東風汽車集團股份有限公司

DONGFENG MOTOR GROUP COMPANY LIMITED*

Stock Code: 489

2013

Annual Report

*For reference only

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Dongfeng Motor Group Company Limited
2013 Annual Report

Corporate Profile

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

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

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

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

As at 31 December 2013, the Company has 17 major subsidiaries, joint ventures and other companies in which the Company has direct equity interests, all of which constitute the 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.

The Company has entered into a framework agreement on 26 January 2013 with Nissan Motor Co., Ltd., Nissan (China) Investment Co., Ltd. and Dongfeng Motor Co. Ltd. Under the provisions and principles of the framework agreement, the Company, Dongfeng Commercial Vehicles Co., Ltd., China Dongfeng Motor Industry Imp. & Exp. Co., Ltd. and Dongfeng Motor Co. Ltd. entered into various agreements, pursuant to which the Company, Dongfeng Commercial Vehicles Co., Ltd. and China Dongfeng Motor Industry Imp. & Exp. Co., Ltd. will acquire certain commercial vehicle business, including assets and equity, of Dongfeng Motor Co., Ltd. for a total consideration of approximately RMB11,712,837,000 (equivalent to approximately HK$14,602,393,888). For details, please refer to the announcement of the Company dated 27 January 2013. As at 30 June 2013, the Company, Dongfeng Commercial Vehicles Co., Ltd., China Dongfeng Motor Industry Imp. & Exp. Co., Ltd. and Dongfeng Motor Co. Ltd. have completed the transaction or transfer of relevant assets and equity.

On 26 January 2013, the Company entered into the Cooperation Master Agreement with Volvo (AB Volvo) for the establishment of a capital strategic alliance. Pursuant to the Equity Transfer Agreement under the Cooperation Master Agreement, the Company will dispose 45% of the Company's equity interest in the Dongfeng Commercial Vehicle Co., Ltd. for a consideration of approximately RMB5,608,000,000 (equivalent to approximately HK$6,991,493,600). For details, please refer to the announcement of the Company dated 27 January 2013. The transaction between the Company and Volvo (AB Volvo) in connection with 45% equity interests of Dongfeng Commercial Vehicle Co., Ltd. has been approved by the government.

Corporate Profile

In December 2013, the Company and Renault S.A. entered into a joint venture contract to form a capital strategic alliance between the Company and Renault S.A. According to the joint venture contract, the Company and Renault S.A. shall establish Dongfeng Renault Automotive Company Limited, a joint venture company with a registered capital of RMB4,706,303,466. The Company and Renault S.A. shall each hold 50% of the equity interests of the joint venture company. For details, please refer to the announcement of the Company dated 5 December 2013. Dongfeng Renault Automotive Company Limited was established and has commenced operation.

On 26 March 2014, the Company entered into a master agreement on equity subscription with the French Republic, EPF, FFP and PSA, pursuant to which, the Company will subscribe for Shares to be issued pursuant to the PSA Reserved Capital Increase in an amount of 523,999,995 Euros and shares to be issued pursuant to the PSA Rights Issue in an amount not exceeding approximately 276 million Euros. For details, please refer to the announcement of the Company dated 27 March 2014.

In 2013, 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 2013 for your review.

The PRC auto industry achieved rapid growth in 2013. Annual sales volume of domestic automobile manufacturers exceeded 20,000,000 units for the first time, increasing to approximately 21,984,100 units by approximately 13.9% over last year. Sales volume of passenger vehicles and commercial vehicles were approximately 17,928,900 units and 4,055,200 units, representing increases of approximately 15.7% and 6.4% over last year, respectively. The growth in segments was remarkable, particularly SUVs, MPVs and heavy trucks, which grew by 49.4%, 164.5% (partly due to changes in calculation method) and 21.7% over last year, respectively.

In 2013, the auto market in China grew faster than expected, which was mainly attributable to the following reasons. Firstly, the market base became relatively low after the slow market adjustment in 2011 and 2012. Coupled with rising demands, the auto market growth picked up momentum. Secondly, the sales of Japanese-brand vehicles affected by the Diaoyu Islands incident in September 2012 revived gradually to the pre-incident level as at the end of 2013, which stabilized the overall market and boosted its growth. Thirdly, as the general economic situation has bottomed out and stabilized, the commercial vehicles market maintained steady growth. Customers purchased commercial vehicles in advance of the implementation of the State IV Emission Standards. Fourthly, the rapid growth of various market segments, including the SUV, MPV and heavy truck markets, further boosted the growth of the whole industry, and these market segments will continue to maintain their growth rates above the average industry level.

Aggregate number of vehicles sold by Dongfeng Motor Group in 2013 was approximately 2,567,700 units, representing an increase of approximately 19.1% over the corresponding period of last year, and the market share was approximately 11.7%, representing an increase of 0.52 percentage point over the corresponding period of last year. The numbers of passenger vehicles and commercial vehicles sold were approximately 2,118,500 units and 449,200 units, representing an increase of approximately 21.7% and 8.3%, respectively, over the corresponding period of last year. The monthly growth of sales of Dongfeng Motor Group rebounded over the year. Bottoming out from the negative growth in 2012, the growth of sales of the Group caught up with the overall industry level and outperformed its peers in the fourth quarter of 2013. Annual production and sales targets and planned increment of market shares were over-accomplished. The growth trend of production and sales in the year was mainly attributable to the gradual recovery of Japanese-brand market from the beginning of the year, the impact of the launch of new vehicle models on the production and sales progress as well as the recovery and growth of heavy trucks since mid-2013.

As the amendment to the International Financial Reporting Standards in relation to joint venture arrangement has taken effect since 2013, the Group adopted equity method for joint ventures instead of proportionate consolidation method to consolidate the joint ventures when preparing the consolidated financial statement for the year beginning on or after 1 January 2013. For the convenience of the shareholders and investors to read and understand its financial data, the Group will disclose certain financial data of joint ventures and simulation of financial data using the proportionate consolidation method in this annual report and subsequent annual reports, except the financial report. In accordance with the revised accounting

standard, the sales revenue of the Group for 2013 was approximately RMB37,263 million, representing an increase of approximately 511.9% as compared with the restated figures of the corresponding period of 2012. Based on the proportionate consolidation method, the sales revenue of the Group for the year would be approximately RMB161,253 million, representing an increase of approximately 30.0% as compared with the corresponding period of last year, and the sales revenues of passenger vehicles and commercial vehicles were approximately RMB116,539 million and RMB43,191 million, representing increases of approximately 21.3% and 61.0% as compared with the corresponding period of last year, respectively. In 2013, profit attributable to shareholders was approximately RMB10,528 million, representing an increase of approximately 15.8% as compared with the corresponding period of last year.

In 2013, the overall auto market in China was on a rapid growth track with intensified competition and fragmented brands and segments. Although the momentum was expected to maintain, factors such as energy supply, environmental pollution, traffic congestion and policy adjustment may bring unpredictable fluctuations and uncertainties to the market. In the face of the continuous growth, ample market opportunities as well as the challenging and complicated market environment, Dongfeng Motor Group exerted its efforts in the following aspects in 2013 to ensure all operating targets were achieved as planned.

1. The Group implemented plans to maintain growth, which focused on the recovery of Japanese-brand market. It also strived for the recovery of production, sales and market shares as aggregate growth in sales had stayed below the industry level since September 2012.

2. The Group strengthened business of its brand name and continued to enhance its innovation capabilities, realizing the rapid growth of proprietary brands and joint venture brands such as Dongfeng Fengshen, Dongfeng Future, Dongfeng Nissan and Venucia. Research and development capabilities were further enhanced and development of human resources was enriched and consolidated.

3. The Group launched strategic new models, including 3008, New Teana (新世代天籟) and Jade (杰德) , as scheduled in line with market demands. Satisfactory sales were recorded. Innovative marketing modes, in particular the target-driven marketing strategy invented by Dongfeng Nissan, were adopted to achieve the production and sales targets of the year.

4. The Group continued to implement management improvement plan and strengthened control over costs and expenses. Financial and management transformation was expedited to optimize operation and management and ensure better financial results attributable to the growth of production and sales.

5. The Group formulated new strategies and implemented new business plans as scheduled, including the restructuring of the medium and heavy commercial vehicle business, the entering of joint venture agreement with Volvo, the set-up of joint venture with Renault S.A. and the establishment of Dongfeng–Renault S.A.–Nissan alliance in China.

Currently, the overall auto market in China, especially the passenger vehicles market, is ever-chaning. Continuous market growth will be propelled by consumption. Imbalanced economic development and cultural and regional differences will result in market diversification while

Chairman's Statement

new consumption groups are emerging with distinctive demands. Coupled with resources limitation, environmental protection pressure and market impacts of international politics, there will be intensified market competition and more uncertainties. It will be more difficult to predict market movement and fluctuation, hindering the implementation of sustainable marketing.

In addition, the structural reform of the economy of China will enter into a new phase where the role of the government will be changed and the market will be a decisive element in resources allocation. More private capital will be invested in state-owned enterprises to achieve equity diversification reform. The traditional mode of economic expansion is no longer sustainable. The PRC economy will shift to a new development mode driven by technology advancement, information technology and consumption.

In view of the complicated industry environment and ever-changing global economy, Dongfeng Motor Group will enhance its reform and innovation efforts for efficient business optimization and resources allocation in 2014 and in the future. Management procedures and performance management system will be refined to improve the performance appraisal mechanism of all business units and segments. The Group will reinforce comprehensive budget management and continue its cost control of the whole value chain. It will enrich its product mix and increase investment in research and development to enhance product competitiveness. Further market development efforts will be made through the transformation of marketing mode. It will strive to establish new leading advantages by strengthening cooperation, merger, acquisition and restructuring and expediting major strategic projects. The Group will also optimize its organizational structure and integrate core resources to facilitate the development of self-owned technology and brands. The Group will speed up its overseas expansion strategies and improve overseas business mode. Efforts will be stepped up for the development of value chain business of automobile and the financial business system in order to transform its profit-making model. It will place emphasis on safe production, energy saving and emission reduction with a view to fulfilling its corporate social responsibilities.

All the directors of the Company believe that the above efforts will help to lay a foundation for the sustainable and healthy growth of Dongfeng Motor Group. Every member of the Board of this session will be committed to creating better return for the shareholders and contributing to the society.

Xu Ping
Chairman

28 March 2014

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. As at the end of 2013, the Dongfeng Motor Group's commercial vehicle business is principally operated by Dongfeng Commercial Vehicles Co., Ltd. (for details of the acquisition and reorganization of commercial vehicles business, please refer to the announcement of the Company dated 27 January 2013), Dongfeng Motor Co., Ltd, a joint venture between the Company and Nissan Motor Co. Ltd (through Nissan (China) Investment Co, Ltd) and Dongfeng Liuzhou Motor Co., Ltd. Pursuant to an agreement dated 26 January 2013 (for details of the joint venture with AB Volvo, please refer to the announcement of the Company dated 27 January 2013), Dongfeng Commercial Vehicles Co., Ltd. will become a joint venture company between the Company and AB Volvo.

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 (a joint venture between the Company and the PSA Peugeot Citroën Group), and Dongfeng Honda Automobile Co., Ltd (a joint venture between the Company and Honda Motor Co., Ltd (partly through Honda Motor (China) Investment Co, Ltd) and Dongfeng Liuzhou Motor Co., Ltd.. The passenger vehicle engines and auto parts business of the Dongfeng Motor Group is principally operated by the Company (through Dongfeng Passenger Vehicles Company), 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 Passenger Vehicles Company, Dongfeng Electrical Motor Joint Stock Co., Ltd and Dongfeng Motor 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 Motor Finance Co., Ltd, a wholly-owned subsidiary of the Company (for details of the acquisition of equity interest in Dongfeng Motor Finance Co., Ltd., please refer to the announcement of the Company dated 27 January 2013), Dongfeng Nissan Auto Finance Co., Ltd (a joint venture company between the Company and Nissan Motor Co. Ltd) and Dongfeng Peugeot Citroën Auto Finance Co., Ltd (a joint venture company between French Peugeot Citroën Hotland Finance Co., Ltd, Dongfeng Peugeot Citroën Automobiles Company Ltd and the Company).

Business Overview

1. Commercial vehicles

As at 31 December 2013, the members of the Dongfeng Motor Group produced 41 series of commercial vehicles, including 34 series of trucks and 7 series of buses. The commercial vehicles of the Dongfeng Motor Group are mainly manufactured by Dongfeng Commercial Vehicles Co., Ltd., Dongfeng Motor Co., Ltd and Dongfeng Liuzhou 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 Commercial Vehicles Co., Ltd. and Dongfeng Motor Co., Ltd (through 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 2013, the members of the Dongfeng Motor Group produced 43 series of passenger vehicles, including 28 series of sedan, 7 series of MPV and 8 series of SUV. The passenger vehicles manufactured by the Dongfeng Motor Group are sold through eight 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 Company (through Dongfeng Passenger Vehicles Company), its subsidiaries and joint venture of Dongfeng.

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. Finance

The financial business of Dongfeng Motor Finance Co., Ltd., Dongfeng Nissan Auto Finance Co., Ltd. and Dongfeng Peugeot Citroën Auto Finance Co., Ltd mainly includes the collective fund management of Dongfeng Motor Group, deposits from members or shareholders of Dongfong Motor Group; loans and entrusted loans for members; acceptance and discounting of bills for members; settlement between members; loans to other companies in the industry; advances to distributors; sales credit, buyer credit and finance lease for products of members.

4. 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. In addition to the above businesses, the Dongfeng Motor Group is also engaged in the import/export of vehicles and equipment, 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 2013, the production and sales volumes for whole vehicles of the Dongfeng Motor Group were 2,572,438 units and 2,567,655 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 2013. 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 2013:

	No. of units produced (units)	No. of units sold (units)	Market share in terms of sales volume (%)[1]
Commercial Vehicles	430,392	449,204	11.1
Trucks	386,132	405,242	11.6
Buses	44,260	43,962	7.9
Passenger Vehicles	2,142,046	2,118,451	11.8
Basic passenger cars	1,476,612	1,454,574	12.1
MPVs	274,628	270,647	20.7
SUVs	386,657	387,981	13.0
Cross type	4,149	5,249	0.3
Total	2,572,438	2,567,655	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 segments in domestic market in 2013

	No. of units sold by Dongfeng Motor Group (units)	Ranking in Domestic market[2]
Heavy trucks	159,174	1
Medium trucks	66,016	1
Basic passenger cars	1,454,574	3
MPVs	270,647	2
SUVs	387,981	2

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 2013, the sales revenue of the Group was approximately RMB37,263 million.

Business	Sales revenue (RMB million)	Contribution to the Group's sales revenue (%)
Passenger vehicles	11,905	32.0
Commercial vehicles	24,527	65.8
Others	831	2.2
Total	37,263	100

The pro forma combined revenue of the Group for the year ended 31 December 2013 is as follows:

Business	Sales revenue (RMB million)	Contribution to the Group's sales revenue (%)
Passenger vehicles	116,539	72.3
Commercial vehicles	43,191	26.8
Others	1,523	0.9
Total	161,253	100

III. Sales and Service Networks

As at the end of 2013, the sales and after-sales services of motor vehicles of the Dongfeng Motor Group are provided through sales and service networks under 12 brands in China. Each of these 12 sales and service networks provides sales and after-sales services of vehicles of a particular whole vehicle manufacturing unit and is independently managed by the relevant whole vehicle manufacturing units, 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. (Dongfeng Automobile Co., Ltd.)	Dongfeng (high-end light truck, light truck, mini truck, pickup)	2,069	2,267	31
Dongfeng Liuzhou Motor Co., Ltd.	Dongfeng (heavy and medium truck)	340	750	30
Dongfeng Commercial Vehicles Co., Ltd.	Dongfeng (heavy and medium truck)	823	3,115	31
Dongvo (Hangzhou) Truck Co., Ltd	Dongfeng Nissan Diesel	14	14	14

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

	Brand names	No. of sales outlets	No. of after-sales service outlets	No. of provinces covered
Dongfeng Peugeot Citroën Automobiles Company Ltd	Dongfeng Citroën	569	566	31
Dongfeng Peugeot Citroën Automobiles Company Ltd	Dongfeng Peugeot	410	410	31
Dongfeng Motor Co., Ltd (Dongfeng Nissan Passenger Vehicle Company)	Dongfeng Nissan	1,184	968	31
Dongfeng Motor Co., Ltd (Dongfeng Nissan Passenger Vehicle Company)	Venucia	556	382	31
Dongfeng Liuzhou Motor Co., Ltd	Dongfeng Future	1,008	607	31
Dongfeng Honda Automobile Co., Ltd	Dongfeng Honda	378	378	31
Zhengzhou Nissan Automobile Co., Ltd	Zhengzhou Nissan	907	389	31
Dongfeng Passenger Vehicles Company	Dongfeng Fengshen	817	473	31

[3] The above sales and service networks include sales and service centres of tier-1, tier-2 and other levels and centres with single function.

