controlled entity's subsidiary	18	—	(1)	—	—	—	(1)	(114)	(115)
Gain of control in a jointly-controlled entity's subsidiary	18	—	—	—	—	—	—	60	60
Capital contributions from non-controlling shareholders		—	—	—	—	—	—	28	28
Dividends paid to non-controlling shareholders		—	—	—	—	—	—	(1,093)	(1,093)
Final 2010 dividend declared and paid		—	—	—	—	(1,551)	(1,551)	—	(1,551)
Proposed final dividend	12	—	—	—	(1,551)	1,551	—	—	—
As at 31 December 2011		8,616	1,505*	9,810*	24,912	1,551	46,394	3,190	49,584

* These reserve accounts comprise the consolidated reserves of RMB11,315 million (2010: RMB8,668 million) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	**2011** **RMB million**	2010 RMB million
Cash flows from operating activities			
Profit before tax		**14,361**	14,583
Adjustments for:			
Share of profits and losses of associates		**(379)**	(296)
Loss on disposal of items of property, plant and equipment, net	6	**9**	68
Loss on disposal of intangible assets	6	**11**	1
Gain on disposal of a subsidiary by a jointly-controlled entity	5	**—**	(103)
Gain on loss of control of a jointly-controlled entity's subsidiary	5	**(292)**	—
Gain on gain of control of a jointly-controlled entity's subsidiary	5	**(9)**	—
Gain on disposal of available-for-sale financial assets		**—**	(16)
Provision/(reversal of provision) against inventories	6	**250**	(18)
Impairment/(reversal of impairment) of trade and other receivables	6	**25**	(55)
Exchange gains, net	6	**(214)**	(166)
Depreciation	6	**2,725**	3,586
Impairment of property, plant and equipment	6	**182**	226
Impairment of intangible assets	6	**2**	112
Amortisation of intangible assets	6	**389**	399
Finance costs	7	**402**	229
Interest income	5	**(1,054)**	(679)
		16,408	17,871
Increase in trade and bills receivables and prepayments, deposits and other receivables		**(2,751)**	(4,805)
Decrease/(increase) in inventories		**1,176**	(5,178)
Decrease/(increase) in amounts due from jointly-controlled entities		**12**	(23)
Increase in trade and bills payables, and other payables and accruals		**763**	13,657
Increase in loans and receivables from financing services		**(1,342)**	(1,037)
Increase in cash deposits received from financing services		**68**	154
Increase in mandatory reserve with the People's Bank of China		**(46)**	(426)
Increase/(decrease) in amounts due to jointly-controlled entities		**(185)**	402
Increase in provisions		**264**	252
Decrease in government grants		**(457)**	(379)
Increase/(decrease) in other long term liabilities		**(7)**	48
Cash generated from operations		**13,903**	20,536
Interest paid		**(372)**	(254)
Income tax paid		**(4,315)**	(2,379)
Net cash flows from operating activities		**9,216**	17,903

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB million	2010 RMB million
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(6,072)**	(3,927)
Increase in lease prepayments and other long term assets		**(477)**	(322)
Purchases of intangible assets		**(470)**	(805)
Purchases of available-for-sale financial assets		**(63)**	(2,566)
Acquisition of non-controlling interests by a jointly-controlled entity		**—**	(3)
Acquisition of control of a jointly-controlled entity's subsidiary	18	**(16)**	—
Investments in associates		**(274)**	(116)
Proceeds from disposal of items of property, plant and equipment		**80**	211
Proceeds from disposal of available-for-sale financial assets		**1,313**	2,326
Proceeds from disposal of financial assets at fair value through profit or loss		**—**	17
Proceeds from loss of control of a jointly-controlled entity's subsidiary	18	**70**	—
Dividends from associates		**115**	113
Government grants received	32	**571**	442
Interest received		**993**	679
Decrease/(increase) in pledged bank balances and time deposits		**(302)**	1,378
Decrease/(increase) in non-pledged time deposits with original maturity of three months or more when acquired		**3,997**	(3,505)
Net cash flows used in investing activities		**(535)**	(6,078)
Cash flows from financing activities			
Proceeds from borrowings		**15,581**	10,051
Repayment of borrowings		**(16,282)**	(12,551)
Decrease/(increase) advances to a jointly-controlled entity engaged in financing services		**281**	(299)
Increase/(decrease) in cash deposits received from DMC by a jointly-controlled entity engaged in financing services		**(153)**	298
Capital contribution from non-controlling shareholders		**28**	94
Dividends paid to non-controlling shareholders		**(1,093)**	(122)
Dividends paid		**(1,551)**	(776)
Net cash flows used in financing activities		**(3,189)**	(3,305)
Net increase in cash and cash equivalents		**5,492**	8,520
Cash and cash equivalents at beginning of year		**25,889**	17,369
Cash and cash equivalents at end of year	27	**31,381**	25,889

Statement of Financial Position

31 December 2011

	Notes	2011 RMB million	2010 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	14	**2,043**	1,888
Lease prepayments		**310**	317
Intangible assets	15	**33**	39
Investments in subsidiaries	17	**140**	140
Investments in jointly-controlled entities	18	**13,037**	13,037
Investments in associates	19	**511**	336
Available-for-sale financial assets	26	**68**	68
Deferred tax assets	10	**—**	19
Total non-current assets		**16,142**	15,844
Current assets			
Inventories	21	**423**	361
Trade receivables	22	**433**	197
Bills receivable	23	**396**	381
Prepayments, deposits and other receivables	24	**2,938**	1,886
Due from jointly-controlled entities	25	**3,409**	3,809
Available-for-sale financial assets	26	**—**	1,300
Cash and cash equivalents	27	**14,019**	6,254
Total current assets		**21,618**	14,188
TOTAL ASSETS		**37,760**	30,032

Statement of Financial Position

31 December 2011

	Notes	2011 RMB million	2010 RMB million
EQUITY AND LIABILITIES			
Equity			
Issued capital	28	**8,616**	8,616
Reserves	29	**5,654**	4,633
Retained profits	29	**13,044**	6,933
Proposed final dividend	12	**1,551**	1,551
Total equity		**28,865**	21,733
Non-current liabilities			
Interest-bearing borrowings	30	**1,994**	4,974
Other non-current liabilities		**57**	57
Total non-current liabilities		**2,051**	5,031
Current liabilities			
Trade payables	33	**1,183**	803
Bills payable	34	**147**	—
Other payables and accruals	35	**1,358**	1,013
Due to jointly-controlled entities	25	**855**	1,190
Interest-bearing borrowings	30	**3,052**	25
Income tax payable		**211**	211
Provisions	31	**38**	26
Total current liabilities		**6,844**	3,268
TOTAL LIABILITIES		**8,895**	8,299
TOTAL EQUITY AND LIABILITIES		**37,760**	30,032

Xu Ping
Director

Zhou Qiang
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.

2.1 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 Interpretations 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

The consolidated financial statements include the financial statements of the Company, its subsidiaries and jointly-controlled entities for the year ended 31 December 2011. 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.

Total comprehensive income within a subsidiary is 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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.

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.

For the business combination under common control, the financial information of the Group and that of 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.

2.2 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 Amendment	Amendments to IFRS 1 *First-time Adoption of IFRSs — Limited Exemptions from Comparative IFRS 7 Disclosures for 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	*Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs	*Amendments to a number of IFRSs issued in May 2010*

Other than as further explained below regarding the impact of IAS 24 (Revised), and amendments to IFRS 3, IAS 1 and IAS 27 included in Improvements to IFRSs 2010, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these IFRSs are as follows:

(a) IAS 24 (Revised) *Related Party Disclosures*

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 39 to the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) *Improvements to IFRSs 2010* issued in May 2010 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- IFRS 3 *Business Combinations*: The amendment 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 amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

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

- IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- IAS 27 *Consolidated and Separate Financial Statements*: The amendment 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.

2.3 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 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 1 Amendments	*Government Loans*[4]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
IFRS 9	*Financial Instruments*[6]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosures of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 1 Amendments	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendments	*Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets*[5]
IAS 19 Amendments	*Employee Benefits*[4]
IAS 27 Revised	*Separate Financial Statements*[4]
IAS 28 Revised	*Investments in Associates and Joint Ventures*[4]
IAS 32 Amendments	*Amendments to IAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[5]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[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

[5] Effective for annual periods beginning on or after 1 January 2014

[6] Effective for annual periods beginning on or after 1 January 2015

2.3 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.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

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

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, and the consequential amendments to IAS 27 and IAS 28 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

Amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

IAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in SIC-21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. The Group expects to adopt IAS 12 Amendments from 1 January 2012.

IAS 19 Amendments includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt IAS 19 Amendments from 1 January 2013.

2.4 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.

2.4 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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 Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at face value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. 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 will not be remeasured. Subsequent settlement is accounted for within equity. In instances, where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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 identifiable net 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 depreciates them accordingly.

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	10 to 45 years
Plant and equipment	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.

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.

2.4 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.

2.4 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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net 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.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under IAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

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, in rare circumstances, 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. 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. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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 finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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 revaluation 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, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments 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 investments 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 investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, 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. 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 Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and 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 maturity amount 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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 continues to 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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.

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 plus, in the case of loans and borrowings, directly attributable transaction costs.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 a currently 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.

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 the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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:

- when 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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 by way of a reduced depreciation charge.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 6(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 6(b) below.

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 6(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 terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to providing 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 6(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").

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

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 6(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.

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 differences arising on settlement or translation of monetary items are taken to the income statement.

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. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. 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 described 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 16.

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.

4. 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 provides 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's 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 2010 and 2011, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

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

Segment information (continued)

Year ended 31 December 2011

	Commercial vehicles RMB million	Passenger vehicles RMB million	Corporate and others RMB million	Total RMB million
Segment revenue				
Sales to external customers	35,473	94,921	640	131,034
Interest income from financing services	—	—	407	407
	35,473	94,921	1,047	131,441
Results				
Segment results	1,960	12,248	(878)	13,330
Interest income	87	576	391	1,054
Finance costs				(402)
Share of profits and losses of associates	199	92	88	379
Profit before tax				14,361
Income tax expense				(3,401)
Profit for the year				10,960
Other segment information				
Capital expenditure:				
— Property, plant and equipment	947	4,524	601	6,072
— Intangible assets	64	372	34	470
— Lease prepayments	249	207	—	456
Depreciation of property, plant and equipment	653	2,039	33	2,725
Amortisation of intangible assets	22	292	75	389
Provision against inventories	154	99	(3)	250
Impairment losses recognised in the income statement	7	175	27	209
Warranty provisions	217	809	—	1,026

4. 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
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. OTHER INCOME

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

		Group	
		2011	2010
	Notes	**RMB million**	RMB million
Government grants and subsidies	32	**457**	379
Net income from disposal of other materials		**624**	792
Interest income		**1,054**	679
Rendering of services		**40**	24
Gain on loss of control of a jointly-controlled entity's subsidiary	18	**292**	—
Gain on gain of control of a jointly-controlled entity's subsidiary	18	**9**	—
Gain on disposal of a subsidiary by a jointly-controlled entity	18	**—**	103
Others		**377**	345
		2,853	2,322

6. PROFIT BEFORE TAX

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

		Group	
		2011	2010
	Notes	RMB million	RMB million
Cost of inventories recognised as expense		104,998	96,017
Interest expense for financing services (included in cost of sales)		53	16
Provision/(reversal of provision) against inventories		250	(18)
Depreciation	14	2,725	3,586
Amortisation of intangible assets *	15	389	399
Amortisation of lease prepayments		37	25
Auditors' remuneration		18	18
Minimum lease payments under operating leases in respect of land and buildings		238	227
Reversal of provision for sales rebates		(416)	(599)
Staff costs (excluding directors' and supervisors' remuneration (note 8)):			
— Wages and salaries		5,050	4,702
— Pension scheme costs	(a)	671	581
— Medical benefit costs	(b)	237	211
— Cash housing subsidy costs	(c)	14	15
— Stock appreciation rights expense	(e)	—	—
		5,972	5,509

6. PROFIT BEFORE TAX (continued)

	Notes	Group 2011 RMB million	Group 2010 RMB million
Included in other expenses, net			
Loss on disposal of items of property, plant and equipment, net		9	68
Loss on disposal of intangible assets		11	1
Impairment of property, plant and equipment	14	182	226
Impairment of intangible assets	15	2	112
Impairment/(reversal of impairment) of trade and other receivables		25	(55)
Warranty provisions	31	1,026	909
Research costs		3,459	2,620
Exchange gains, net		(214)	(166)

* 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.

6. 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.

6. 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.

6. 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 Company's 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 per unit, 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 22 January 2012 shall not be exercised and shall lapse upon their expiry. The Batch 1 SAR was fully exercised or lapsed as at 31 December 2010.

(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 per unit, 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.

6. PROFIT BEFORE TAX (continued)

(e) Stock appreciation rights (continued)

In 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 (2011: RMB171 million, 2010: RMB241 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 (the "Ceiling of benefits receivable from the plans of SARs") (2011: RMB11 million, 2010: RMB38 million).

As at 31 December 2011, the carrying amount of the liability relating to the SARs stated on the basis as described in the preceding paragraph was RMB11 million (2010: RMB38 million) and no compensation expense was recognised for the years ended 31 December 2011 and 2010.