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

As at 31 December 2013, the total whole vehicle production capacity of the Dongfeng Motor Group was approximately 2,930,000 units. The total production capacity of engines was approximately 2,890,000 units, among which the production capacities of commercial vehicles and commercial vehicle engines were approximately 600,000 units and 370,000 units respectively; the production capacities of passenger vehicles and passenger vehicle engines were approximately 2,330,000 units and approximately 2,520,000 units, respectively.

The following table shows the production capacity distribution of vehicles and engines of the Dongfeng Motor Group as at 31 December 2013.

1. Production capacity of commercial vehicles

1.1 Whole vehicle

Company	Production capacity ('000 units)
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	250
Dongfeng Commercial Vehicle Co., Ltd.	240
Dongfeng Luizhou Motor Co., Ltd.	100
Dongvo (Hangzhou) Truck Co., Ltd	1
Dongfeng Special Commercial Vehicle Co., Ltd.	10

1.2 Engines

Company	Production capacity ('000 units)
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	280
Dongfeng Commercial Vehicle Co., Ltd.	90

2. Production capacity of passenger vehicles

2.1 Whole vehicle

Company	Production capacity ('000 units)
Dongfeng Motor Co., Ltd.	1,150
Dongfeng Luizhou Motor Co., Ltd.	100
Dongfeng Peugeot Citroën Automobiles Company Ltd	600
Dongfeng Honda Automobile Co., Ltd	360
Dongfeng Passenger Vehicles Company	120

2.2 Engines

Company	Production capacity ('000 units)
Dongfeng Motor Co., Ltd.	990
Dongfeng Peugeot Citroën Automobiles Company Ltd	600
Dongfeng Honda Automobile Co., Ltd	340
Dongfeng Passenger Vehicles Company	60
Dongfeng Honda Engines Co., Ltd.	530

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 the end of 2014, the production capacity of whole vehicles is expected to reach approximately 3,050,000 units.

V Investment in 2013 and Investment Plan for the Next Two Years

In 2013, 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 RMB14,375 million (including all members of Dongfeng Motor Group), 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 RMB18,000 million (including all members of Dongfeng Motor Group) in 2014 and 2015 respectively.

VI Research and Development and Intellectual Property

1. New Products Development and Research and Development

(1) Commercial Vehicles

Balong M7 heavy truck was successfully developed and launched. The competitiveness of commercial vehicles, including Tianlong, Tianjin, Captain T01, Duolika, Yufeng and NV200, were also improved through weight reduction, performance enhancement, quality improvement and simplification of production process. The sales volume of medium and heavy trucks of Dongfeng Motor Group in 2013 recorded a significant increase. The market share of heavy trucks regained its leading position and that of the medium trucks remained the top among its rivals. Furthermore, each line of products of the Company had their development plan for a optimized product mix. In 2013, the development of the flagship product of heavy trucks of Dongfeng Motor Group, namely D760, the fourth generation light truck and a new generation of pickup was in progress. The Group has a strong pipeline of all types of commercial vehicles.

(2) Passenger Vehicles

In 2013, major new models or new generation of all lines of passenger vehicles of Dongfeng Motor Group were introduced to the market as scheduled. Upgraded new generations of major models of passenger vehicles, namely Dongfeng-Nissan Tenan and Dongfeng-Nissan Livina; a new model of Dongfeng Honda, Jade; Dongfeng Peugeot 3008 and Dongfeng Citroën C-Elysee; new model of Dongfeng Aeolus S30 and H30 cross; Dongfeng Fengxing Joyear X5-SUV; R50 Cross of Dongfeng Nissan Venucia were introduced to the market. All of the above passenger vehicle models are essential to Dongfeng Motor Group to maintain and enhance the brand recognition and sales of passenger vehicles. In particular, Dongfeng Nissan Venucia has ranked top among all autonomous passenger vehicles in China in terms of sales, representing an important milestone for Dongfeng Motor Group.

(3) Awards

In 2013, Dongfeng Motor Group won various prizes, including eight prizes of "China Automotive Industry Science and Technology Award" (中國汽車工業科學技術獎) (including 1 first prize, 1 second prize and 6 third prizes) and 3 prizes of "Science Technology Award of Hubei" (湖北省科學技術獎) (including 1 second prize), ranking the top in the industry in terms of number of awards and quality.

2. Product qualities and services

Dongfeng Motor Group has a comprehensive quality control system to identify and analyse the risk throughout the entire product cycle from product design, research and development, engineering, procurement, production, quality assurance, services to after-sales warranty. For the pre-production stage, Dongfeng Motor Group formulates quality control plan for the entire product cycle and determines all key processes for quality control. For the production stage, Dongfeng Motor Group continuously improves the quality control process to realize a seamless production process through standardized management. Dongfeng Motor Group refined its management by improving every details on the basis of quality standards in a scientific and quantitative manner.

For product warranty, the Group values the interests of customers and strives to refine its product and service warranty systems. Through the provision all weather online service across China, distributors and customers are promptly provided with responsive, efficient, accurate and quality warranty services.

VII Fulfilment of Social Responsibilities

1 Energy conservation and environment protection

In 2013, pursuing the environmental protection concept of manufacturing vehicles environmental-friendly and manufacturing environmental-friendly vehicles, Dongfeng Motor Group improved its systems and management. Through enhanced on-site supervision and innovative management, energy saving and environmental protection were carried out effectively. In particular, the centralized sewage treatment of Xiangyang base and base in Shiyan Xicheng Industrial Park was improved.

In 2013, the major indicators for energy conservation and emission reduction were satisfactory and the annual targets were accomplished. When compared with 2012, energy consumption, COD and SO_2 reduced by approximately 19.9%, 3.5% and 18.4%, respectively for every RMB10,000 increment in production.

2 Production safety

The production safety of Dongfeng Motor Group remained stable in 2013 and achieved management goal of production safety and annual control indicators. In 2013, there were 59 cases of production safety accidents, including 1 fatal, 4 serious and 54 minor cases, representing an increase of 1, a decrease of 4 and an increase of 11 cases as compared with 2012. The frequency of accidents was 0.45% and frequency of serious injuries was 0.03%, both of which were lower than control indicators.

3 Safeguard the legal rights of the employees

1. In order to protect the rights of employees, Dongfeng Motor Group has set up the employee congress. Corporate restructuring plans, employee arrangements and drafts of collective contracts shall be subject to the approval of the staff congress.

2. In order to provide channel for employees to express their demands, Dongfeng Motor Group improved its systems for communication and negotiation. Dongfeng Motor Group established and further refined its systems for the reporting of management and employee representatives, regular meetings of senior officers and the chairman of labor union and meetings of labor union and administrative departments.

3. Dongfeng Motor Group endeavoured to provide care and assistance to employees with difficulties, including basic assistance and special assistance.

VIII. Business Prospects

The domestic automobile industry will maintain steady growth in next three to five years. It is expected that the total sales volume of domestic automobiles will increased by 7% to 10% in 2014.

According to the forecast on future market trend and its development plan, Dongfeng Motor Group will launch approximately 29 new models of passenger vehicles (including upgraded models), such as medium-high sedans, compact sedans, SUV, MPV and sedans using new energy in next two years. Dongfeng Motor Group will also launch two series of heavy trucks of commercial vehicles. Sales mode of all business segments will be enhanced in order to achieve the production target of the new vehicle models. In addition, Dongfeng Motor Group will enhance the marketing of existing models with an aim to maintain stable sales volume of all products in their lifecycles. With all these efforts, Dongfeng Motor Group aims at achieving sales volume and production volume exceeding the overall industry level in 2014.

Dongfeng Motor Group will further enhance its operational efficiency and utilization rate of resources. Through improving its budget management and cost control, Dongfeng Motor Group strives to maintain its leading position in the industry in terms of costs, quality and revenue and present an outstanding financial results to reflect its operational achievements.

Management Discussion and Analysis

International Accounting Standards Committee issued IFRS 11 — Joint Arrangement in May 2011, which changed the regulation on the measurement of investors' equity in joint ventures by removing the option of proportionate consolidation when accounting for joint ventures and requiring the use of equity method.

Starting from this annual report, the financial information of the Group presented under the management discussion and analysis, including information for the corresponding period, is mainly based on proportionate consolidation for easy reference of readers when comparing with previous financial information. Certain data based on equity method will also be presented for reference.

The table sets forth the comparison of major financial information based on proportionate consolidation and equity method for easy reference of readers.

	The Group (based on proportionate consolidation) RMB million	Joint ventures RMB million	The Group (based on equity method) RMB million (Restated)
Revenue	161,253	(123,990)	37,263
Cost of sales	(129,353)	96,771	(32,582)
Other income	4,754	(3,473)	1,281
Selling and distribution costs	(9,590)	7,322	(2,268)
Administrative expenses	(5,527)	3,348	(2,179)
Other expenses, net	(6,310)	4,248	(2,062)
Finance costs	(231)	61	(170)
Share of profits and losses of:			
Joint ventures	—	11,176	11,176
Associates	452	(199)	253
Income tax	(3,989)	3,880	(109)
Profit for the year	11,459	(856)	10,603
Attributable to:			
Owners of the parent	10,528	—	10,528
Non-controlling interests	931	(856)	75
	11,459	(856)	10,603
Total assets	171,204	(55,206)	115,998
Total liabilities	(103,563)	51,599	(51,964)
Net assets	67,641	(3,607)	64,034
Equity attributable to equity holders of the parent	63,135	—	63,135
Non-controlling interests	4,506	(3,607)	899
	67,641	(3,607)	64,034

FINANCIAL RESULTS OVERVIEW

The revenue of the Group for the year based on proportionate consolidation was approximately RMB161,253 million, representing an increase of approximately RMB37,217 million, or 30.0%, when compared with approximately RMB124,036 million of last year. Profit attributable to shareholders of the Group for the year based on proportionate consolidation was approximately RMB10,528 million, representing an increase of approximately RMB1,436 million, or 15.8%, when compared with approximately RMB9,092 million for last year. Earnings per share was approximately RMB122.19 cents, representing an increase of approximately RMB16.67 cents, or 15.8%, when compared with approximately RMB105.52 cents for last year. During the year, net increase in cash and cash equivalents of the Group based on proportionate consolidation was approximately RMB10,625 million. Net cash inflow from operating activities, net cash outflow from investing activities and net cash outflow from financing activities amounted to approximately RMB16,035 million, RMB3,925 million and RMB1,485 million respectively.

Revenue

	2013		2012	
	Sales revenue (based on proportionate consolidation) RMB million	Sales revenue (based on equity method) RMB million	Sales revenue (based on proportionate consolidation) RMB million	Sales revenue (based on equity method) RMB million
Passenger vehicle	**116,539**	**11,905**	96,042	3,254
Commercial vehicle	**43,191**	**24,527**	26,831	2,784
Others	**1,523**	**831**	1,163	52
Total	**161,253**	**37,263**	124,036	6,090

The growth of automobile industry in China was stable in 2013 with a rapid increase in sales. A total of approximately 21,984,100 vehicles were sold during the year, representing an increase of approximately 13.9% over last year. Sales volume of passenger vehicles and commercial vehicles were approximately 17,928,900 units and 4,055,200 units respectively, representing an increase of approximately 15.7% and 6.4% over last year respectively.

In 2013, the Group managed to overcome various risks and challenges. The operation of the Group recorded higher growth than its peers in the industry. The total sales of the Group for the year were approximately 2,567,700 vehicles, representing an increase of approximately 19.1% over last year. Sales of passenger vehicles were approximately 2,118,400 units, representing an increase of approximately 21.7% over last year. Sales of commercial vehicles were approximately 449,300 units, representing an increase of

approximately 8.3% over last year. The Group had a market share of approximately 11.7% in terms of sales volume, representing an increase of approximately 0.5 percentage point over last year. The market share of its passenger vehicles was approximately 11.8%, representing an increase of approximately 0.6 percentage point over last year. The market share of its commercial vehicles was 11.1%, representing an increase of approximately 0.2 percentage point over last year.

During the year, the total sales revenue of the Group based on proportionate consolidation was approximately RMB161,253 million, representing an increase of approximately RMB37,217 million, or 30.0%, as compared with approximately RMB124,036 million of last year. Total sales revenue of the Group for the year based on equity method was approximately RMB37,263 million, representing an increase of RMB31,173 million, or 511.9%, as compared with approximately RMB6,090 million of last year.

The revenue from sales of passenger vehicles of the Group for the year based on proportionate consolidation increased by approximately RMB20,497 million, or 21.3%, to approximately RMB116,539 million from approximately RMB96,042 million of last year. The revenue from sales of whole passenger vehicles for the year increased by approximately RMB18,375 million, or 21.8%, to approximately RMB102,555 million from approximately RMB84,180 million of last year. Based on equity method, the revenue from sales of passenger vehicles for the year increased by approximately RMB8,651 million, or 265.9%, to approximately RMB11,905 million from approximately RMB3,254 million of last year.

The revenue from sales of commercial vehicles of the Group for the year based on proportionate consolidation increased by approximately RMB16,360 million, or 61.0%, to approximately RMB43,191 million from approximately RMB26,831 million of last year. The revenue from sales of whole commercial vehicles increased by approximately RMB13,963 million, or 63.3%, to approximately RMB36,026 million for the year from approximately RMB22,063 million of last year. Based on equity method, the revenue from sales of commercial vehicles for the year increased by approximately RMB21,743 million, or 781.0%, to approximately RMB24,527 million from approximately RMB2,784 million of last year.

Cost of sales and gross profit

The total costs of sales of the Group for the year based on proportionate consolidation was approximately RMB129,353 million, representing an increase of approximately RMB29,193 million, or 29.1%, when compared with approximately RMB100,160 million of last year.

The total gross profit of the Group for the year based on proportionate consolidation was approximately RMB31,900 million, representing an increase of approximately RMB8,024 million, or 33.6%, when compared with approximately RMB23,876 million for last year. The gross margin increased by 0.6 percentage points to approximately 19.8% for the year from approximately 19.2% of last year.

The total cost of sales of the Group for the year based on equity method was approximately RMB32,582 million, representing an increase of approximately RMB26,846 million, or 468.0%, when compared with approximately RMB5,736 million of last year. The gross margin increased by 6.8 percentage points to approximately 12.6% for the year from approximately 5.8% of last year.

The gross margin of passenger vehicles of the Group for the year based on proportionate consolidation increased by approximately 0.4 percentage point to approximately 21.2% for from approximately 20.8% of last year. The gross margin of whole passenger vehicles increased by approximately 0.5 percentage point to approximately 20.6% for the year from approximately 20.1% of last year. The increase was mainly attributable to: (1) the increase in the sales volume and the improvement in business structure as compared with last year; (2) the contribution from the launch of new commercial vehicles; and (3) the decrease in unit cost due to the effective cost control measures in the entire value chain of the Group.

The gross margin of commercial vehicles of the Group for the year based on proportionate consolidation increased by approximately 1.8 percentage points to approximately 14.5% from approximately 12.7% of last year. The gross margin of whole commercial vehicles of the Group increased by approximately 2.3 percentage points to approximately 14.6% for the year from approximately 12.3% of last year. The increase was mainly attributable to: (1) the increase in the sales volume and the improvement in business structure as compared with last year; and (2) the decrease in unit cost due to the effective cost control measures in the entire value chain of the Group.

Other incomes

The total other income of the Group for the year based on proportionate consolidation amounted to approximately RMB4,754 million, representing an increase of approximately RMB1,625 million as compared with approximately RMB3,129 million of last year.

Selling and distribution costs

The selling and distribution costs of the Group for the year based on proportionate consolidation increased by approximately RMB2,874 million to approximately RMB9,590 million from approximately RMB6,716 million of last year. The proportion of selling and distribution costs to the sales revenue increased by approximately 0.5 percentage point to approximately 5.9% from approximately 5.4% of last year. The increase was mainly attributable to the increase in investments for market expansion and advertisement and logistics expenses due to market expansion and improvement of product mix.

Administrative expenses

The total administrative expenses of the Group for the year based on proportionate consolidation increased by approximately RMB1,590 million to approximately RMB5,527 million from approximately RMB3,937 million of last year. The proportion of administrative expenses to the sales revenue increased by approximately 0.2 percentage point to approximately 3.4% from approximately 3.2% of last year. The increase was mainly attributable to the additional expenses of employees' compensation, depreciation and amortization.

Other expenses, net

The net other expenses of the Group for the year based on proportionate consolidation amounted to approximately RMB6,310 million, representing an increase of approximately RMB2,538 million as compared with approximately RMB3,772 million of last year. The increase was mainly attributable to the additional expenses of technology development.

Staff costs

The staff costs (including directors' and supervisors' emoluments) of the Group for the year based on proportionate consolidation amounted to approximately RMB9,263 million, representing an increase of approximately RMB3,015 million when compared with approximately RMB6,248 million of last year.

Depreciation charges

The depreciation charges of the Group for the year based on proportionate consolidation amounted to approximately RMB3,820 million, representing an increase of approximately RMB623 million when compared with approximately RMB3,197 million of last year.

Finance costs

The finance costs of the Group for the year based on proportionate consolidation amounted to approximately RMB231 million, representing a decrease of approximately RMB57 million when compared with approximately RMB288 million of last year.

Income tax

The income tax of the Group for the year based on proportionate consolidation amounted to approximately RMB3,989 million, representing an increase of approximately RMB1,070 million when compared with approximately RMB2,919 million of last year. The effective tax rate was approximately 25.8% for the year, representing an increase of approximately 2.8 percentage points when compared with 23.0% of last year.

Profit for the year

As a result of the above reasons, profit attributable to shareholders of the Group for the year based on proportionate consolidation amounted to approximately RMB10,528 million, representing an increase of approximately RMB1,436 million, or 15.8%, when compared with approximately RMB9,092 million of last year. Earnings per share was approximately RMB122.19 cents, representing an increase of approximately RMB16.67 cents, or 15.8%, when compared with approximately RMB105.52 cents of last year. The net profit margin (a percentage of profit attributable to shareholders of the Company to total revenue) was approximately 6.5%, representing a decrease of approximately 0.8 percentage point when compared with that of approximately 7.3% of last year. The return on net assets (a percentage of profit attributable to shareholders of the Company to average net assets) was approximately 18.0%, representing a decrease of approximately 0.1 percentage point when compared with that of approximately 18.1% of last year.

Total assets

Total assets of the Group for the year based on proportionate consolidation amounted to approximately RMB171,204 million, representing an increase of approximately RMB56,394 million when compared with approximately RMB114,810 million for last year.

Total liabilities

Total liabilities of the Group for the year based on proportionate consolidation amounted to approximately RMB103,563 million, representing an increase of approximately RMB46,386 million when compared with approximately RMB57,177 million of last year.

Total equity

Total equity of the Group for the year based on proportionate consolidation amounted to approximately RMB67,641 million, representing an increase of approximately RMB10,008 million when compared with approximately RMB57,633 million of last year. Equity attributable to equity holders of parent amounted to approximately RMB63,135 million, representing an increase of approximately RMB9,217 million when compared with approximately RMB53,918 million of last year.

Liquidity and sources of capital

	2013 RMB million	2012 RMB million
Net cash flows from operating activities	16,035	308
Net cash flows used in investing activities	(3,925)	(2,919)
Net cash flows used in financing activities	(1,485)	(4,882)
Net increase/(decrease) in cash and cash equivalents	10,625	(7,493)

Net cash inflows from operating activities of the Group for the year based on proportionate consolidation amounted to approximately RMB16,035 million, reflecting mainly (1) profit before tax less non-cash items of depreciation and impairment of approximately RMB15,448 million; and (2) a decrease of approximately RMB81 million in inventory. The net cash inflow from operating activities of the Group for the year increased by approximately RMB15,727 million mainly due to the following factors: (1) an increase of RMB12,271 million in trade and bills receivables and prepayments due to the growth in sales; (2) an increase of approximately RMB4,870 million in loans and receivables of financial services; and (3) an increase of RMB31,623 million in payables to suppliers.

Net cash outflows from investing activities of the Group for the year based on proportionate consolidation amounted to approximately RMB3,925 million, reflecting mainly (1) the purchase of property, plant and equipment of approximately RMB5,836 million for expansion of production capacity and development of new products; and (2) the increase of approximately RMB1,467 million in fixed deposits. The net cash used in investing activities for the year increased by approximately RMB1,006 million, when compared with the net cash outflows of approximately RMB2,919 million of last year. The increase was mainly due to (1) a decrease of approximately RMB1,238 million in the investments of property, plant and equipment; (2) an increase of RMB243 million in the investments of intangible assets; and (3) an increase of approximately RMB2,384 million in time deposits.

Net cash outflows from financing activities of the Group for the year based on proportionate consolidation amounted to approximately RMB1,485 million, reflecting mainly (1) an increase in net bank loans of approximately RMB613 million; (2) payment of dividends of approximately RMB603 million to minority shareholders; and (3) payment of dividends of approximately of RMB1,292 million to shareholders. The net cash outflows from financing activities for the year decreased by approximately RMB3,397 million, when compared with the net cash outflows of approximately RMB4,882 million of last year. The increase was mainly due to (1) an increase of approximately RMB3,588 million in net bank loans; (2) a decrease of approximately RMB56 million in the payment of dividends to minority shareholders; and (3) a decreased of approximately RMB259 million in the distribution of bonus to shareholders.

As a result of the above reasons, the Group's cash and cash equivalents (excluding time deposits with an original maturity of three months or more) based on proportionate consolidation amounted to approximately RMB34,513 million as at 31 December 2013, representing an increase

of approximately RMB10,625 million when compared with approximately RMB23,888 million as at 31 December 2012. Cash and bank balances (including time deposits with an original maturity of three months or more) amounted to approximately RMB43,023 million, representing an increase of approximately RMB9,991 million when compared with approximately RMB33,032 million as at 31 December 2012. Net cash (cash and bank balances less borrowings) of the Group as at 31 December 2013 based on proportionate consolidation amounted to approximately RMB32,252 million, representing an increase of approximately RMB6,939 million when compared with approximately RMB25,313 million as at 31 December 2012. As at 31 December 2013, the Group's equity ratio (percentage of total borrowings to total shareholders' equity) was approximately 17.1%, representing an increase of approximately 2.8 percentage points as compared with approximately 14.3% as at 31 December 2012. As at 31 December 2013, the Group's liquidity ratio based on proportionate consolidation was approximately 1.16 times, representing a decrease of approximately 0.19 times over the level of approximately 1.35 times as at 31 December 2012. The Group's quick ratio for the year was approximately 1.03 times, representing a decrease of approximately 0.11 times over the level of approximately 1.14 times as at 31 December 2012.

The Group's inventory turnover days for the year based on proportionate consolidation decreased by approximately 6 days to approximately 35 days from approximately 41 days of last year. The Group's turnover days of receivables (including bills receivable) for the year increased by approximately 35 days to approximately 95 days from approximately 60 days of last year. The turnover days of receivables (excluding bills receivable) for the year increased by approximately 5 days to approximately 12 days from approximately 7 days of last year. The turnover days of bills receivable increased by approximately 29 days to approximately 82 days from approximately 53 days of last year. 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 bankers of the customers.

Profiles of Directors, Supervisors and Senior Management

Executive Directors

Mr. Xu Ping (徐平先生), 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 thermoelectricity factory. Mr. Xu served as the secretary of the Communist Party and deputy general manager of Dongfeng Motor Corporation from July 2001 to June 2005. 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 as 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 Citroen Automobile Company Ltd. since June 2005, Dongfeng Honda Automobile Co., Ltd. since March 2013 and Dongfeng Renault Automotive Company since May 2013. He is a representative of the 12th National People's Congress and a representative of the 18th 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. On 10 October 2013, Mr. Xu was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Mr. Zhu Fushou (朱福壽先生), aged 50, is a senior postgraduate engineer and an Executive Director and the President of the Company. Mr. Zhu graduated from Anhui Technical Institute in 1984 with a Bachelor's degree in Engineering, specialising in Agricultural engineering. He studied Business Administration from 1998 to 2001 and received a Master's degree in Business Administration from Zhongnan University of Finance and Economics. 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. from 2001 to 2009. He was also the Vice President of Dongfeng Motor Co., Ltd. since September 2005. In June 2010, he was appointed as the President of the Company. In August 2010, he was appointed as an Executive Director of the Board of Directors of the Company. In April 2011, he was appointed as the Director and General Manager of the Dongfeng Motor Corporation. He was the chairman of Zhengzhou Nissan Automobile Co., Ltd. in March 2008, Dongfeng Motor Finance Co., Ltd. in April 2010 and Dongfeng Well-off Automobile Co., Ltd. in December 2010. Mr Zhu was also appointed as the director of Dongfeng Motor Co., Ltd. in February 2011, the vice chairman of Dongfeng Peugeot Citroen Automobile Company Limited in June 2011, the executive director of Dongfeng Asset Management Co., Ltd. in November 2011, the vice chairman of Dongfeng Yueda Kia Motor Co., Ltd. in March 2013 and the chairman of Dongfeng Automobile Co., Ltd. in October 2013. Mr. Zhu has more than 20 years of business and management experience in the automotive industry in the PRC. On 10 October 2013, Mr. Zhu was appointed as a Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Mr. Li Shaozhu (李紹燭先生), aged 52, is a senior postgraduate 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 as a part-time postgraduate student from 1994 to 1996 and received a Master's degree in Business Administration from Zhongnan University of Finance and Economics. 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 head of No.2 Foundry Plant of Dongfeng Motor Corporation. Mr. Li has served as Deputy General Manager of Dongfeng Motor Corporation since 1997. He served as General Manager of Dongfeng Automobile Co., Ltd. from July 1999 to November 2001 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 and the Chairman of Dawnpro Information & Technologies Limited in September 2001. In August 2011, Mr Li was appointed as the Chairman of the Dongfeng Design Institute Co., Ltd. and Dongfeng Motor City Logistics Co., Ltd. Mr. Li has more than 20 years of business and management experience in the automotive industry. On 10 October 2013, Mr. Li was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Non-executive Directors

Mr. Tong Dongcheng (童東城先生), aged 56, 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 has served as the Vice President of Dongfeng Motor Co., Ltd., and served as the General Manager of Commercial Vehicle Company of Dongfeng Motor Co., Ltd. from July 2003 to December 2009. In October 2004, Mr. Tong was appointed as the Director of the Company. Mr. Tong has been the director of Dongfeng Motor Co., Ltd. in September 2005, the chairman of the Board of directors of Dongfeng Nanchong Automobile Co., Ltd. in October 2011, Dongfeng Motor Parts and Components Group Co., Ltd. in January 2011, Dongfeng Commercial Vehicles Co., Ltd. in January 2013 and Dongfeng Liuzhou Motor Co., Ltd. in February 2013. Mr. Tong has more than 30 years of business and management experience in the automotive Industry in the PRC. On 10 October 2013, Mr. Tong was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Mr. Ouyang Jie (歐陽潔先生), aged 55, is a senior postgraduate engineer and a 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 the Vice President of Dongfeng Motor Co., Ltd. In October 2004, he was appointed as a director of the Board of Directors of the Company. He was appointed as the director of Zhengzhou Nissan Automobile Co., Ltd. in August 2013 and the director of Dongfeng Automobile Co., Ltd. in October 2013. Mr. Ouyang has more than 20 years of business and management experience in the automotive industry in the PRC. On 10 October 2013, Mr. Ouyang was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Mr. Liu Weidong (劉衛東先生), aged 46, is a senior postgraduate engineer and a 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 as a part-time postgraduate student from 2000 to 2003 and received a Master's degree in Management from Wuhan Polytechnic University. 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 since 2001 and the General Manager of Dongfeng Peugeot Citroen Automobile Company Ltd. until 2011. Mr. Liu has served as a director of the Board of Directors of the Company since October 2004. He served as the secretary of the Community Party Committee of the Dongfeng Passenger Vehicle Company from July 2007 to July 2011. In July 2011, he was appointed as the general manager of Dongfeng Passenger Vehicle Company. From July 2011 to March 2012, he served as the secretary of the Community Party Committee of Technical Center of Dongfeng Motor Corporation. In November 2010, Mr. Liu was appointed as the director of Dongfeng Peugeot Citroen Automobile Company Ltd. In August 2011, he was appointed as the chairman of the board of directors of the Dongfeng Hongtai Wuhan Holdings Group Co., Ltd. Since June 2012, Mr. Liu has served as the chairman of the board of directors of Dongfeng Electric Vehicle Co., Ltd. In November 2012, he was appointed as the chairman of the board of directors of Dongfeng GETRAG Transmission Co., Ltd. Mr. Liu has 20 years of business and management experience in the automotive industry in the PRC. On 10 October 2013, Mr. Liu was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Mr. Zhou Qiang (周強先生), aged 51, is a senior economist and a Non-executive Director of the Company. Mr. Zhou 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. In 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 Vehicle Company, Dongfeng Motor Co., Ltd. from July 2003 to September 2005. He has been the assistant to General Manager of Dongfeng Motor Corporation since September 2005 and a Standing Committee Member of Dongfeng Motor Corporation since March 2009. From May 2011 to February 2012, he served as the director of the Dongfeng Motor Corporation Shiyan Administration Division. Mr Zhou was appointed as the chairman of the board of directors of China Dongfeng Motor Industry Import and Export Company in August 2011 and Dongfeng Nissan Auto Finance Co., Ltd. in November 2012. He was also appointed as the director of Dongfeng Commercial Vehicles Co., Ltd. in January 2013 and Dongfeng Motor Finance Co., Ltd. in February 2013. Mr. Zhou has 20 years of business and management experience in the automotive industry in the PRC. On 10 October 2013, Mr. Zhou was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Independent Non-executive Directors