The following SARs were outstanding during the year:

	2011		2010	
	Weighted average exercise price HK$ per unit	**Number of SAR units '000**	Weighted average exercise price HK$ per unit	Number of SAR units '000
At 1 January	**4.09**	**27,085**	2.78	83,271
Granted during the year		**—**		—
Exercised during the year	**4.09**	**(4,251)**	2.02	(48,233)
Lapsed during the year		**—**		(7,953)
At 31 December	**4.09**	**22,834**	4.09	27,085

The weighted average share price at the date of exercise of the SARs exercised during the year was HK$12.5 (2010: HK$12.9).

6. 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:

2011

Number of SAR units '000	Exercise price HK$ per unit	Exercise period
22,834	**4.09**	**15-1-2009 to 14-1-2013**

2010

Number of SAR units '000	Exercise price HK$ per unit	Exercise period
27,085	4.09	15-1-2009 to 14-1-2013

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 Notes). Changes in the subjective input assumptions could materially affect the fair value estimate of the SARs.

6. 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 2011:

Dividend yield (%)	1.67
Expected volatility (%)	50.31–69.68
Risk-free interest rate (%)	0.15–0.25
Expected life of options (years)	2
Share price on measurement date (HK$)	13.32

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011	2010
	RMB million	RMB million
Interest on bank loans and other borrowings wholly repayable:		
— within five years	**123**	47
— beyond five years	**24**	26
Interest on discounted bills	**100**	16
Interest on short term debentures	**—**	19
Interest on medium term notes	**184**	146
	431	254
Less: Amount capitalised in construction in progress	**(29)**	(25)
Net interest expense	**402**	229

8. 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	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fees	**441**	441	**96**	96
Other emoluments:				
— Salaries, allowances and benefits in kind	**2,029**	1,749	**1,545**	1,105
— Bonuses	**7,566**	3,229	**4,091**	3,016
— Pension scheme costs	**438**	371	**288**	216
	10,474	5,790	**6,020**	4,433
Stock appreciation right expenses recognised in the income statement	**—**	—	**—**	—
Total charged to the income statement	**10,474**	5,790	**6,020**	4,433

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 6(e) to the financial statements.

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

The names of the directors and the supervisors and their remuneration for the year ended 31 December 2011 are as follows:

2011	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	—	247	1,096	54	1,397
Zhu Fushou	—	241	249	49	539
Zhou Wenjie	—	220	942	44	1,206
Li Shaozhu	—	221	942	49	1,212
Fan Zhong	—	221	942	49	1,212
	—	1,150	4,171	245	5,566
Non-executive directors:					
Tong Dongcheng	—	221	942	49	1,212
Ouyang Jie	—	221	942	49	1,212
Liu Weidong	—	221	942	49	1,212
Zhou Qiang	—	216	569	46	831
	—	879	3,395	193	4,467
Independent non-executive directors:					
Sun Shuyi	147	—	—	—	147
Ng Lin-fung	147	—	—	—	147
Yang Xianzu	147	—	—	—	147
	441	—	—	—	441
	441	2,029	7,566	438	10,474
Supervisors:					
Ma Liangjie	—	228	568	35	831
Ren Yong	—	657	1,654	86	2,397
Li Chunrong	—	164	313	37	514
Chen Binbo	—	157	671	57	885
Huang Gang	—	163	416	36	615
Kang Li	—	176	469	37	682
	—	1,545	4,091	288	5,924
Independent supervisors:					
Wen Shiyang	48	—	—	—	48
Deng Mingran	48	—	—	—	48
	96	—	—	—	96
	96	1,545	4,091	288	6,020

8. 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.

8. 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 years ended 31 December 2011 and 2010.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2010: one) directors or supervisors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2010: four) non-director and non-supervisor, highest paid employees for the year are as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,356**	1,171
Bonuses	**3,235**	3,425
Pension scheme contributions	**185**	202
	4,776	4,798

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	
	2011	2010
Nil—RMB1,000,000	**—**	—
RMB1,000,001—RMB1,500,000	**—**	4
RMB1,500,001—RMB2,000,000	**3**	—
	3	4

In prior years, the SARs were granted to three (2010: three) of the non-director and non-supervisor, highest paid employees in respect of their services to the Group, further details of which are included in note 6(e) to the financial statements.

10. INCOME TAX EXPENSE

	Group	
	2011	2010
	RMB million	RMB million
Current income tax	**3,896**	3,846
Deferred income tax	**(495)**	(840)
Income tax expense for the year	**3,401**	3,006

(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 12% 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 are 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.

10. 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 in 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:

	2011		2010	
	RMB million	%	RMB million	%
Profit before tax	**14,361**		14,583	
At the PRC statutory corporate income tax rate of 25% (2010: 25%)	**3,590**	**25.0**	3,646	25.0
Tax concessions and lower tax rates for specific provinces or locations	**(544)**	**(3.8)**	(954)	(6.5)
Income not subject to corporate income tax	**(96)**	**(0.7)**	(50)	(0.3)
Expenses not deductible for corporate income tax	**18**	**0.1**	44	0.3
Tax losses not recognised	**433**	**3.1**	320	2.1
Income tax expense at the Group's effective income tax rate	**3,401**	**23.7**	3,006	20.6

10. INCOME TAX EXPENSE (continued)

(c) Deferred income tax (continued)

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

Group

	As at 31 December		Year ended 31 December			
			Credited to income statement	Credited to statement of comprehensive income	Credited to income statement	Charged to statement of comprehensive income
	2011	2010	2011	2011	2010	2010
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Deferred tax liabilities:						
Capitalisation of development costs	(10)	(17)	(7)	–	(7)	–
Estimated useful life differences	(7)	–	7	–	–	–
Others	(32)	(34)	(5)	(11)	(9)	5
Gross deferred tax liabilities	(49)	(51)				
Deferred tax assets:						
Impairment of items of property, plant and equipment	65	54	(11)	–	(3)	–
Provision for stock appreciation right liabilities	–	19	19	–	–	–
Accrual expenses	1,938	1,722	(216)	–	(682)	–
Warranty provisions	234	183	(51)	–	(64)	–
Others	435	212	(231)	–	(75)	–
Gross deferred tax assets	2,672	2,190				
Deferred income tax charge/(credit)			(495)	(11)	(840)	5
Net deferred tax liabilities	(49)	(51)				
Net deferred tax assets	2,672	2,190				

10. INCOME TAX EXPENSE (continued)

(c) Deferred income tax (continued)

Company

	As at 31 December	
	2011	2010
	RMB million	RMB million
Deferred tax assets:		
Provision for stock appreciation right liabilities	–	19
Gross deferred tax assets	–	19
Net deferred tax assets	–	19

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2011 includes a profit of RMB8,683 million (2010: RMB5,249 million) which has been dealt with in the financial statements of the Company (note 29).