Mr. Ma Zhigeng (馬之庚先生), aged 68, has served as the external director of Dongfeng Motor Corporation and China Three Gorges Corporation since March 2011. Mr. Ma graduated from Yangzhou Institute of Technology majoring in mechanical manufacturing in 1968. Mr. Ma has worked in various positions since September 1968, including the deputy head of Sichuan Ordnance Bureau of the Ordnance Ministry (兵器部四川兵工局), deputy head of the Southwest regional department of China North Industries Group (中國北方工業 (集團) 總公司), as well as deputy head, chief economist, deputy general manager and deputy party secretary of the Southwest Ordnance Bureau of China North Industries Corporation (中國兵器工業總公司). He served as the general manager and party secretary of China North Industries Group Corporation from June 1999 to June 2007, and as the general manager of China North Industries Group Corporation from June 2007 to October 2008. Mr. Ma has served as the external director of Shanghai Electric Group, China Three Gorges Corporation and Dongfeng Motor Corporation since June 2010, December 2010 and March 2011, respectively. Mr. Ma became the Independent Non-executive Director of the third session of the Board of the Company in January 2013. On 10 October 2013, Mr. Ma was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Mr. Zhang Xiaotie (張曉鐵先生), aged 61, is the external director of Dongfeng Motor Corporation, China Electronics Corporation and China National Travel Service (HK) Group Corporation. Mr. Zhang graduated from the School of Economics and Management of Tsinghua University as a part-time postgraduate in industrial management engineering and received a Master's degree in engineering. Mr. Zhang had worked in various positions since 1969, including the deputy director general of the Finance Department of the Ministry of Posts and Telecommunications, deputy director general and director general of the Department of Financial Adjustment and Clearance of the Ministry of Information Industry, assistant to president, general manager and deputy general manager of the Planning and Financial Division and a member of Leading Party Group of China Netcom Corporation, and director and senior vice president of China Netcom Group Corporation (Hong Kong) Limited. From May 2008 to June 2010, he served as the deputy general manager and member of Leading Party Group of China Netcom Corporation. He became the external director of China Electronics Corporation and Dongfeng Motor Corporation in June 2010 and March 2011, respectively. Mr. Zhang is not related to any of the Directors and senior management of the Company and does not have any interests in shares as defined by Division XV of the Securities and Futures Ordinance. On 10 October 2013, Mr. Zhang was elected as Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Mr. Cao Xinghe (曹興和先生), aged 64, is a senior economist and the external director of Dongfeng Motor Corporation. Mr. Cao graduated from Tianjin Politics and Law Management College majoring in economic laws and Capital University of Economics and Business as a postgraduate majoring in business administration. He had worked in various positions since 1965, including the deputy general manager, general manager and secretary of the Communist Party of China Offshore Oil Bohai Corporation, and assistant to general manager of China National Offshore Oil Corporation. From 2004 to 2010, he served as the deputy general manager and member of Leading Party Group of China National Offshore Oil Corporation. He served as the vice chairman of China Petroleum Enterprise Association and honorary chairman of China Petroleum and Chemical Enterprise Association (中國石油化工企業聯合會) in 2007. He became an independent director of China Yangtze Power Co., Ltd. in 2010, external director of Dongfeng Motor Corporation in 2011 and external director of China Shipping (Group) Company in 2012. Mr. Cao is not related to any of the Directors and senior management of the Company and does not have any interests in shares as defined by Division XV of the Securities and Futures Ordinance. On 10 October 2013, Mr. Cao was elected as Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Mr. Chen Yunfei (陳雲飛先生), aged 42, lives in Hong Kong. Mr. Chen received his bachelor's degree in law from Wuhan University in July 1992 and JD from Southern Illinois University in the US in December 1996. In early 1997, he joined Sullivan & Cromwell, an American law firm based in New York, and started practicing securities law. He moved to Hong Kong in 1998 and continued legal practice in the Hong Kong office of Sullivan & Cromwell. He left Sullivan & Cromwell in July 2001 and joined the Asian investment banking division of Deutsche Bank. During his service as a managing director in the Asian investment banking division of Deutsche Bank, he ran its Asian general industry (such as automobile industry) and metal and mining groups in different periods. In August 2007, he left Deutsche Bank and became an independent investor engaged in investment and consultation. He served as the board chairman of Asia Coal Limited, a company listed in Hong Kong, and is currently the independent director of China Gold International Resources Corp. Ltd., a company listed in Toronto, Canada and Hong Kong. Mr. Chen is not related to any of the Directors and senior management of the Company and does not have any interests in shares as defined by Division XV of the Securities and Futures Ordinance. On 10 October 2013, Mr. Chen was elected as Director of the Fourth Session of the Board of Directors for a term of three years commencing 10 October 2013.

Senior Management

Mr. Cai Wei (蔡瑋先生), aged 53, is the Vice President and the Secretary of the Board of Directors of the Company. Mr. Cai is a senior postgraduate engineer. He 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 the Vice President and the Secretary of the Board of Directors of Dongfeng Motor Group Company Limited since October 2004. Mr. Cai was appointed as a director of Dongfeng Honda Automobile Co., Ltd. in July 2003 and Dongfeng Peugeot Citroen Automobile Company Ltd. in November 2006. He also served as the chairman of the board of directors of Dongfeng Honda Engine Co., Ltd. and Dongfeng Honda Automoible Co., Ltd. in December 2013.

Supervisors

Mr. Ma Liangjie (馬良杰先生), aged 56, 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 Vice Chairman, General Manager of China Aerospace Automobile Co., Ltd. (中國航天汽車有限公司) and the Chairman of Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. 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. In March 2011, Mr. Ma was appointed as the Director of Dongfeng Motor Corporation. On 10 October 2013, Mr. Ma was re-elected as the Chairman of the Fourth Session of the Supervisory Committee for a term of three years commencing 10 October 2013.

Mr. Ren Yong (任勇先生), aged 49, is a senior accountant and a Supervisor of the Company. Mr. Ren studied in

HuaZhong University of Science and Technology from 2003 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. On 10 October 2013, Mr. Ren was re-elected as a Supervisor of the Fourth Session of the Supervisory Committee for a term of three years commencing 10 October 2013.

Mr. Feng Guo (馮果先生), aged 45, has been teaching at Wuhan University since his graduation from the postgraduate degree studies in economic law in 1992. He was promoted to lecturer in 1994, associate professor in 1999 and professor in 2002. He became a visiting scholar of the University of Sheffield in the UK and was admitted to the Program for New Century Excellent Talents (新世紀優秀人才支持計劃) in 2005. He is the associate dean and the head of Economic Law Research Institute (經濟法研究所) of Wuhan University. He also serves as a distinguished professor of Luojia and doctoral tutor at Wuhan University. Mr. Feng holds various academic positions, such as the executive director and vice chairman of the academic committee of Chinese Society of Economic Law (中國經濟法學會), executive director of Commercial Law Research Association of China Law Society (中國法學會商法學研究會), president of Hubei Commercial Law Society (湖北省商法學會), vice president of Hubei Economic Law Research Institute (湖北省經濟法研究會副會長), part-time researcher of Economic Law Research Center of Xiamen University (廈門大學經濟法研究中心), researcher of Economic Law Research Center of Southwest University of Political Science and Law (西南政法大學經濟法研究中心), part-timer professor of the Law School of Huazhong University of Science and Technology and the School of Law of Huazhong Agricultural University, arbitrator of Wuhan Arbitration Commission and member of the expert advisory committee of Intermediate People's Court in Wuhan. He mainly engages in teaching and researching in economic laws and commercial laws. He is an independent director of four listed companies, namely Milord Real Estate, Sante Cableway, Dinglong Chemical and Canudilo. Mr. Feng is not related to any of the Directors or senior management of the Company and does not have any interests in shares as defined by Division XV of the Securities and Futures Ordinance. On 10 October 2013, Mr. Feng was elected as a Supervisor of the Fourth Session of the Supervisory Committee for a term of three years commencing 10 October 2013.

Mr. Zhao Jun (趙軍先生), aged 55, graduated from Jilin University with a bachelor's degree in mathematics in 1982 and obtained his master's and doctoral degrees in science from Beijing Institute of Technology in 1987 and 1990, respectively. He was promoted to associate professor in 1991. He served as the director of registry in the former Beijing Institute of Commerce (currently known as Beijing Technology and Business University) from 1995 to 1998 and was promoted to professor in 2001. He is a professor and postgraduate instructor in administration at the Business School of University of International Business and Economics. His researches cover academic fields of econometric model, management decision analysis, and statistical analysis and forecasting. He has published over 20 articles on theories of professional disciplines, application of theories, teaching materials and methodologies and education management. Mr. Zhao received the second prize for National Outstanding Teaching Achievements (國家級優秀教學成果二等獎) and the first prize for Beijing Outstanding Teaching Achievements (北京地區優秀教學

成果一等獎). Mr. Zhao is not related to any of the Directors or senior management of the Company and does not have any interests in shares as defined by Division XV of the Securities and Futures Ordinance. On 10 October 2013, Mr. Zhao was elected as a Supervisor of the Fourth Session of the Supervisory Committee for a term of three years commencing 10 October 2013.

Joint Company Secretary

Lu Feng (盧鋒), aged 46, the Joint Company Secretary of the Company, the head of Legal & Securities Affairs Department and Asset Management Department of the Company and the head of the secretariat of the Board of Directors of the Company. Mr. Lu served as the deputy general manager of Dongfeng Automobile Co., Ltd. from June 2002 to December 2009 and the general manager of Dongfeng Automobile Co., Ltd. from December 2009 to November 2012. In 10 October 2013, Mr. Lu was appointed as the Joint Company Secretary.

Lo Yee Har, Susan (盧綺霞), aged 55, is the Joint Company Secretary of the Company. Ms. Lo is an executive director of Tricor Services Limited. She is a fellow member of theInstitute of Chartered Secretaries and Administrators and theHong 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. Li Jiangang

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. Lu Feng

The head of the 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. Lu Feng

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

The head of 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 2013 together with the audited financial statements of the Company and its subsidiaries and joint ventures prepared in accordance with the International Financial Reporting Standards (the "IFRS").

PRINCIPAL ACTIVITIES

The Dongfeng Motor Group is engaged in manufacturing and sales of commercial vehicles, passenger vehicles, engines and auto parts and also the manufacturing 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, joint ventures and other companies in which it has direct equity interests. Other than major operating entities of the Company, the Company and the aforesaid subsidiaries, joint ventures 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 2013 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 71 to 187 in this annual report.

DIVIDENDS

The Board of Directors recommends the dividend distribution of RMB0.18 per share in respect of 2013 results, subject to consideration and approval at the annual general meeting to be held on 20 June 2014.

DIVIDEND DISTRIBUTIONS BY THE COMPANY'S JOINT VENTURES

In 2013, the Company's joint ventures, in total, declared and distributed aggregate dividends of approximately RMB8,541 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 joint venture (after payments of income tax) in accordance with the relevant PRC law as determined at the meetings of the Board of Directors of each joint venture as being appropriate dividend distributions on the circumstances of each joint venture. When determining dividend distributions, the Board of Directors of each joint venture will offset losses of previous years and deduct from the profit made by the relevant joint venture 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 joint ventures' 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 joint ventures has any specific dividend policies other than those disclosed above. However, if both the Company and the joint venture partners agree, the joint ventures 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 joint venture, in the past, the joint ventures 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 joint venture 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 joint venture, subject to agreement between the Company and the relevant joint venture partner on the appropriate dividend distributions based on the circumstances of each joint venture 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 2013 is set out on pages 188 to 189 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 2013 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 2013 are set out in note 14 to the audited financial statements.

DESIGNATED DEPOSITS AND OVERDUE TERM DEPOSITS

As at 31 December 2013, 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 2013 are set out in note 29 to the audited financial statements and the consolidated statement of changes in equity on page 76, 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 20 June 2014.

DONATIONS

The Group has made total donations of approximately RMB3 million for the year ended 31 December 2013.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2013, 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 2013, 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, JOINT VENTURES AND OTHER COMPANIES IN WHICH THE COMPANY HAS DIRECT EQUITY INTERESTS

As at 31 December 2013, details of the subsidiaries and joint ventures as well as other companies in which the Company has direct equity interests are set out in notes 17, 18 and 19 to the audited financial statements respectively for the year.

SHARE CAPITAL

As at 31 December 2013, 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 2013, 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 core management and technicians of the Company. The plan is designed to link the financial interests of the Company's senior management with the future results of operations and the price and performance of H Shares of the Dongfeng Motor Group. 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.

The first and second rounds of share appreciation rights were fully expired, including those being exercised, waived and lapsed. (Further details were set out in the 2012 Interim Report.)

The Company granted the third round of share appreciation rights on 16 July 2013. In this round, 40,198,000 units of share appreciation rights were granted at a grant price of HK$9.67. There is a minimum vesting period of two years from the date of grant before the share appreciation rights can be exercised subject to the following restrictions:

(a) in the third year following the date of grant, a maximum of 33% of the share appreciation rights granted may be exercised;

(b) in the fourth year following the date of grant, another 33% of the share appreciation rights granted may be exercised; and

(c) in the fifth year following the date of grant, the remaining 34% of the share appreciation rights granted may be exercised.

The third round of the share appreciation rights plan was approved at the meeting of the Board of Directors held on 27 March 2012, and the implementation of the grant has been approved by the State-owned Assets Supervision and Administration Commission of the State Council.

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 joint ventures purchased, sold or redeemed any of the Company's securities during the reporting period.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the name of the persons (other than directors and supervisors) entitled to exercise 5% or more (class of shares categorized into domestic shares and H shares) 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%
JPMorgan Chase & Co.	H Shares	429,004,487(L)	15.02%	4.97%
		584,999(S)	0.02%	0.006%
		346,123,097(P)	12.12%	4.01%
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%
Matthews International Capital Management, LLC	H Shares	229,866,000(L)	8.04%	2.66%
BlackRock, Inc.	H Shares	206,664,749(L)	7.23%	2.39%
		384,000(S)	0.00%	0.004%
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 (Resigned on 23 Jannuary 2013)
Li Shaozhu	Executive Director
Fan Zhong	Executive Director (Resigned on 10 October 2013)
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 (Resigned on 10 October 2013)
Ng Lin-fung	Independent Non-executive Director (Resigned on 10 October 2013)
Yang Xianzu	Independent Non-executive Director (Resigned on 10 October 2013)
Ma Zhigeng	Independent Non-executive Director (Appointed on 23 January 2013)
Zhang Xiaotie	Independent Non-executive Director (Appointed on 10 October 2013)
Cao Xinghe	Independent Non-executive Director (Appointed on 10 October 2013)
Chen Yunfei	Independent Non-executive Director (Appointed on 10 October 2013)

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 24 to 28 in this annual report.

Supervisors

The supervisors of the Company during the year were:

Ma Liangjie	Chairman of the Supervisory Committee
Ren Yong	Supervisor
Li Chunrong	Supervisor (Resigned on 10 October 2013)
Chen Binbo	Supervisor (Resigned on 10 October 2013)
Huang Gang	Supervisor (Resigned on 10 October 2013)
Kang Li	Supervisor (Resigned on 10 October 2013)
Wen Shiyang	Independent Supervisor (Resigned on 10 October 2013)
Deng Mingran	Independent Supervisor (Resigned on 10 October 2013)
Feng Guo	Independent Supervisor (Appointed on 10 October 2013)
Zhao Jun	Independent Supervisor (Appointed on 10 October 2013)

Brief biographies of each supervisor are set out on pages 28 to 30 in this annual report.

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

As at 31 December 2013, 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 2013, 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 for 2013, namely Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei. The Company is of the view that they are independent.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of Directors nor supervisors proposed to be reelected 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 joint ventures was a party during the year ended 31 December 2013.

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 2013, the Dongfeng Motor Group had a total of approximately 114,365 full-time employees.

The number of employees in various divisions and their percentage of the total number of employees are as follows:

Division	Employees	Percentage of total
Manufacturing workers	68,203	59.6%
Engineering and technology	17,125	15.0%
Management	26,454	23.1%
Services	2,583	2.3%
Total	114,365	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 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 the Directors and the supervisors (excluding independent non-executive directors and independent supervisors), senior management, heads of business departments of the Company, directors and senior management of the joint ventures 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 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 2013.

DIRECTORS AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

Competition exists between the businesses of the Dongfeng Motor Group and Dongfeng Motor Corporation and its subsidiaries. The Executive Directors of the Company (Mr. Xu Ping, Mr. Zhu Fushou and Mr. Li Shaozhu) 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 as at the Latest Practicable Date.

Mr. Zhu Fushou, an Executive Director of the Company, is the Deputy Chairman of Dongfeng Yueda Kia Motors Co., Ltd., which is principally engaged in manufacturing 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 joint venture 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.

Mr. Zhu Fushou, an Executive Director of the Company, is the Chairman of Dongfeng Xiaokang Motor Company Limited, which is principally engaged in manufacturing and sales of passenger vehicles of Dongfeng, mainly the general passenger vehicles, and competes with the passenger vehicles manufactured and sold by the Dongfeng Motor Group. Dongfeng Xiaokang Motor Company Limited is a joint venture company of the Dongfeng Motor Corporation, in which Dongfeng Motor Corporation held 50% equity interest, and has been managed and operated independently from the Dongfeng Motor Group. 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 Xiaokang Motor Company Limited.

Mr. Zhu Fushou, an Executive Director of the Company, is the Chairman of Dongfeng Yulong Automobile Company Limited, which is principally engaged in manufacturing and sales of passenger vehicles of Luxgen and competes with the passenger vehicles manufactured and sold by the Dongfeng Motor Group. Dongfeng Yulong Automobile Company Limited is a joint venture company of the Dongfeng Motor Corporation, in which Dongfeng Motor Corporation held 50% equity interest, and has been managed and operated independently from the Dongfeng Motor Group. 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 Yulong Automobile Company Limited.

Save as disclosed above, none of the directors nor their associates own any interests in businesses which compete or are likely to compete with the businesses of the Group nor have other interest conflicts with the 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 2013 it had complied with Noncompetition 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 2013, 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:

(Unless otherwise specified, the following connected transaction amounts of the Group (including joint ventures) are prepared on a full consolidated basis, before adjustment on a proportionate consolidated basis)

1. 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 of 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 water, electricity and steam are currently prescribed by the PRC government.

The above ancillary services will be charged at the end of each calendar month by members of the Parent Group based on the actual usage 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 was approximately RMB120 million for 2013. The Group paid approximately RMB44 million of water supply fees to Dongfeng Motor Corporation for the year ended 31 December 2013.

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 was approximately RMB220 million for 2013. The Group paid approximately RMB130 million of steam supply fees to Dongfeng Motor Corporation for the year ended 31 December 2013.

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 was approximately RMB2,100 million for 2013. The Group paid approximately RMB822 million of electricity supply fees to Dongfeng Motor Corporation for the year ended 31 December 2013.

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.

2. 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.

3. Social Insurance Funds

For the year ended 31 December 2013, 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.

4. For the year ended 31 December 2013, the continuing connected transactions relating to the joint ventures 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 joint ventures 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 joint ventures and their subsidiaries and joint ventures from their joint venture partners (including their subsidiaries and associates).

During the year ended 31 December 2013, each of Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroen Automobile 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 joint venture will commence the manufacturing of a new vehicle model, representatives of the joint venture 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 joint venture 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 joint ventures officers nominated by the Company to do so on behalf of the Company. The Company and its joint venture partners are independent from 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 joint ventures (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 joint venture. However, transactions which are outside 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 experience gained from similar negotiations previously in order to determine whether the agreed price list is appropriate. Once an agreed price list between the representatives of the joint venture and the foreign joint venture parties has been determined for all components needed to manufacture the vehicle model, the joint venture 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 joint venture and the joint venture parties, and the joint venture 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 joint venture 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 joint ventures' provided in the relevant joint venture contracts.

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

The joint ventures (including their subsidiaries, joint ventures 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 joint ventures and the joint venture partners of the Company (or the affiliates of such joint venture partners) for the purchases of auto parts and production equipment by the joint ventures (including their subsidiaries, joint ventures and associates) from the joint venture partners (including their subsidiaries and associates) must be pre-approved by the Company to ensure that the joint venture only enters into transactions on normal commercial terms or terms which are more favourable to the joint venture. Therefore, purchases of auto parts and production equipment by the joint ventures (including their subsidiaries, joint ventures and associates) from the joint venture partners (including their subsidiaries and associates) will be on terms which are fair and reasonable to the joint ventures. 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 joint ventures (including their subsidiaries, joint ventures 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 joint ventures), in ordinary and normal business course of the joint ventures after arm's length negotiation.

For the year ended 31 December 2013, the total consideration paid by the joint ventures and their subsidiaries and joint ventures in respect of purchases of auto parts and production facilities from the joint venture partners (including their subsidiaries and associates) was RMB52,057 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. formed 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 Co., Ltd. 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 ventures 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 Co., Ltd. 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 Co., Ltd. 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 Co., Ltd. and US$139,940,000 in the case of Guangzhou Honda Automobile Co., Ltd.). The equity interests of Guangzhou Honda Automobiles Co., Ltd. are 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 Co., Ltd. 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 Co., Ltd and Guangzhou Honda Automobile Co., Ltd. will always be conducted by the joint ventures' officers nominated by the Company on behalf of Dongfeng Honda Engine Co., Ltd.. The Company and its joint venture partner are independent from 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 joint ventures' (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 joint venture. However, transactions which are outside 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 2013, Guangzhou Honda Automobile Co., Ltd. continued to purchase from Dongfeng Honda Engine Co., Ltd. engines and auto parts needed by it.

(iii) ***Technology licence and technical assistance between the joint ventures and their subsidiaries on the one hand and their joint venture partners on the other hand***

The joint ventures 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 joint ventures. Technology licence and technical assistance between the joint ventures 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 joint ventures, their subsidiaries and their joint venture partners which are to be entered into by the joint ventures 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 joint ventures, the terms of all technology licence and technical assistance which have been entered into, and which in future will be entered into, between joint venture and its foreign joint venture partners 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 joint venture and agreed by the time the joint venture contract relating to the joint venture 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 the determination of consideration for each technology licence to be entered into between the Company and the joint venture partners. 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 joint ventures, 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 joint ventures' 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 in the ordinary course of business of a joint venture. However, transactions which are outside 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 joint ventures, their subsidiaries and their joint venture partners were negotiated on arm's length commercial terms.

Generally, the pricing principle for technology licence and technical assistance between the joint ventures, 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 2013, the total consideration paid by the joint ventures in respect of purchases of technology licences and technical assistance stated above was RMB4,408 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 was supplemented with industrial infrastructure.

The standard rent (the "Rent") for each parcel of the leased land amounted 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 on the adjustment 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 served 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.

For the period from the lease commencement date to 31 December 2013, Dongfeng Motor Co., Ltd. and Dongfeng Motor Corporation did not adjust the rental of land leased by Dongfeng Motor Co., Ltd. from Dongfeng Motor Corporation.

The Company established a wholly-owned subsidiary, Dongfeng Commercial Vehicles Co., Ltd., on 16 January 2013 by way of cash contribution. Under the framework agreement and its sub-agreements entered into on 26 January 2013, Dongfeng Commercial Vehicles Co., Ltd. acquired from Dongfeng Motor Co., Ltd. (a) all transferred assets; and (b) all transferred equities held by Dongfeng Motor Co., Ltd. in the eight equity transfer entities according to the framework agreement and its sub-agreements. (For details, please refer to the announcement of the Company dated 27 January 2013 regarding the acquisition of commercial vehicle and other businesses and joint venture with Volvo.)

Dongfeng Commercial Vehicles Co., Ltd. and Dongfeng Motor Co., Ltd. completed the acquisition of all transferred assets and equity transfers on 30 June 2013. Due to the concurrent transfer of rights, interests and liabilities, a potion of the land parcels originally leased by Dongfeng Motor Co., Ltd. from Dongfeng Motor Corporation was leased to Dongfeng Commercial Vehicles Co., Ltd. and/ or its subsidiaries, and a new land lease contract was entered into between Dongfeng Commercial Vehicles and Dongfeng Motor Corporation to determine the rights and obligations. The remaining land parcels shall continue to be leased by Dongfeng Motor Co., Ltd. from Dongfeng Motor Corporation, and the relevant usage of land, term of lease, rental and payment, review of benchmark payments and conditions of adjustment principles under the original joint venture lease contract with Nissan shall remain applicable.

Prior to the completion of the acquisitions of all transferred assets and equity transfers between Dongfeng Commercial Vehicles Co., Ltd. and Dongfeng Motor Co., Ltd., 230 land parcels with a total area of approximately 6,019,621 sq.m. have been leased to Dongfeng Motor Co., Ltd. by Dongfeng Motor Corporation. Upon completion, a total of 126 land parcels with a total area of approximately 3,963,420 sq.m. will be leased to Dongfeng Commercial Vehicles Co., Ltd. and/or its subsidiaries by Dongfeng Motor Corporation, and the remaining 104 land parcels with a total area of approximately 2,056,201 sq.m. will continued to be leased to Dongfeng Motor Co., Ltd. by Dongfeng Motor Corporation. (For details, please refer to the announcement of the Company dated 26 November 2013 regarding the land lease between the Dongfeng Commercial Vehicles Co., Ltd. and Dongfeng Motor Corporation)

For the year ended 31 December 2013, taking into account the increase and/or decrease in land actually leased under the land lease contract (excluding transfers to Dongfeng Commercial Vehicles Co., Ltd.), the total leasehold payment payable by Dongfeng Motor Co., Ltd. to Dongfeng Motor Corporation was RMB68 million and the actual payment amounted to RMB146 million. The outstanding amount for the year amounted to nil and the total outstanding amount was RMB35 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., both of which are 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. constitute continuing connected transactions. One of the primary reasons for the formation of Dongfeng Honda Auto Parts Co., Ltd. was to manufacture auto parts for sales within the PRC and for export to the companies of Honda group 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 2013.

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 joint venture. 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 have 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) and (iii). It was due to the fact that disclosure of consideration for each transaction of each joint venture 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 joint ventures.

In addition, with respect to transactions mentioned in paragraphs (ii) and (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 joint ventures. 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 the transaction periods.

Annual caps of the abovementioned transactions 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 joint ventures. 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 the transaction periods.

5. Financial Service

As at 31 December 2013, the Dongfeng Motor Group holds the entire equity interest in Dongfeng Motor Finance Co., Ltd., which is deemed as a wholly-owned subsidiary of the Company, 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 Co., Ltd. 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 Co., Ltd. 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 the 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 Co., Ltd. to the Parent and its subsidiaries of the year 2013 is RMB300 million. As at 31

December 2013, the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Finance Co., Ltd. to the Parent and its subsidiaries was approximately RMB12 million.

6. Mutual Supply Agreement between the Dongfeng Motor Group and Dogfeng 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 the Dongfeng Motor Group has agreed to purchase and sell vehicles and auto parts from and to Dongfeng Hongtai.

The Mutual Supply Agreement has been 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 the Dongfeng Motor Group in any respect, the Dongfeng Motor Group may obtain such vehicles and auto parts from the third parties. Moreover, under the Mutual Supply Agreement, the 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 the Dongfeng Motor Group and Dongfeng Hongtai have become continuing connected transactions of the Company.

The purchases and sales of vehicles and auto parts by the 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 will continue to be conducted at market price on normal commercial terms.

For the year ended 31 December 2013, the total consideration paid by the Dongfeng Motor Group to Dongfeng Hongtai for purchases of vehicle and auto parts from Dongfeng Hongtai was RMB2,484 million and the total consideration paid by Dongfeng Hongtai to the Dongfeng Motor Group for purchases of vehicle and auto parts from the Dongfeng Motor Group was RMB2,341 million.

7. The Dongfeng Motor Group sells commodity vehicles to Dongfeng Motor Trade Corporation

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

Dongfeng Motor Trade Corporation, previously an independent third party to the Company, became a wholly-owned subsidiary of the Parent in July 2007 and 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 2013 is approximately RMB2,900 million. For the year ended 31 December 2013, the actual amount for Dongfeng Motor Trade Corporation's purchase of commodity vehicles from the Dongfeng Motor Group was approximately RMB891 million.

8. Dongfeng Motorcity Logistics Co., Ltd. provide logistics services to the Dongfeng Motor Group

Dongfeng Motorcity Logistics Co., Ltd. is a subsidiary of the Parent. The Parent holds 70.46% equity interests in Dongfeng Motorcity Logistics Co., Ltd. The ongoing logistics services provided by Dongfeng Motorcity Logistics Co., Ltd. to the 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 joint ventures.

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 the Dongfeng Motor Group for the year 2013 is approximately RMB1,350 million. For the year ended 31 December 2013, the actual amount for Logistics Service provided by Dongfeng Motorcity Logistics Co., Ltd. to the Dongfeng Motor Group was approximately RMB681 million.

9. 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 51% by Nissan Motor Co., Ltd, 35% by the Company and 14% by Dongfeng 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 has also entered into the Deposit Agreement on 31 March 2011 with Dongfeng Nissan Auto Finance for placing Deposits from 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 sales 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 2013 is RMB300 million. The maximum balance of Deposits (including the accrued interests) maintained by the Company with Dongfeng Nissan Auto Finance shall not exceed RMB2,000 million on any given day. As at 31 December 2013, the amount for the outstanding loans to be provided by Dongfeng Motor Finance to Dongfeng Nissan Auto Finance was approximately RMB0 million; the outstanding amount of the deposits placed by the Company with Dongfeng Nissan Auto Finance was RMB2,000 million.

10. Lease of land between Dongfeng Commercial Vehicles Co., Ltd. and Dongfeng Motor Corporation

The Company established a wholly-owned subsidiary, Dongfeng Commercial Vehicles Co., Ltd., on 16 January 2013 by way of cash contribution. Under the framework agreement and its sub-agreements entered into on 26 January 2013, Dongfeng Commercial Vehicles Co., Ltd. acquired from Dongfeng Motor Co., Ltd. (a) all transferred assets; and (b) all transferred equities held by Dongfeng Motor Co., Ltd. in the eight equity transfer entities according to the framework agreement and its sub-agreements. (For details, please refer to the announcement of the Company dated 27 January 2013 regarding the acquisition of commercial vehicle and joint venture with Volvo.)

Dongfeng Commercial Vehicles Co., Ltd. and Dongfeng Motor Co., Ltd. completed the acquisition of all transferred assets and equity transfers on 30 June 2013. Due to the concurrent transfer of rights, interests and liabilities, a potion of the 126 land parcels with a total area of approximately 3,963,420 sq.m. originally leased by Dongfeng Motor Co., Ltd. from Dongfeng Motor Corporation was leased to Dongfeng Commercial Vehicles Co., Ltd. and/or its subsidiaries, and a new land lease contract was entered into between Dongfeng Commercial Vehicles Co., Ltd. and Dongfeng Motor Corporation to determine the rights and obligations.

Dongfeng Commercial Vehicles Co., Ltd. and Dongfeng Motor Corporation entered into a master land lease contract on 26 November 2013. Pursuant to the contract and the individual land lease contracts, Dongfeng Motor Corporation agreed to lease the land to Dongfeng Commercial Vehicles Co., Ltd. and/or its subsidiaries (the "Lessees") and Dongfeng Commercial Vehicles Co., Ltd. agreed and would procure the Lessees to agree to lease the land from Dongfeng Motor Corporation.

Pursuant to the appendices to the master land lease contract, the Lessees shall pay a total leasehold payment of approximately RMB99 million (including the leasehold payments payable by Dongfeng Commercial Vehicles Co., Ltd. and Dongfeng Motor Co., Ltd. prior to the completion of the transfers of the transferred assets and all equity transfers) to Dongfeng Motor Corporation in 2013 under the master land lease contract.

Pursuant to the master land lease contract, the leasehold payments payable under the master contract (including the benchmark payments of the newly leased land) may be adjusted according the following principles every three years since the relevant dates of leasing.

a. The adjusted leasehold payments shall not be lower than 90% of the payments for the previous period;

b. Both parties may negotiate for the payment adjustment within the six months prior to expiry of the leasing term;

c. In the event that both parties fail to reach an agreement on the fair market value of the leased land, they shall jointly engage an independent valuer to determine the fair market value, which shall be the basis for their negotiation of payment adjustment.

Based on the site areas and expected adjustments of the land leased by Dongfeng Commercial Vehicles Co., Ltd. and its subsidiaries from Dongfeng Motor Corporation under the master land lease contract in the next three years, and the historical levels and expected adjustments of the leasehold payments of comparable land parcels, the annual caps of the leasehold payments payable by Dongfeng Commercial Vehicles Co., Ltd. and its group members to Dongfeng Motor Corporation for the next three years ending 31

December 2014, 31 December 2015 and 31 December 2016 shall be approximately RMB175 million, RMB175 million and RMB175 million respectively.