12. DIVIDEND

	Group	
	2011	2010
	RMB million	RMB million
Proposed final – RMB0.18 (2010: RMB0.18) per ordinary share	**1,551**	1,551

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.

12. 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.

13. 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:

	2011	2010
	RMB million	RMB million
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	**10,481**	10,981

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

The Group has no potentially dilutive ordinary shares in issue during these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB million	Plant and equipment RMB million	Construction in progress RMB million	Total RMB million
31 December 2011				
At 31 December 2010 and 1 January 2011:				
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
At 1 January 2011, net of accumulated depreciation and impairment	767	14,809	2,975	18,551
Additions	22	603	5,447	6,072
Disposals	(5)	(84)	—	(89)
Loss of control in a jointly-controlled entity's subsidiary	(6)	(110)	(6)	(122)
Gain of control in a jointly-controlled entity's subsidiary	23	44	6	73
Reclassifications	42	2,554	(2,596)	—
Impairment	(1)	(170)	(11)	(182)
Depreciation provided during the year	(60)	(2,665)	—	(2,725)
At 31 December 2011, net of accumulated depreciation and impairment	782	14,981	5,815	21,578
At 31 December 2011:				
Cost	1,323	34,873	5,857	42,053
Accumulated depreciation and impairment	(541)	(19,892)	(42)	(20,475)
Net carrying amount	782	14,981	5,815	21,578

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Buildings RMB million	Plant and equipment RMB million	Construction in progress RMB million	Total RMB million
31 December 2011				
At 31 December 2010 and 1 January 2011:				
Cost	276	1,866	348	2,490
Accumulated depreciation and impairment	(88)	(514)	—	(602)
Net carrying amount	188	1,352	348	1,888
At 1 January 2011, net of accumulated depreciation and impairment	188	1,352	348	1,888
Additions	2	1	418	421
Disposals	—	(2)	—	(2)
Reclassifications	6	255	(261)	—
Impairment	—	(75)	(11)	(86)
Depreciation provided during the year	(11)	(167)	—	(178)
At 31 December 2011, net of accumulated depreciation and impairment	185	1,364	494	2,043
At 31 December 2011:				
Cost	284	2,117	505	2,906
Accumulated depreciation and impairment	(99)	(753)	(11)	(863)
Net carrying amount	185	1,364	494	2,043

14. 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

The impairment provided for the items of property, plant and equipment of the Group mainly represents 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 30 below.

15. INTANGIBLE ASSETS

	Group		Company	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
Cost:				
At 1 January	**4,081**	3,277	**218**	212
Additions	**470**	805	**1**	6
Loss of control in a jointly-controlled entity's subsidiary	**(5)**	—	**—**	—
Disposals	**(16)**	(1)	**—**	—
At 31 December	**4,530**	4,081	**219**	218
Accumulated amortisation:				
At 1 January	**1,644**	1,245	**67**	32
Amortisation	**389**	399	**7**	35
Loss of control in a jointly-controlled entity's subsidiary	**(4)**	—	**—**	—
Disposals	**(5)**	—	**—**	—
At 31 December	**2,024**	1,644	**74**	67
Impairment:				
At 1 January	**143**	31	**112**	—
Additions	**2**	112	**—**	112
At 31 December	**145**	143	**112**	112
Net book value:				
At 1 January	**2,294**	2,001	**39**	180
At 31 December	**2,361**	2,294	**33**	39

The details of the above items of intangible assets pledged to secure general banking facilities granted to the Group are set out in note 30 below.

16. GOODWILL

Group

	2011 RMB million	2010 RMB million
At 1 January	**479**	479
Additions	**161**	—
At 31 December	**640**	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.

17. INVESTMENTS IN SUBSIDIARIES

Company

	2011 RMB million	2010 RMB million
Unlisted investments, at cost	**140**	140

17. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2011 were as follows:

Name	Place of establishment and operations	Paid-up and registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
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.

18. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

Company

	2011 RMB million	2010 RMB million
Unlisted investments, at cost	**13,037**	13,037

18. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the principal jointly-controlled entities as at 31 December 2011 were as follows:

Name	Place of establishment and operations	Paid-up and 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

18. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the principal jointly-controlled entities as at 31 December 2011 were as follows: (continued)

Name	Place of establishment and operations	Paid-up and registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
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

18. 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:

	2011 **RMB million**	2010 RMB million
Non-current assets	**29,252**	24,693
Current assets	**63,950**	69,527
Non-current liabilities	**(1,315)**	(1,867)
Current liabilities	**(60,047)**	(61,224)
Non-controlling interests	**(3,140)**	(3,695)
Net assets	**28,700**	27,434
Total revenue	**128,560**	120,777
Total expenses	**(116,805)**	(108,370)
Non-controlling interests	**(431)**	(562)
Profit attributable to equity holders of the parent	**11,324**	11,845

18. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

During the years ended 31 December 2011 and 2010, the Group had the following significant change in the holdings of jointly-controlled entities:

Loss of control in a jointly-controlled entity's subsidiary

In February 2011, Dongfeng Motor Company 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.

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

	2011 RMB million
Property, plant and equipment	337
Intangible assets	8
Deferred tax assets	19
Inventories	110
Trade and bills receivables	1,592
Prepayments, 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 entity's subsidiary	292
	654
Represented by:	
Fair value of the consideration — cash	219
Fair value of the retained investment in a jointly-controlled entity's former subsidiary	435
	654

18. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

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:

	2011 RMB million
Property, plant and equipment	215
Intangible assets	7
Deferred tax assets	9
Inventories	55
Trade and bills receivables	796
Prepayments, deposits and other receivables	171
Cash and cash equivalents	150
Trade and bills payables	(847)
Other payables and accrued liabilities	(244)
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 the 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 investment in a jointly-controlled entity's former subsidiary	150
Net inflow of cash and cash equivalents included in cash flows from investing activities	70

18. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Gain of control in a jointly-controlled entity's subsidiary

In February 2011, DFL entered into an agreement with a non-controlling shareholder of Zhanjiang Deli Carburetor Co., Ltd. ("Zhanjiang Deli") for the acquisition of an additional 20% equity interest in Zhanjiang Deli, a then 32%-owned associate of DFL for a total consideration of RMB52 million.

Upon the completion of the aforesaid acquisition in July 2011, DFL owns a 52% equity interest in Zhanjiang Deli which is thereafter accounted for as a subsidiary of DFL.