(For details, please refer to the announcement of the Company dated 26 November 2013 regarding the land lease between Dongfeng Commercial Vehicles Co., Ltd. and Dongfeng Motor Corporation)

Pursuant to the supplementary agreement, which was as an appendix to the master land lease contract, Dongfeng Commercial Vehicles Co., Ltd. and/or its subsidiaries, as the leasee, would lease certain new land from Dongfeng Motor Corporation. Therefore, total leasehold payment payable by all leasees to Dongfeng Motor Corporation in 2013 increased by approximately RMB42 million from approximately RMB99 million to RMB141 million.

For the year ended 31 December 2013, as certain leases were cancelled, the total leasehold payment payable by Dongfeng Commercial Vehicles Co., Ltd. and its subsidiaries to Dongfeng Motor Corporation was approximately RMB163 million and the outstanding amount for the year amounted to approximately RMB2 million and the total outstanding amount was approximately RMB81 million.

MATERIAL LEGAL PROCEEDINGS

In February 2014, Dongfeng Commercial Vehicles Co., Ltd. ("DFCV"), a wholly-owned subsidiary of the Company, was served with a notice of arbitration. The arbitration was initiated by the claimant of the arbitration in respect of dispute arising from an agreement and other relevant agreements entered into by the claimant with the Company and DFCV. The claimant sought damages totaling approximately RMB4.3 billion for the alleged breach of the agreements, together with costs. (For details, please refer to the announcement of the Company dated 17 February 2014.)

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

In the year, the Company had been in compliance with the all code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

ACCOUNTING PRINCIPLES

The principal accounting policies used by the Company in the preparation of the financial statements for the year ended 31 December 2013 are consistent with those used in the audited annual financial statements for the year ended 31 December 2012, except that the Group has adopted the new and revised International Financial Reporting Standards and International Financial Reporting Interpretations during the year. Other than as further explained below regarding the impact of IFRS10, 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 details.

International Accounting Standards Committee issued IFRS 11 — Joint Arrangement in May 2011, which changed the regulation on the measurement of investors' equity in joint ventures by removing the option of proportionate consolidation when accounting for joint ventures and requiring the use of equity method. This standard is effective for annual periods beginning on or after 1 January 2013. As such, the Group will not adopt proportionate consolidation to consolidate the joint ventures when preparing the consolidated financial statement for the year beginning on or after 1 January 2013 and will adopt equity method instead.

REVIEW OF 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 2013. A resolution will be submitted at the annual general meeting to reappoint PricewaterCoopers and PricewaterCoopers Zhong Tian as the Company's overseas and domestic auditors respectively for the year ending 31 December 2014, and authorise the Board to fix their remunerations.

By Order of the Board of Directors

Xu Ping
Chairman

Wuhan, the PRC
28 March 2014

Report of the Supervisory Committee

Dear shareholders,

In 2013, 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 regular meetings and one extraordinary meeting in 2013. The number of attended supervisors formed quorums of the meetings as stipulated by the Company Law.

In 2013, the Supervisory Committee has reviewed and approved: the 2012 report of the Supervisory Committee of the Company; the 2012 financial report, which was audited by Ernst & Young Hua Ming; the 2012 auditors' report, which was audited by Ernst & Young and reviewed and approved by the Audit Committee; the 2012 annual report and preliminary results announcement; the 2012 profit distribution and payment of dividend proposal; the 2013 interim report and results announcement and the payment of 2013 interim dividend.

In addition, as the term of office of the third session of the Supervisory Committee expired, an extraordinary general meeting was held on 10 October 2013, at which, Ma Liangjie, Ren Yong, Feng Guo and Zhao Jun, were elected as the members of the fourth session of the Supervisory Committee and Zhong Bing was elected by the employees at the employee's representative meeting as a Supervisor representing the employees. Mr. Ma Liangjie, was elected as the chairman of the fourth session of the Supervisory Committee at the first meeting of the fourth session of the Supervisory Committee.

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

During the reporting period, the Supervisory Committee has supervised the convening procedures and resolutions of the meetings of the Board of Directors and shareholders' general meetings, the implementation of the resolutions of the shareholders' general meetings by the Board of Directors, the legality and compliance of rules and regulations by the senior management during their performance of duty, and the performance of all control systems of the Company in accordance with relevant laws and regulations of PRC and listing rules of Stock Exchange and 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 2013. 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 during their performance of duty. 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 is 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 Chairman of the Supervisory Committee has attended the fifth and sixth meetings of the Audit Committee under the third session of the Board, examined the financial system, financial position and internal audit of the Company and reviewed the 2012 annual report and 2013 interim report of the Company. 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 2013 financial report gives a full, true and fair view of the operating results and financial position of the Dongfeng Motor 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 Dongfeng Motor 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.

Report of the Supervisory Committee

The Supervisory Committee has seen the operating results and assets position of the Company in 2013 to its satisfaction. In 2014, 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, further enhancing its internal control and operational risk prevention and maintaining the communication with the internal audit department and external audit institution, the Supervisory Committee 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
28 March 2014

Corporate Governance Report

1. Overview of Corporate Governance

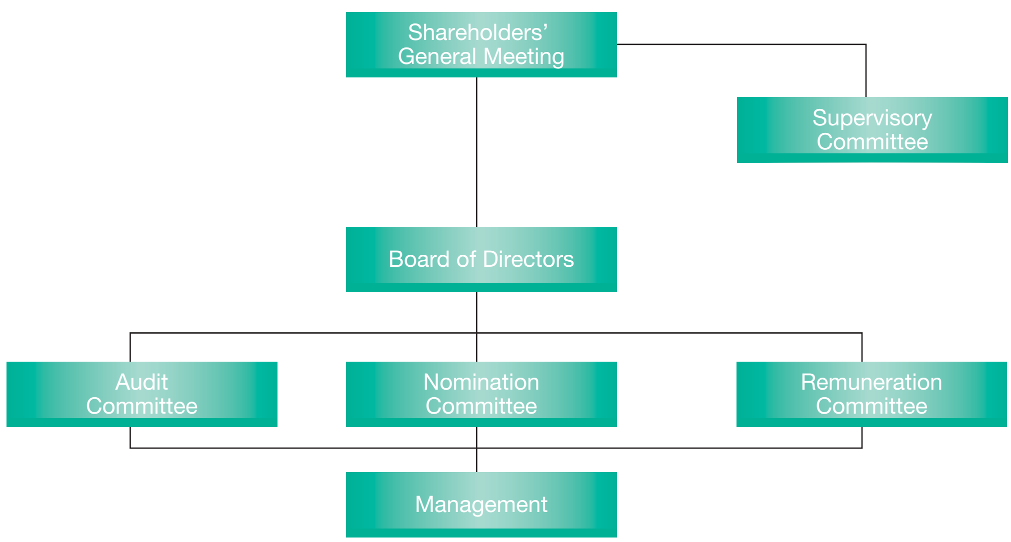
The Company has been in compliance with the Company Law of the People's Republic of China (the "Company Law"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Code Corporate Governance of the Stock Exchange of Hong Kong and the Articles of the Association of the Company. The Company is dedicated to maintaining a high level of corporate governance. The Company believes that good corporate governance is significant to maintaining and increasing 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 discloses information in a comprehensive, timely and accurate manner. The Board of Directors convenes meetings regularly to review the operations and management of the Company from time to time. Adhering to the principles of integrity, diligence and healthy corporate governance, the Company improves the transparency and independence of its operations, maintains its healthy development and maximizes shareholders' value by strengthening its corporate governance.

During the reporting period, the Company has been in strict compliance with the Corporate Governance Code.

2. Structure of Corporate Governance

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



(1) Shareholders and Shareholders' General Meeting

i. Shareholders' General Meeting

The shareholders' general meeting is the highest authority of the Company and has legal power to decide on important matters of the Company. The annual general meetings and extraordinary general meetings provide a channel of direct communication between the Directors and the shareholders of the Company. As such, the Company attaches great importance to the shareholders' general meeting. 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 2013, the Company held three shareholders' general meeting, including one annual general meeting and two extraordinary general meetings. At the extraordinary general meeting held on 23 January 2013, the change of Board composition and authorization to the Board of Directors for the application for the registration amount and issue of ultra short-term financing bonds by discretion were considered and approved. At the annual general meeting held on 21 June 2013, the 2012 annual report and the distribution of final dividends were considered and approved. At the extraordinary general meeting held on 10 October 2013, the members of the fourth session of the Board of Directors and the Supervisory Committee were elected and the amendments to the Articles of Association 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 shareholders' general meetings.

Information of other shareholders and persons who are entitled to exercise 5% or more (class of shares classified into domestic shares and H shares) of the voting power at the shareholders' general meeting during the reporting period is set out on page 35 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 and the Board of Directors of the Company are entitled to nominate candidates for directorship in writing. A director shall hold office for a term of three years and shall be eligible for re-election.

The fourth session of the Board of Directors of the Company was elected at the extraordinary general meeting held on 10 October 2013, which consists of eleven Directors, three of which are executive directors, including Xu Ping, Zhu Fushou and Li Shaozhu; four of which are non-executive directors, including Tong Dongcheng, Ouyang Jie, Liu Weidong and Zhou Qiang; and four of which are independent non-executive directors, including Ma Zhigeng, Zhang Xiaotie, Cao Xinghe and Chen Yunfei. The size and composition of the Board of Directors are in compliance with the requirements of the Stock Exchange and relevant laws and regulations. Details of members of the Board of Directors are set out on page 36 of this annual report.

2) Responsibility of Directors

Name	Position (s)	Responsibilities
Xu Ping	Executive Director, Chairman of the Board of Directors	overall operations of the Board of Directors and the Party Committee, and the general management, significant strategies and senior management team of the Group
Zhu Fushou	Executive Director, President	strategies planning, daily operations and operational management of the Group
Li Shaozhu	Executive Director	human resources, organizational development and information related matters of the Group
Tong Dongcheng	Non-executive Director	businesses of medium and heavy duty trucks, CV parts and components and DFG 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 DFG R&D
Zhou Qiang	Non-executive Director	financial and international businesses, emergency management and social responsibilities of the Group

3) Performance of Duties of the Directors

All directors of the Company attended the meetings of the Board of Directors, 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.

4) Independence of Directors

The independent non-executive directors of the Company are Ma Zhigeng, Zhang Xiaotie, Cao Xinghe and Chen Yunfei. Chen Yunfei is a Hong Kong citizen and ordinary resident, and has extensive knowledge of the relevant policies, laws and regulations of Hong Kong. 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 of Directors, 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 entities and individuals which are interested in 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 directors did not hold a dissenting view regarding each of the material issues of the Company.

5) Introduction Program for Directors

In 2013, to promptly inform all directors of the most updated rules and regulations under the Listing Rules of Hong Kong Stock Exchange for compliance and their on-going obligations and information of the industry and the Company, the Company Secretariat released 12 issues of newsletters for directors and supervisors, providing them with the latest corporate regulatory requirements, industry and market news and information of the Company. In addition, the Company also provided interim and annual operational analysis reports, reports on implementation of significant investment projects and annual financial analysis and forecasts of the Company to the Board of Directors.

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

6) Training of Directors

The Company has organized relevant training programs for the members of the fourth session of the Board of Directors and the Supervisory Committee and invited Ms. Benita Yu, the partner of Slaughter and May, and Mr. Dong Shuguang, the partner of Commerce & Finance Law Office, to give seminars and explanation in relation to the Hong Kong Listing Rules, the obligations and responsibilities of directors, supervisors and senior management under the law of the PRC and the new corporate governance code of Hong Kong Stock Exchange respectively.

7) Remuneration of Directors

The first meeting of the fourth session of the Board of Directors has appointed Ma Zhigeng, Cao Xinghe and Li Shaozhu as members of the Remuneration Committee and Ma Zhigeng was appointed 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.

In 2013, other than the independent non-executive directors of the Company who received remuneration of directors, all other directors did 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.

As the members of the fourth session of the Board of Directors were elected and appointed at the general meeting on 10 October 2013, the Company paid remuneration (for January to September) of RMB90,000 (after tax) to three independent non-executive directors of the third session of the Board of Directors, namely Sun Shuyi, Yang Xianzu and Ng Lin-fung, and paid remuneration of RMB30,000 (after tax) to the three independent non-executive directors of the fourth session of the Board of Directors, namely Zhang Xiaotie, Cao Xinghe and Chen Yunfei. Ma Zhigeng, the reappointed independent non-executive directors, was paid remuneration of RMB120,000 (after tax).

8) Insurance of Directors

The Company purchased insurances for its Directors, Supervisors and senior management.

9) Securities Transactions by Directors

After specific enquiry made by the Company, all directors confirmed that they had fully complied with the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules of the Hong Kong Stock Exchange throughout the year of 2013.

10) Board Diversification Policy

In order to promote the continued enhancement of the corporate governance of the Company, continuously improve the decision-making efficiency of the Board of Directors, and increase transparency and accountability, the Board Diversification Policy was approved by the Board of Directors of the Company on 27 August 2013.

In 2013, when recommending candidates for the fourth session of the Board of Directors of the Company, the Nomination Committee selected 11 candidates after considering the diversification of the Board in different aspects, including but not limited to age, cultural and educational background, professional experience, skills and expertise, and in accordance with the merit and potential contribution of such candidates. Such 11 candidates were elected as the members of the fourth session of the Board of Directors of the Company as approved by the extraordinary general meeting on 10 October 2013. The number of members and composition of the fourth session of the Board of Directors of the Company comply with the requirements of Hong Kong Stock Exchange, applicable laws and regulations of Hong Kong, and meet the Board Diversification Policy of the Company.

ii. Board Meeting

Ten board meetings were held by the Company in 2013 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 of the year;
- To consider and approve the profit distribution proposal of the previous year;
- To re-appoint the international auditors and domestic auditors;
- 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 issue, allot and deal with additional Domestic Shares not exceeding 20 percent of the Domestic Shares in issue and additional H Shares not exceeding 20 percent of the H Shares in issue pursuant to the authorization granted by the general meeting;
- To approve the interim business plan for 2012 of the Company;
- To approve the financial budget for 2013 of the Company;
- To approve the annual investment plan for 2013 of the Company;
- To approve the establishment of Dongfeng Commercial Vehicles Co., Ltd.;
- To approve the industrial investment projects of Dongfeng Commercial Vehicles Co., Ltd. in Brazil;
- To approve the execution of Cooperation Master Agreement of Dongfeng Commercial Vehicles Co., Ltd. with Volvo (AB Volvo);
- To approve the connected transaction in relation to the repurchase of commercial vehicles and related businesses;
- To approve the policies regarding the diversified composition of the Board of Directors;
- To approve the capital injection in Dongfeng Liuzhou Motor Co., Ltd.;
- To pass the proposal in relation to the nomination of candidates of directors of the fourth session of the Board of Directors;
- To pass the proposal in relation to the amendments to the Articles of Association;
- To elect the chairman of the Board of Directors and to appoint the members of all special committees and convener of Board meeting;
- To engage the authorized representative and joint company secretaries;
- To engage the president of and the secretary to the Board of Directors;
- To approve the continuing connected transactions between the Company and Dongfeng Motor Co., Ltd.;
- To pass the proposal in relation to the amendments to the rules of procedures of shareholders' general meeting and Board meeting;
- To approve the proposal in relation to the amendments to the rules of procedures of meeting of the nomination committee, audit committee and remuneration committee;
- To approve the work plan of the Board of Directors for 2014;
- To approve the establishment of Dongfeng Renault Automotive Company;
- To approve the acquisition of equity interests in Shenzhen Dongfeng Motor Co., Ltd.

Meetings of Board of Directors may facilitate effective discussion and prompt and prudent decision. As at 31 December 2013, the attendance of directors in person at meetings of Board of Directors is as follows:

Members of the Board of Directors	Personal Attendance/ Number of Meetings Board Meetings	Attendance Rate	Remarks
Executive Directors			1. *The term of office of Zhou Wenjie as a director ended on 23 January 2013;*
Xu Ping	10/10	100%	
Zhu Fushou	9/10	90%	2. *The term of office of Fan Zhong, Sun Shuyi, Ng Lin-fung and Yang Xianzu as directors ended on 10 October 2013;*
Zhou Wenjie	1/1	100%	
Li Shaozhu	6/10	60%	
Fan Zhong	4/6	67%	3. *The term of office of Ma Zhigeng as a director commenced on 23 January 2013;*
Non-executive Directors			
Tong Dongcheng	10/10	100%	4. *The term of office of Zhang Xiaotie, Cao Xinghe and Chen Yunfei as directors commenced on 10 October 2013.*
Ouyang Jie	10/10	100%	
Liu Weidong	5/10	50%	
Zhou Qiang	8/10	80%	
Independent Non-executive Directors			
Sun Shuyi	6/6	100%	
Ng Lin-fung	6/6	100%	
Yang Xianzu	5/6	83%	
Ma Zhigeng	8/9	89%	
Zhang Xiaotie	4/4	100%	
Cao Xinghe	3/4	75%	
Chen Yunfei	4/4	100%	

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 of Directors

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 term of officer of the members ended on 10 October 2013.

At the first meeting of the fourth session of the Board of Directors, Zhang Xiaotie, Chen Yunfei and Ouyang Jie were appointed as the members of the Audit Committee and Zhang Xiaotie was appointed as the convener of the meetings of the Audit Committee with effect from 10 October 2013.

The Audit Committee will perform its functions in accordance with the Terms of Reference of the Audit Committee. In 2013, the Audit Committee convened three meetings and held two meetings with the external auditors in respect of the audit result for the year 2012 and interim audit result for the year 2013.

2) Remuneration Committee

The Remuneration Committee was established by the Board of Directors and consists of one 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.

At the first meeting of the fourth session of the Board of Directors, Ma Zhigeng, Cao Xinghe and Li Shaozhu were appointed as the members of the Remuneration Committee and Ma Zhigeng was appointed as the convener of the meetings of the Remuneration Committee with effect from 10 October 2013.

The Remuneration Committee will perform its functions in accordance with the Terms of Reference of the Remuneration Committee. In 2013, the Remuneration Committee convened three meetings.

3) Nomination Committee

The Nomination Committee was established by the Board of Directors and consists of one Executive Director and two Independent Non-executive Directors. Xu Ping, the Chairman, acts as the chairman of the Nomination Committee.

At the ninth meeting of the third session of the Board of Directors, Xu Ping, Sun Shuyi and Yang Xianzu were appointed as the members of the Nomination Committee and Xu Ping was appointed as the chairman of the Nomination Committee.

At the first meeting of the fourth session of the Board of Directors, Xu Ping, Ma Zhigeng and Zhang Xiaotie were appointed as the members of the Nomination Committee and Xu Ping was appointed as the convener of the meetings of the Nomination Committee with effect from 10 October 2013.

The Nomination Committee will perform its functions in accordance with the Terms of Reference of the Nomination Committee. In 2013, the Nomination Committee convened three meetings.

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

Name	Position	Audit Committee	Remuneration Committee	Nomination Committee	Remarks
Xu Ping (convener)	Executive Director			3/3	*1. The term of office of Su Shuyi, Ng Lin-fung and Yang Xianzu as directors ended on 10 October 2013;*
Su Shuyi (convener)	Independent Non-executive Director	2/2		2/2	
Yang Xianzu (convener)	Independent Non-executive Director		2/2	2/2	*2. The term of office Ma Zhigeng as director commenced on 23 January 2013;*
Ma Zhigeng (convener)	Independent Non-executive Director		1/1	1/1	*3. The term of office of Zhang Xiaotie, Cao Xinghe and Chen Yunfei as directors commenced on 10 October 2013.*
Zhang Xiaotie (convener)	Independent Non-executive Director	1/1		1/1	
Ng Lin-fung	Independent Non-executive Director	2/2	2/2		
Cao Xinghe	Independent Non-executive Director		1/1		
Chen Yunfei	Independent Non-executive Director	1/1			
Ouyang Jie	Non-executive Director	3/3			
Li Shaozhu	Executive Director		2/3		

(3) Internal Control System

i. Supervisors and Supervisory Committee

The third session of the Supervisory Committee was elected by the extraordinary general meeting held on 11 October 2010, 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. The term of office of the above supervisors ended on 10 October 2013.

The fourth session of the Supervisory Committee was elected on the extraordinary general meeting held on 10 October 2013, five members, namely Ma Liangjie, Ren Yong, Feng Guo, Zhao Jun and Zhong Bing, were appointed as the supervisors. Ma Liangjie is the Chairman of the fourth session of the Supervisory Committee and Zhong Bing is the employees' Supervisor.

In 2013, 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. Three Supervisory Committee meetings were held in the year. All members of the Supervisory Committee have diligently performed their supervisory duties and attended the two meetings in person or by appointing other supervisors to attend on their behalf and observe all Board meetings.

ii. Internal Controls

The Board of Directors 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. 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 2013 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's 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 or authorisation.

For the year ended 31 December 2013, the Company has appointed Ernst & Young and Ernst & Young Hua Ming as its international and domestic auditors, respectively. The audit and non-audit fee of the Company for 2013 was RMB16.6 million.

The Audit Committee has discussed and assessed the expertise of Ernst & Young, its performance of audit work for 2013.

The Audit Committee discussed and reviewed the audit fees for 2014 and proposed to appoint PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the Company's international auditor and domestic auditor for 2014 respectively and the proposal has been approved by the Board of Directors and will be submitted to the 2013 annual general meeting for shareholders' consideration.

(4) Chairman and President

The Company has clearly defined the respective responsibilities of the Chairman and the President with details set out in the Articles of Association and the Rules and Procedures for Meetings of the Board of Directors.

The Chairman of the Company is Xu Ping. Zhu Fushou has been appointed by the Board of Directors as the President of the Company.

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 Listing Rules of the Hong Kong Stock Exchange. The Company promptly, accurately and completely discloses information that may materially affect the decision-making of 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 reporting period, the Company published 47 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 communication with overseas media and investors through various channels, such as results announcement conferences, news release conferences, overseas and domestic road shows, reception of routine visits by the investors and analysts, and telephone conferences. The Company has organized 10 road shows and reverse road shows, over 32 receptions of routine visits by the investors and analysts, and over 15 telephone conferences during the year.

iii. Shareholders' Return

The Company continues to strive to enhance the shareholders' return, and has totally distributed cash dividend of approximately RMB6,000 million since its listing. The Board of Directors proposed to distribute a cash dividend of approximately RMB1,551 million, or RMB0.18 per share, for annual results in 2013 and will submit the proposal at the annual general meeting of 2013 for approval.

Independent Auditors' Report

EY 安永
Building a better working world

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 (together, the "Group") set out on pages 71 to 187, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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.

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 2013, 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
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

28 March 2014

Consolidated Income Statement

Year ended 31 December 2013

	Notes	2013 RMB million	2012 RMB million (Restated)
Revenue	4	**37,263**	6,090
Cost of sales		**(32,582)**	(5,736)
Gross profit		**4,681**	354
Other income	5	**1,281**	1,123
Selling and distribution expenses		**(2,268)**	(812)
Administrative expenses		**(2,179)**	(706)
Other expenses, net		**(2,062)**	(693)
Finance costs	7	**(170)**	(178)
Share of profits and losses of:			
Joint ventures		**11,176**	9,873
Associates		**253**	191
PROFIT BEFORE TAX	6	**10,712**	9,152
Income tax expense	10	**(109)**	(45)
PROFIT FOR THE YEAR		**10,603**	9,107
Profit attributable to:			
Equity holders of the parent	11	**10,528**	9,092
Non-controlling interests		**75**	15
		10,603	9,107
Earnings per share attributable to ordinary equity holders of the parent:	13		
Basic for the year		**122.19 cents**	105.52 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 2013

	2013 RMB million	2012 RMB million (Restated)
PROFIT FOR THE YEAR	10,603	9,107
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to income statement in subsequent periods:		
Available-for-sale financial assets:		
Changes in fair value	—	(10)
Reclassification adjustments for losses included in the consolidation income statement		
— gain on disposal	15	—
Income tax effect	—	2
	15	(8)
Share of comprehensive income of joint ventures	—	15
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	15	7
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	10,618	9,114
Total comprehensive income attributable to:		
Equity holders of the parent	10,542	9,107
Non-controlling interests	76	7
	10,618	9,114

Consolidated Statement of Financial Position

31 December 2013

	Notes	31 December 2013 RMB million	31 December 2012 RMB million (Restated)	1 January 2012 RMB million (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	14	9,418	2,430	2,207
Prepaid land lease prepayments		924	329	324
Intangible assets	15	2,432	202	33
Goodwill	16	1,587	212	—
Investments in joint ventures	18	34,541	31,136	29,758
Investments in associates	19	1,362	983	964
Available-for-sale financial assets	26	286	128	123
Other non-current assets	20	7,107	32	1
Deferred tax assets	10	719	14	9
Total non-current assets		58,376	35,466	33,419
Current assets				
Inventories	21	4,245	1,198	563
Trade receivables	22	3,335	397	495
Bills receivable	23	11,403	2,802	506
Prepayments, deposits and other receivables	24	10,528	868	942
Due from joint ventures	25	3,712	3,470	2,550
Pledged bank balances and time deposits	27	2,543	108	254
Cash and cash equivalents	27	21,739	17,940	17,782
		57,505	26,783	23,092
Assets classified as held for sale		117	117	—
Total current assets		57,622	26,900	23,092
TOTAL ASSETS		115,998	62,366	56,511

Consolidated Statement of Financial Position

31 December 2013

	Notes	31 December 2013 RMB million	31 December 2012 RMB million (Restated)	1 January 2012 RMB million (Restated)
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Issued capital	28	**8,616**	8,616	8,616
Reserves	29	**8,115**	6,870	5,968
Retained profits	29	**44,853**	37,140	30,259
Proposed final dividend	12	**1,551**	1,292	1,551
		63,135	53,918	46,394
Non-controlling interests		**899**	85	33
Total equity		**64,034**	54,003	46,427
Non-current liabilities				
Interest-bearing borrowings	30	**—**	—	1,994
Other long term liabilities		**166**	104	56
Government grants	32	**124**	2	—
Due to joint ventures	25	**2,838**	—	—
Deferred tax liabilities	10	**147**	—	—
Total non-current liabilities		**3,275**	106	2,050

Consolidated Statement of Financial Position

31 December 2013

	Notes	31 December 2013 RMB million	31 December 2012 RMB million (Restated)	1 January 2012 RMB million (Restated)
Current liabilities				
Trade payables	33	13,480	1,964	1,500
Bills payable	34	11,722	395	147
Other payables and accruals	35	9,548	1,584	4,535
Due to joint ventures	25	6,197	1,680	1,087
Interest-bearing borrowings	30	5,875	2,302	495
Income tax payable		837	219	232
Provisions	31	1,014	97	38
		48,673	8,241	8,034
Liabilities directly associated with the assets classified as held for sale		16	16	—
Total current liabilities		48,689	8,257	8,034
TOTAL LIABILITIES		51,964	8,363	10,084
TOTAL EQUITY AND LIABILITIES		115,998	62,366	56,511
Net current assets		8,933	18,643	15,058
Total assets less current liabilities		67,309	54,109	48,477

Xu Ping
Director

Zhou Qiang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Notes	Issued capital RMB million	Capital reserve RMB million	Statutory reserves RMB million (note 29)	Retained profits RMB million	Proposed final dividend RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
		Attributable to equity holders of the parent							
As at 1 January 2012									
As previously reported		8,616	1,505	9,810	24,912	1,551	46,394	3,190	49,584
Prior year adjustments	2.2	–	–	(5,347)	5,347	–	–	(3,157)	(3,157)
As restated		8,616	1,505	4,463	30,259	1,551	46,394	33	46,427
Profit for the year (restated)		–	–	–	9,092	–	9,092	15	9,107
Other comprehensive income for the year		–	15	–	–	–	15	(8)	7
Total comprehensive income for the year		–	15	–	9,092	–	9,107	7	9,114
Transfer to reserves		–	–	895	(895)	–	–	–	–
Gain of control in subsidiaries		–	–	–	–	–	–	37	37
Capital contribution from non-controlling shareholders		–	(8)	–	(24)	–	(32)	8	(24)
Final 2011 dividend declared and paid		–	–	–	–	(1,551)	(1,551)	–	(1,551)
Proposed final dividend	12	–	–	–	(1,292)	1,292	–	–	–
As at 31 December 2012		8,616	1,512*	5,358*	37,140	1,292	53,918	85	54,003
As at 1 January 2013									
As previously reported		8,616	1,512	11,811	30,687	1,292	53,918	3,715	57,633
Prior year adjustments	2.2	–	–	(6,453)	6,453	–	–	(3,630)	(3,630)
As restated		8,616	1,512	5,358	37,140	1,292	53,918	85	54,003
Profit for the year		–	–	–	10,528	–	10,528	75	10,603
Other comprehensive income for the year		–	14	–	–	–	14	1	15
Total comprehensive income for the year		–	14	–	10,528	–	10,542	76	10,618
Transfer to reserves		–	–	1,216	(1,216)	–	–	–	–
Gain of control in subsidiaries	17	–	–	–	–	–	–	702	702
Acquisition of non-controlling interests		–	15	–	(48)	–	(33)	(60)	(93)
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	113	113
Final 2012 dividend declared and paid		–	–	–	–	(1,292)	(1,292)	(17)	(1,309)
Proposed final dividend	12	–	–	–	(1,551)	1,551	–	–	–
As at 31 December 2013		8,616	1,541*	6,574*	44,853	1,551	63,135	899	64,034

* These reserve accounts comprise the consolidated reserves of RMB8,115 million (2012: RMB6,870 million (restated)) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB million	2012 RMB million (Restated)
Cash flows from operating activities			
Profit before tax		10,712	9,152
Adjustments for:			
Share of profits and losses of joint ventures and associates		(11,429)	(10,064)
Gain on disposal of items of property, plant and equipment, net	6	(48)	—
Gain on disposal of land lease prepayment	6	(75)	—
Gain on remeasurement of previously held interests in the acquirees	5	(40)	(113)
Gain on disposal of available-for-sale financial assets		(13)	—
Provision/(reversal of provision) against inventories	6	(20)	62
Impairment of trade and other receivables	6	62	(5)
Exchange losses/(gains), net	6	(5)	5
Depreciation	6	728	194
Impairment of items of property, plant and equipment	6	2	—
Amortisation of intangible assets	6	35	10
Finance costs	7	170	178
Interest income	5	(544)	(598)
Government grants	5	(48)	(26)
		(513)	(1,205)
Decrease/(increase) in trade and bills receivables and prepayments, deposits and other receivables		3,514	(1,897)
Decrease/(increase) in inventories		130	(431)
Decrease/(increase) in amounts due from joint ventures		(270)	14
Increase in trade and bills payables, and other payables and accruals		1,056	368
Increase in loans and receivables from financing services		(3,975)	—
Decrease in cash deposits received from financing services		(9,619)	—
Increase in a mandatory reserve with the People's Bank of China		(688)	—
Increase in amounts due to joint ventures		908	593
Increase in provisions		119	58
Decrease in other long term liabilities		—	(2)
Cash generated from operations		(9,338)	(2,502)
Interest paid		(150)	(202)
Income tax paid		(206)	(52)
Net cash flows used in operating activities		(9,694)	(2,756)