The Group's share of identifiable assets and liabilities of Zhanjiang Deni as at the date of acquisition are as follows:

	2011 RMB million
Property, plant and equipment	73
Lease prepayments	14
Deferred tax assets	2
Inventories	57
Trade and bills receivables	70
Prepayments, deposits and other receivables	29
Cash and cash equivalents	10
Trade and bills payables	(35)
Other payables and accrued liabilities	(50)
Interest-bearing borrowings	(39)
Income tax payable	(4)
Deferred tax liabilities	(2)
Non-controlling interests	(60)
	65
Goodwill on acquisition	3
Gain recognised on re-measuring interest in an associate to fair value upon gain of control in a jointly-controlled entity's subsidiary	(9)
	59
Represented by:	
Fair value of the consideration — cash	26
Interest in an associate	33
	59
An analysis of the cash flows in respect of the gain of control of a jointly-controlled entity's subsidiary is as follows:	
Cash consideration	(26)
Cash and cash equivalents acquired	10
Net outflow of cash and cash equivalents included in cash flows from investing activities	(16)

18. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

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 in 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	—

19. 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:

	2011 RMB million	2010 RMB million
Unlisted investments, at cost	**511**	336

Particulars of the principal associates as at 31 December 2011 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
Dongfeng Nissan Auto Finance Co., Ltd.#	PRC	RMB1,200,000,000	35	–	Provision of finance services

\# Sino-foreign equity joint venture

\## Joint stock limited liability company

19. 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:

	2011 RMB million	2010 RMB million
Non-current assets	4,834	2,247
Current assets	2,836	2,224
Non-current liabilities	(766)	(403)
Current liabilities	(5,373)	(2,910)
Non-controlling interests	(5)	(10)
Net assets	1,526	1,148
Total revenue	3,317	2,867
Total expenses	(3,006)	(2,618)
Profit attributable to equity holders of the parent	311	249

20. OTHER NON-CURRENT ASSETS

		Group	
		2011	2010
	Note	**RMB million**	RMB million
Loans and receivables from financing services	24(ii)	**1,127**	607
Mandatory reserve with the People's Bank of China (the "PBOC")*		**954**	908
Others		**668**	614
		2,749	2,129

* 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.

21. INVENTORIES

	Group		Company	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
Raw materials	**4,067**	4,052	**89**	157
Work in progress	**852**	936	**61**	22
Finished goods	**7,592**	8,947	**273**	182
	12,511	13,935	**423**	361

The details of the above items of inventories pledged to secure general banking facilities granted to the Group are set out in note 30 below.

22. 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. 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	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
Within three months	**1,974**	1,399	**291**	158
More than three months but within one year	**611**	627	**135**	38
More than one year	**38**	61	**7**	1
	2,623	2,087	**433**	197

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
At 1 January	**784**	907	**4**	4
Net impairment loss recognised/(reversed)	**(10)**	(14)	**2**	—
Disposal of a subsidiary by a jointly-controlled entity	**—**	(47)	**—**	—
Amount written off as uncollectible	**(7)**	(62)	**—**	—
At 31 December	**767**	784	**6**	4

22. TRADE RECEIVABLES (continued)

As at 31 December 2011, trade receivables of the Group with an aggregate nominal value of RMB687 million (2010: RMB672 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	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
Neither past due nor impaired	**1,929**	1,384	**293**	158
Less than three months past due	**217**	57	**135**	38
	2,146	1,441	**428**	196

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	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
DMC's subsidiaries and associates	**89**	48	**—**	—
Joint venture partners and their holding companies, subsidiaries, jointly-controlled entities	**327**	246	**—**	—
Associates	**32**	13	**9**	4
Subsidiaries	**—**	—	**3**	3
	448	307	**12**	7

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

23. BILLS RECEIVABLE

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
Within three months	**9,553**	10,915	**319**	4
More than three months but within one year	**7,424**	4,895	**77**	377
	16,977	15,810	**396**	381

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
		2011	2010	**2011**	2010
	Notes	**RMB million**	RMB million	**RMB million**	RMB million
Prepayments		**1,865**	1,812	**388**	279
Deposits and other receivables	(i)	**1,577**	1,406	**2,550**	1,607
Loans and receivables from financing services	(ii)	**2,264**	1,442	**—**	—
		5,706	4,660	**2,938**	1,886

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
At 1 January	**79**	126	**–**	–
Net impairment loss recognised/(reversed)	**16**	(41)	**–**	–
Amount written off as uncollectible	**(7)**	(6)	**–**	–
At 31 December	**88**	79	**–**	–

(ii) Loans and receivables from financing services represented loans granted by the Group's jointly-controlled entity, which is involved in the provision of financing services, to individuals and entities when they purchased commercial vehicles from dealers at an interest rate of 4.86-10.58% 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:

	2011	2010
	RMB million	RMB million
Gross loans and receivables from financing services	**3,454**	2,093
Less: impairment allowances	**(63)**	(44)
	3,391	2,049
Less: current portion	**(2,264)**	(1,442)
Non-current portion	**1,127**	607

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

(ii) (continued)

Movements of impairment allowances are as follows:

	2011 RMB million	2010 RMB million
At 1 January	**44**	26
Impairment allowances charged	**19**	18
At 31 December	**63**	44

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

	Group		Company	
	2011 RMB million	2010 RMB million	**2011 RMB million**	2010 RMB million
DMC's subsidiaries, jointly-controlled entities and associates	**210**	10	**200**	—
Joint venture partners and their holding companies and subsidiaries	**156**	30	**—**	—
Associates	**33**	17	**1**	1
Subsidiaries	**—**	—	**139**	144
Dividends receivable from jointly-controlled entities	**—**	—	**2,338**	1,584
	399	57	**2,678**	1,729

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

25. 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 is involved in the provision of financing services, bear interest at a prevailing savings interest rate published by the PBOC.

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
Due from a joint-controlled entity	**1,320**	1,451	**1,656**	3,627
Due to a jointly-controlled entity	**831**	681	**—**	—

26. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
Unlisted investments at cost less impairment:				
Non-current	**306**	246	**68**	68
Current	**—**	1,300	**—**	1,300
	306	1,546	**68**	1,368

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.

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
Cash and bank balances	**24,460**	26,196	**7,819**	6,254
Time deposits*	**20,287**	16,754	**6,200**	—
	44,747	42,950	**14,019**	6,254
Less: Pledged bank balances and time deposits for securing general banking facilities	**(1,848)**	(1,546)	**—**	—
Cash and cash equivalents as stated in the consolidated statement of financial position	**42,899**	41,404	**14,019**	6,254
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(11,518)**	(15,515)	**—**	—
Cash and cash equivalents as stated in the consolidated statement of cash flows	**31,381**	25,889	**14,019**	6,254

* Time deposits included a cash deposit of RMB1,000 million (2010: nil) placed by the Company in an associate which is involved in the provision of financing services.

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.

28. SHARE CAPITAL

Group and Company

	2011 RMB million	2010 RMB million
Registered, issued and fully paid:		
— 5,760,388,000 (2010: 5,760,388,000) Domestic Shares of RMB1.00 each	**5,760**	5,760
— 2,855,732,000 (2010: 2,855,732,000) H shares of RMB1.00 each	**2,856**	2,856
	8,616	8,616

29. 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 72 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 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 and 1 January 2011	1,363	3,270	6,933	1,551	13,117
Final 2010 dividend declared	—	—	—	(1,551)	(1,551)
Total comprehensive income for the year	—	—	8,683	—	8,683
Transfer to reserves	—	1,021	(1,021)	—	—
Proposed final dividend	—	—	(1,551)	1,551	—
At 31 December 2011	1,363	4,291	13,044	1,551	20,249

29. 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.

30. INTEREST-BEARING BORROWINGS

Group

	2011			2010		
	Effective interest rate (%)	Maturity	RMB million	Effective interest rate (%)	Maturity	RMB million
Current						
Bank loans — secured	**0.3–11.81**	**2012**	**802**	0.3–10.46	2011	1,655
Bank loans — secured			**—**	LIBOR + 2.28	2011	2
Bank loans — unsecured	**1.5–9.6**	**2012**	**152**	4.37–9.6	2011	134
Bank loans — unsecured	**LIBOR +0.8 -LIBOR +3.0**	**2012**	**1,026**	LIBOR + 0.6 -LIBOR + 1.2	2011	608
Medium term notes — unsecured	**3.8**	**2012**	**2,994**			—
Other loans — unsecured*		**2012**	**1,019**		2011	872
			5,993			3,271
Non-current						
Bank loans — secured	**0.3-2.0**	**2030**	**236**	0.3–2	2012-2030	392
Bank loans — unsecured			**—**	0.3–6.59	2012	29
Bank loans — unsecured	**LIBOR +1.0 -LIBOR +1.2**	**2015**	**590**	LIBOR + 0.8 -LIBOR + 1.2	2012-2015	894
Medium term notes — unsecured	**3.49**	**2013**	**1,994**	3.49-3.8	2012-2013	4,974
			2,820			6,289
			8,813			9,560

* Other loans represented cash deposits placed by DMC amounting to RMB163 million (2010: RMB532 million) and other unrelated third parties with a jointly-controlled entity of the Group which is involved in the provision of financing services. Such loans bear interest at a prevailing savings interest rate published by the PBOC.

30. INTEREST-BEARING BORROWINGS (continued)

Company

	2011			2010		
	Effective interest rate (%)	Maturity	RMB million	Effective interest rate (%)	Maturity	RMB million
Current						
Bank loans — unsecured	4.8	2012	58	5	2011	25
Medium term notes — unsecured	3.8	2012	2,994			—
			3,052			25
Non-current						
Medium term notes — unsecured	3.49	2013	1,994	3.49-3.8	2012-2013	4,974
			5,046			4,999

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

	2011 RMB million	2010 RMB million
Property, plant and equipment	141	206
Intangible assets	4	4
Time deposits and bank balances	1,896	2,994
Inventories	425	59
Other assets	3,247	3,994
	5,713	7,257

30. INTEREST-BEARING BORROWINGS (continued)

The other assets represent other long term assets, trade and bills receivables and prepayments, deposits and other receivables.

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 2011 are as follows:

	2011 RMB million	2010 RMB million
Principal amount	**5,000**	5,000
Notes issuance cost	**(39)**	(39)
Proceeds received	**4,961**	4,961
Accumulated amortised amounts of notes issuance cost	**27**	13
	4,988	4,974

30. INTEREST-BEARING BORROWINGS (continued)

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
Bank loans repayable:				
Within one year or on demand	**1,980**	2,399	**58**	25
In the second year	**202**	503	**—**	—
In the third to fifth years, inclusive	**600**	481	**—**	—
Beyond five years	**24**	331	**—**	—
	2,806	3,714	**58**	25
Medium term notes repayable:				
Within one year	**2,994**	—	**2,994**	—
In the second year	**1,994**	2,984	**1,994**	2,984
In the third year	**—**	1,990	**—**	1,990
	4,988	4,974	**4,988**	4,974
Other loans repayable:				
Within one year or on demand	**1,019**	872	**—**	—
	8,813	9,560	**5,046**	4,999

The carrying amounts of the interest-bearing borrowings approximates to their fair values.

31. 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 2011:					
Current portion	123	1,293	—	1,416	38
Non-current portion	—	—	37	37	—
	123	1,293	37	1,453	38
At 31 December 2010:					
Current portion	135	997	—	1,132	26
Non-current portion	—	—	69	69	—
	135	997	69	1,201	26

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

31. 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 2010	146	701	102	949	16
Provision during the year	—	909	—	909	23
Utilised	(11)	(613)	(33)	(657)	(13)
At 31 December 2010 and 1 January 2011	135	997	69	1,201	26
Provision during the year	—	1,026	—	1,026	24
Utilised	(12)	(718)	(32)	(762)	(12)
Loss of control in a jointly-controlled entity's subsidiary	—	(12)	—	(12)	—
At 31 December 2011	123	1,293	37	1,453	38

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 its 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.

32. GOVERNMENT GRANTS

The movements of the government grants are analysed as follows:

	RMB million
At 1 January 2010	94
Received during the year	442
Recognised as other income during the year (note 5)	(379)
At 31 December 2010 and 1 January 2011	157
Received during the year	571
Recognised as other income during the year (note 5)	(457)
At 31 December 2011	271

33. 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	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
Within three months	**21,503**	22,206	**1,021**	678
More than three months but within one year	**1,132**	1,109	**156**	119
More than one year	**420**	519	**6**	6
	23,055	23,834	**1,183**	803

33. TRADE PAYABLES (continued)

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
DMC and its subsidiaries and associates	**351**	383	**24**	18
Joint venture partners and their holding companies, subsidiaries, jointly-controlled entities and associates	**3,187**	3,790	**—**	—
Associates	**672**	209	**352**	38
A non-controlling shareholder of a jointly-controlled entity's subsidiary	**9**	1	**—**	—
	4,219	4,383	**376**	56

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

34. BILLS PAYABLE

The maturity profile of the bills payable is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
Within three months	**5,533**	5,066	**95**	—
More than three months but within one year	**4,445**	5,301	**52**	—
	9,978	10,367	**147**	—

35. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
Advances from customers	**5,310**	6,783	**404**	163
Accrued salaries, wages and benefits	**2,447**	2,543	**152**	198
Other payables	**12,355**	10,047	**802**	652
	20,112	19,373	**1,358**	1,013

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
DMC and its subsidiaries, jointly-controlled entities and associates	**349**	276	**7**	—
Joint venture partners and their holding companies and subsidiaries	**2,727**	1,692	**—**	—
A non-controlling shareholder of a jointly-controlled entity's subsidiary	**2**	3	**—**	—
Associates	**58**	7	**—**	—
	3,136	1,978	**7**	—

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

36. 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	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
Within one year	**149**	143	**26**	25
After one year but not more than five years	**326**	513	**105**	100
More than five years	**1,834**	1,540	**947**	921
	2,309	2,196	**1,078**	1,046

(b) Capital commitments

In addition to the operating lease commitments detailed in note 36(a) above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group		Company	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
Contracted, but not provided for:				
Property, plant and equipment	**3,821**	2,296	**15**	77
Authorised, but not contracted for:				
Property, plant and equipment	**1,509**	2,471	**—**	—

37. CONTINGENT LIABILITIES

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB million	RMB million	**RMB million**	RMB million
Bank acceptance bills discounted with recourse	**4,522**	572	**149**	123
Bank acceptance bills endorsed with recourse	**6,157**	4,941	**—**	—
Guarantees given to banks in connection with facilities granted to the following parties at nil consideration:				
— Subsidiaries	**—**	—	**375**	200
— Jointly-controlled entities	**471**	576	**897**	1,153
— Associates	**15**	15	**—**	—
	11,165	6,104	**1,421**	1,476

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 2010 and 2011.

As at 31 December 2011, 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 RMB1,272 million (2010: RMB1,353 million), and the banking facilities guaranteed by the Group to the jointly-controlled entities and associates were utilised to the extent of approximately RMB486 million (2010: RMB591 million).

38. 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	2011 RMB million	2010 RMB million
Purchases of automotive parts/raw materials from:	(i)		
— DMC and its subsidiaries and associates		2,780	2,341
— Joint venture partners and their holding companies, fellow companies, subsidiaries, jointly-controlled entities and associates		33,560	23,355
— Associates		2,636	1,779
— Jointly-controlled entities		8,638	6,433
— Non-controlling shareholders of jointly-controlled entities' subsidiaries		54	76
		47,668	33,984
Purchases of automobiles from:	(i)		
— DMC's associate		389	—
— Joint venture partners and their holdings companies, jointly-controlled entities and associates		90	110
— Associates		644	231
— Jointly-controlled entities		824	909
		1,947	1,250
Purchases of water, steam and electricity from:	(i)		
— DMC		1,091	1,103
— Joint venture partner' s jointly-controlled entity		34	38
		1,125	1,141

38. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Note	2011 RMB million	2010 RMB million
Purchases of items of property, plant and equipment from:	(i)		
— DMC and its subsidiaries and associates		**106**	691
— Joint venture partners and their holding companies		**685**	308
— Jointly-controlled entities		**115**	132
— Associates		**74**	13
		980	1,144
Rental expenses to DMC and its subsidiaries,		**232**	227
Purchases of services from:	(i)		
— DMC and its subsidiaries		**684**	123
— Joint venture partners and their holding companies and subsidiaries		**124**	142
— Jointly-controlled entities		**1**	—
— Associates		**1,087**	19
— Non-controlling shareholders of jointly-controlled entities' subsidiaries		**1**	—
		1,897	284
Payment of royalty fee and other expenses to:	(i)		
— Joint venture partners and their holding companies and subsidiaries		**4,483**	3,870
— Non-controlling shareholders of jointly-controlled entities' subsidiaries		**80**	—
		4,563	3,870

38. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Note	2011 RMB million	2010 RMB million
Sales of automotive parts/raw materials to:	(i)		
— DMC and its subsidiaries, jointly-controlled entities and associates		**393**	369
— Joint venture partners and their holding companies and fellow companies		**15,833**	17,426
— Jointly-controlled entities		**2,280**	1,754
— Associates		**226**	91
— A non-controlling shareholder of a jointly-controlled entity's subsidiary		**—**	16
		18,732	19,656
Sales of automobiles to:	(i)		
— DMC's subsidiaries		**1,585**	1,085
— Joint venture partners and their holding companies		**147**	35
— Jointly-controlled entities		**8**	—
— Associates		**778**	626
		2,518	1,746
Provision of services to:	(i)		
— DMC's associate		**2**	—
— Joint venture partners and their holding companies		**17**	29
— Jointly-controlled entities		**34**	9
— An associate		**3**	1
		56	39
Rental income from:	(i)		
— DMC's subsidiary		**12**	12
— Joint venture partners and their fellow companies		**20**	20
— Jointly-controlled entities		**3**	—
		35	32
Sales of fixed assets to a DMC's subsidiary		**40**	—

38. 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 22, 24, 27, 30, 33 and 35 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 25 to the financial statements.

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

	2011 RMB'000	2010 RMB'000
Short term employee benefits	**15,768**	9,636
Post-employment benefits	**726**	587
Total compensation paid to key management personnel	**16,494**	10,223
Stock appreciation right credit recognised in the income statement	**—**	—
	16,494	10,223

Further details of the directors' emoluments are included in note 8 to the financial statements.

39. 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:

2011

Group

Financial assets

	Loans and receivables RMB million	Available-for-sale financial assets RMB million	Total RMB million
Available-for-sale financial assets	—	306	306
Trade receivables	2,623	—	2,623
Bills receivable	16,977	—	16,977
Financial assets included in prepayments, deposits and other receivables	3,841	—	3,841
Due from jointly-controlled entities	1,452	—	1,452
Pledged bank balances and time deposits	1,848	—	1,848
Cash and cash equivalents	42,899	—	42,899
	69,640	306	69,946

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB million
Trade payables	23,055
Bills payable	9,978
Financial liabilities included in other payables and accruals	12,355
Due to jointly-controlled entities	1,551
Interest-bearing borrowings	8,813
	55,752

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

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

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2011

Company

Financial assets

	Loans and receivables RMB million	Available-for-sale financial assets RMB million	Total RMB million
Available-for-sale financial assets	—	68	68
Trade receivables	423	—	423
Bills receivable	396	—	396
Financial assets included in prepayments, deposits and other receivables	2,550	—	2,550
Due from jointly-controlled entities	3,409	—	3,409
Cash and cash equivalents	14,019	—	14,019
	20,797	68	20,865

Financial liabilities

	Financial liabilities at amortised cost RMB million
Trade payables	1,183
Bill payables	147
Financial liabilities included in other payables and accruals	802
Due to jointly-controlled entities	855
Interest-bearing borrowings	5,046
	8,033

39. 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 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
2011	**1**	**49**
2010	1	31

40. 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 ("US$"), 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 US$, 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	
	2011	2010
	RMB million	RMB million
If RMB strengthens against US$ by 1%	**35**	27
If RMB weakens against US$ by 1%	**(35)**	(27)
If RMB strengthens against Euro by 1%	**7**	4
If RMB weakens against Euro by 1%	**(7)**	(4)
If RMB strengthens against JPY by 1%	**2**	2
If RMB weakens against JPY by 1%	**(2)**	(2)

40. 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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2011				
	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	5,993	2,196	600	24	8,813
Trade payables	23,055	—	—	—	23,055
Bills payable	9,978	—	—	—	9,978
Other payables	12,355	—	—	—	12,355
Due to jointly-controlled entities	1,551	—	—	—	1,551
Guarantees given to banks in connection with facilities granted to jointly-controlled entities and associates	486	—	—	—	486
	53,418	2,196	600	24	56,238

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group (continued)

	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 and associates	591	—	—	—	591
	49,696	3,487	2,471	331	55,985

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2011 and 2010.

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

	2011 RMB million	2010 RMB million
Interest-bearing borrowings	**8,813**	9,560
Less: Cash and cash equivalents	**(42,899)**	(41,404)
Net debt	**(34,086)**	(31,844)
Equity	**46,394**	37,494
Net debt to equity ratio	**(73.47%)**	(84.9%)

41. COMPARATIVE FIGURES

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised IFRSs during the current year, the presentation of certain items and balances in the financial statements have been revised or added to comply with the new requirements.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2012.

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				
	2011	2010	2009	2008	2007
	RMB million	RMB million	RMB million	RMB million	RMB million
RESULTS					
Revenue — Sale of goods	**131,441**	122,395	91,758	70,569	59,318
Cost of sales	**(105,051)**	(96,033)	(74,274)	(58,688)	(49,503)
Gross profit	**26,390**	26,362	17,484	11,881	9,815
Other income	**2,853**	2,322	1,520	1,228	935
Selling and distribution costs	**(6,275)**	(6,417)	(4,297)	(3,379)	(2,642)
Administrative expenses	**(3,641)**	(3,580)	(3,138)	(2,655)	(2,569)
Other expenses, net	**(4,943)**	(4,171)	(3,110)	(1,970)	(1,432)
Finance costs	**(402)**	(229)	(245)	(393)	(365)
Share of profits and losses of associates	**379**	296	195	95	69
Profit before tax	**14,361**	14,583	8,409	4,807	3,811
Income tax	**(3,401)**	(3,006)	(1,671)	(647)	(202)
Profit for the year	**10,960**	11,577	6,738	4,160	4,013
Attributable to:					
Equity holders of the parent	**10,481**	10,981	6,250	3,955	3,746
Non-controlling interests	**479**	596	488	205	267
	10,960	11,577	6,738	4,160	4,013

	As at 31 December				
	2011	2010	2009	2008	2007
	RMB million	RMB million	RMB million	RMB million	RMB million
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**117,533**	110,622	85,689	60,449	52,340
Total liabilities	**(67,949)**	(69,286)	(55,134)	(35,557)	(31,932)
Non-controlling interests	**(3,190)**	(3,842)	(3,271)	(2,837)	(2,686)
	46,394	37,494	27,284	22,055	17,722

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 Related Information

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR 2011

NOTICE IS HEREBY GIVEN that an Annual General Meeting (the "AGM") of Dongfeng Motor Group Company Limited (the "Company") for the year 2011 will be held at 9:00 a.m. on Thursday, 21 June 2012 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 2011.

2. To consider and approve the report of the supervisory committee for the year ended 31 December 2011.

3. To consider and approve the international auditors' report and audited financial statements for the year ended 31 December 2011.

4. To consider and approve the profit distribution proposal of the Company for the year ended 31 December 2011, and authorise the Board to deal with all issues in relation to the Company's distribution of final dividend for the year 2011.

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 2012 at its sole discretion (including, but not limited to, determining whether to distribute interim dividend for the year 2012).

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 2012 to hold office until the conclusion of annual general meeting for the year 2012, 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 2012.

II. As special resolutions:

8. 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 purpose 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.

By order of the Board
Xu Ping
Chairman

25 April 2012, 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 Tuesday, 22 May 2012 to Thursday 21 June 2012, 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 Monday, 21 May 2012.

2. Eligibility for receiving final dividend and closure of register of members for H shares

   The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. If such proposed dividend distribution is approved by the shareholders, the final dividend will be distributed to those shareholders whose names appear on the register of members of the Company on Wednesday, 4 July 2012. The Register of Members will be closed from Wednesday, 27 June 2012 to Wednesday, 4 July 2012 (both days inclusive). In order to be entitled to the final dividend, H shares shareholders who have not registered the transfer documents are required to 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, Wan Chai, Hong Kong at or before 4:30 p.m. on Tuesday, 26 June 2012.

3. 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 2012.

   (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.

4. 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 Thursday, 31 May 2012 by hand, by post or by fax.

5. 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 principle 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: (8627) 84285041
Fax: (8627) 84285057

7th 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 7th 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 2012 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 is 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

27 March 2012

The Seventh Meeting of The Third Session of Board of Directors of Dongfeng Motor Group Company Limited

Resolutions in relation to Annual Report

To: Annual general Meeting

The following resolutions in relation to annual report have been approved at the seventh meeting of the third session of board of directors of Dongfeng Motor Group Company Limited ("Company") and will be proposed at the annual general meeting of the Company for consideration:

1. To consider and, if thought fit, to approve the independent auditors' report and audited financial statements for the year ended 31 December 2011.

2. To consider and approve the report of the board of directors of 2011.

3. To consider and approve the results announcement of the Company of 2011.

4. To approve a dividend of approximately RMB1,551 million, or RMB0.18 per ordinary share, for 2011 to shareholders of the Company.

5. To authorized the board of directors to deal with any matters in relation to the distribution of the interim dividends for 2012 as they thing fit, including but not limited to the determination of distribution of interim dividends for 2012.

6. To approve the reappointment of Ernst & Young as the Company's overseas auditors and Ernst & Young Hua Ming as the Company's PRC auditors for 2012 for a term until the conclusion of the next annual general meeting, and the authorisation of the board of directors to fix their remunerations.

The above resolutions will be submitted to the Annual General Meeting for shareholders' consideration.

Board of Directors
Dongfeng Motor Group Company Limited

27 March 2012

7th 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 7th 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

27 March 2012

The 4th 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 4th 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 2011 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

27 March 2012

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 2011
"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
"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 losses
"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)
"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.