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB million	2012 RMB million (Restated)
Cash flows from investing activities			
Purchases of items of property, plant and equipment		(750)	(384)
Increase in lease prepayments and other long term assets		(64)	(3)
Purchases of intangible assets		(518)	(168)
Purchases of available-for-sale financial assets		(32)	—
Acquisition of control in subsidiaries	17	8,779	(149)
Investments in joint ventures		(235)	(175)
Investments in associates		(203)	(5)
Proceeds from disposal of items of property, plant and equipment		108	19
Proceeds from disposal of intangible assets		75	—
Proceeds from disposal of available-for-sale financial assets		89	8
Dividends from joint ventures and associates		8,937	7,778
Government grants received		77	26
Interest received		540	597
Decrease/(increase) in pledged bank balances and time deposits		(1,404)	146
Decrease/(increase) in non-pledged time deposits with original maturity of three months or more when acquired		2,583	(2,921)
Net cash flows from investing activities		17,982	4,769
Cash flows from financing activities			
Proceeds from borrowings		3,614	750
Repayment of borrowings		(3,759)	(3,975)
Decrease in cash deposits received from DMC by a subsidiary		(260)	—
Capital contribution from non-controlling shareholders		113	—
Acquisition of non-controlling interests		(93)	—
Dividends paid to non-controlling shareholders		(17)	—
Dividends paid		(1,504)	(1,551)
Net cash flows used in financing activities		(1,906)	(4,776)
Net increase/(decrease) in cash and cash equivalents		6,382	(2,763)
Cash and cash equivalents at beginning of year		10,288	13,051
Cash and cash equivalents at end of year	27	16,670	10,288

Statement of Financial Position

31 December 2013

	Notes	2013 RMB million	2012 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	14	2,392	2,148
Lease prepayments		298	304
Intangible assets	15	642	193
Investments in subsidiaries	17	13,413	865
Investments in joint ventures	18	13,066	13,212
Investments in associates	19	595	420
Available-for-sale financial assets	26	177	68
Total non-current assets		30,583	17,210
Current assets			
Inventories	21	442	837
Trade receivables	22	568	471
Bills receivable	23	1,427	2,619
Prepayments, deposits and other receivables	24	2,039	664
Due from joint ventures	25	3,128	3,352
Cash and cash equivalents	27	17,009	16,577
Total current assets		24,613	24,520
TOTAL ASSETS		55,196	41,730

Statement of Financial Position

31 December 2013

	Notes	2013 RMB million	2012 RMB million
EQUITY AND LIABILITIES			
Equity			
Issued capital	28	8,616	8,616
Reserves	29	7,477	6,531
Retained profits	29	22,703	18,345
Proposed final dividend	12	1,551	1,292
Total equity		40,347	34,784
Non-current liabilities			
Interest-bearing borrowings	30	2,705	—
Other non-current liabilities		57	57
Total non-current liabilities		2,762	57
Current liabilities			
Trade payables	33	4,121	1,676
Bills payable	34	686	287
Other payables and accruals	35	2,323	1,253
Due to joint ventures	25	158	1,282
Interest-bearing borrowings	30	4,431	2,088
Income tax payable		211	211
Provisions	31	157	92
Total current liabilities		12,087	6,889
TOTAL LIABILITIES		14,849	6,946
TOTAL EQUITY AND LIABILITIES		55,196	41,730

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 and its subsidiaries for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

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

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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 in the reserves of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES 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 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
IAS 19 Amendments	*Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IAS 36 Amendments	*Amendments to IAS 36 Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009 — 2011 Cycle	Amendments to a number of IFRSs issued in May 2012

Other than as further explained below regarding the impact of IFRS 10, IFRS 11, IFRS 12, IFRS 13, IAS 19 Amendments, amendments to IFRS 10, IFRS 11, IFRS 12, IAS 1 and IAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

(a) IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial and addresses the issues in SIC 12 *Consolidation — Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in IFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of IFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of IFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) 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. The classification of joint arrangements under IFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with IAS 28 Amendment.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of IFRS 11, and concluded that the Group's investments which were previously classified as jointly-controlled entities ("JCEs") under IAS 31 and were accounted for using the proportionate consolidation method, should be classified as joint ventures under IFRS 11 and be accounted for using the equity method. The change in accounting for investments in joint ventures has been applied retrospectively. The opening balances as at 1 January 2012 and comparative information for the year ended 31 December 2012 have been restated in the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

The operating results previously reported by the Group for the year ended 31 December 2012 has been restated to equity account for the Group's JCEs as set out below:

	The Group RMB million (as previously reported)	**JCEs** RMB million	**The Group** RMB million (Restated)
Revenue	124,036	(117,946)	6,090
Cost of sales	(100,160)	94,424	(5,736)
Other income	3,129	(2,006)	1,123
Selling and distribution costs	(6,716)	5,904	(812)
Administrative expenses	(3,937)	3,231	(706)
Other expenses, net	(3,772)	3,079	(693)
Finance costs	(288)	110	(178)
Share of profits and losses of:			
Joint ventures	—	9,873	9,873
Associates	406	(215)	191
Income tax	(2,919)	2,874	(45)
Profit for the year	9,779	(672)	9,107
Attributable to:			
Owners of the parent	9,092	—	9,092
Non-controlling interests	687	(672)	15
	9,779	(672)	9,107

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

The financial position previously reported by the Group as at 31 December 2012 has been restated to equity account for the Group's JCEs as set out below:

	The Group RMB million (as previously reported)	JCEs RMB million	The Group RMB million (Restated)
Assets:			
Property, plant and equipment	25,823	(23,393)	2,430
Goodwill	875	(663)	212
Investments in joint ventures	—	31,136	31,136
Other non-current assets	13,721	(12,033)	1,688
Inventories	11,386	(10,188)	1,198
Trade and bills receivables	20,554	(17,355)	3,199
Cash and cash equivalents	32,101	(14,161)	17,940
Other current assets	10,233	(5,787)	4,446
Assets classified as held for sale	117	—	117
Total assets	114,810	(52,444)	62,366
Liabilities:			
Non-current liabilities	2,113	(2,007)	106
Trade and bills payable	28,303	(25,944)	2,359
Other current liabilities	26,745	(20,863)	5,882
Liabilities directly associated with the assets classified as held for sale	16	—	16
Total liabilities	57,177	(48,814)	8,363
Net assets	57,633	(3,630)	54,003
Equity attributable to owners of the parent	53,918	—	53,918
Non-controlling interests	3,715	(3,630)	85
	57,633	(3,630)	54,003

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) IFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities 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. Details of the disclosures for subsidiaries, joint ventures and associates are included in notes 17, 18 and 19 to the financial statements.

(d) The IFRS 10, IFRS 11 and IFRS 12 Amendments clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC 12 at the beginning of the annual period in which IFRS 10 is applied for the first time.

(e) 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 rather provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. IFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in IFRS 13, the policies for measuring fair value have been amended.

(f) The IAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified. The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes.

(g) IAS 19 Amendments include 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 adoption of the revised standard has had no material effect on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(h) The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(i) *Annual Improvements 2009–2011 Cycle* issued in May 2012 sets out amendments to a number of standards. 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 have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- IAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

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 9	*Financial Instruments*[4]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to* IFRS 9, IFRS 7 and IAS 39[4]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — *Investment Entities*[1]
IFRS 14	*Regulatory Deferred Accounts*[3]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs issued in December 2013[2]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs issued in December 2013[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

Further information about those IFRSs that are expected to be applicable to 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.

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

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 IAS 39, while changes were made to the measurement of financial liabilities designated as 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 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.

In November 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in November 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

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

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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.

Investments in associates and joint ventures

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group's investments in associates and joint ventures 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.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates and joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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 to measure 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-related costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the 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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed of in these circumstances is measured on the basis of the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, goodwill and non-current assets/a disposal group classified as held for sale), 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 of disposal 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 an 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. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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	Over 10 to 45 years
Plant and equipment	Over 5 to 20 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Construction in progress represents property, plant and equipment under construction, which are stated at cost less any impairment losses, and are 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.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

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.

Customer relationships

Customer relationships are stated at cost less any impairment losses and are amortised on straight-line basis over their estimated useful lives of 17 years.

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 the 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.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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 positive net changes in fair value presented as other income and negative net changes in fair value presented as finance costs 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 as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

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 as 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 or a reclassification of a financial asset out of the fair value through profit or loss category.

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 other 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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 as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the 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 reserve to the income statement in gains or losses. 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, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

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 primarily derecognised (i,e, removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The amount of any impairment loss identified 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).

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial instruments (continued)

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. "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. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

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

The Group's financial liabilities include trade and other payables, amounts due to joint ventures and interest-bearing loans and borrowings.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings (continued)

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Initial recognition and measurement

The Group uses derivative financial instruments such as foreign currency forward and swap contracts to hedge its foreign currency risk. These 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 and later reclassified to profit or loss when the hedged item affects profit or loss.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, and assets similar in nature to cash, 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 on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present value as appropriate.

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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 joint ventures, 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 joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal instalments or deducted from the carrying amount of the asset and 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 over 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 payments

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 payments (continued)

The cost of cash-settlement transactions is measured initially at fair value at the grant date using a 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 translated at the functional currency rates of exchange prevailing at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 measured. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the 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 their accompanying disclosures, and the disclosure of contingent liabilities. 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 the 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

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 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

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

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.

Deferred tax assets

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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 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, and the Group's consolidated assets are substantially located inside the PRC, no geographical information is presented.

During the year ended 31 December 2013, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (2012: RMB1,188 million (restated)).

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

Segment information (continued)

Year ended 31 December 2013

	Commercial vehicles RMB million	Passenger vehicles RMB million	Corporate and others RMB million	Total RMB million
Segment revenue				
Sales to external customers	24,527	11,905	54	36,486
Interest income from financing services	—	—	777	777
	24,527	11,905	831	37,263
Results				
Segment results	506	(1,071)	(526)	(1,091)
Interest income	165	108	271	544
Finance costs				(170)
Share of profits and losses of:				
Associates	—	39	214	253
Joint ventures	2,624	9,290	(738)	11,176
Profit before tax				10,712
Income tax expense				(109)
Profit for the year				10,603
Other segment information				
Capital expenditure:				
— Property, plant and equipment	509	153	88	750
— Intangible assets	45	469	4	518
— Lease prepayments	66	184	—	250
Depreciation of items of property, plant and equipment	412	194	122	728
Amortisation of intangible assets	28	4	3	35
Provision against inventories	7	(26)	(1)	(20)
Impairment losses recognised in the income statement	22	(2)	44	64
Warranty provisions	303	202	—	505

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

Segment information (continued)

Year ended 31 December 2012 (restated)

	Commercial vehicles RMB million	Passenger vehicles RMB million	Corporate and others RMB million	Total RMB million
Segment revenue				
Sales to external customers	2,784	3,254	52	6,090
Interest income from financing services	—	—	—	—
	2,784	3,254	52	6,090
Results				
Segment results	132	(1,051)	(413)	(1,332)
Interest income	5	31	562	598
Finance costs				(178)
Share of profits and losses of:				
Associates	15	44	132	191
Joint ventures	730	9,829	(686)	9,873
Profit before tax				9,152
Income tax expense				(45)
Profit for the year				9,107
Other segment information				
Capital expenditure:				
— Property, plant and equipment	88	172	124	384
— Intangible assets	—	—	168	168
— Lease prepayments	10	—	1	11
Depreciation of items of property, plant and equipment	28	110	56	194
Amortisation of intangible assets	1	3	6	10
Provision against inventories	9	53	—	62
Impairment losses recognised in the income statement	—	—	4	4
Warranty provisions	21	64	—	85

5. OTHER INCOME

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

		Group	
	Notes	2013 RMB million	2012 RMB million (Restated)
Net income from disposal of other materials		82	7
Government grants and subsidies	32	48	26
Interest income		544	598
Rendering of services		122	135
Gain on remeasurement of previously held interests in the acquirees	17	40	113
Management dispatch fee received from joint ventures		314	194
Others		131	50
		1,281	1,123

6. PROFIT BEFORE TAX

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

	Notes	Group 2013 RMB million	Group 2012 RMB million (Restated)
Cost of inventories recognised as expense		32,480	5,736
Interest expense for financing services (included in cost of sales)		102	—
Provision/(reversal of provision) against inventories		(20)	62
Depreciation	14	728	194
Amortisation of intangible assets *	15	35	10
Amortisation of lease prepayments		19	8
Auditors' remuneration		25	14
Minimum lease payments under operating leases in respect of land and buildings		75	54
Staff costs (excluding directors' and supervisors' remuneration (note 8)):			
— Wages and salaries		2,857	574
— Pension scheme costs	(a)	306	92
— Medical benefit costs	(b)	161	32
— Cash housing subsidy costs	(c)	8	—
— Stock appreciation rights expense	(e)	24	—
		3,356	698
Included in other expenses, net			
Gain on disposal of items of property, plant and equipment, net		(48)	—
Gain on disposal of prepaid land lease prepayments		(75)	—
Impairment of items of property, plant and equipment	14	2	—
Impairment of trade and other receivables		62	(5)
Warranty provisions	31	505	85
Research costs		1,634	608
Exchange losses/(gains), net		(5)	5

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

6. PROFIT BEFORE TAX (continued)

(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 subsidiaries and joint ventures 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.

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.

6. PROFIT BEFORE TAX (continued)

(b) Medical benefits (continued)

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.

(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 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 these plans. Employees who joined the subsidiaries and joint ventures from 1 January 2003 onwards and the retired employees of these subsidiaries and joint ventures 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 the 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 which are 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 these 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 these 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.

On 16 July 2013, the Company's board of directors approved a plan of SARs for the senior management of the Group. 40,198,000 SAR units were granted with a term of five years with effect from 16 July 2013 (the "SAR"). The rights to the SAR units will have an exercise period of two years from the date of grant (i.e., 16 July 2013) 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 33%, 66% 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 27 March 2012 was HK$9.67 per unit, being the higher of the closing share price of the date of grant and the average share price at the close of trading over the five business days preceding the date of grant.

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.

As at 31 December 2013, the carrying amount of the liability relating to the SARs stated on the basis as described in the preceding paragraph was RMB24 million (2012: Nil) and the compensation expense recognised for the year ended 31 December 2013 was RMB24 million (2012: Nil).

6. PROFIT BEFORE TAX (continued)

(e) Stock appreciation rights (continued)

The following SARs were outstanding during the year:

	2013	
	Weighted average exercise price HK$ per share	Number of SAR units '000
At 1 January		—
Granted during the year	9.67	40,198
At 31 December		40,198

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

2013

Number of SAR units '000	Exercise price HK$ per share	Exercise period
40,198	9.67	16-07-2015 to 16-07-2017

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 dividends, expected volatility (based on the weighted average historical volatility), weighted average expected life of the SARs (based on the expected nil SAR holder resignation rate and the expected exercise behavior when the share price exceeds 240% of the exercise price of HK$9.67 per share), and the risk-free interest rate (based on Hong Kong Exchange Fund Note). Changes in the subjective input assumptions could materially affect the fair value estimate of the SARs.

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 2013:

Dividend yield (%)	0
Expected volatility (%)	50
Risk-free interest rate (%)	1.03
Expected life of options (years)	3.99
Share price on measurement date (HK$ per share)	12.14

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2013	2012
	RMB million	RMB million
		(Restated)
Interest on bank loans and other borrowings wholly repayable within five years	**23**	26
Interest on discounted bills	**38**	—
Interest on short term notes	**71**	—
Interest on medium term notes	**38**	152
Net interest expense	**170**	178

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	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Fees	681	441	120	96
Other emoluments:				
— Salaries, allowances and benefits in kind	2,141	2,770	1,705	1,732
— Bonuses	3,024	3,443	3,467	3,954
— Pension scheme costs	545	508	345	390
	6,391	7,162	5,637	6,172
Stock appreciation right expenses recognised in the income statement	1,463	—	824	—
Total charged to the income statement	7,854	7,162	6,461	6,172

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 2013 are as follows:

2013	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme costs RMB'000	Total RMB'000	Stock appreciation right expenses recognised in the income statement RMB'000
Executive directors:						
Xu Ping	–	297	418	75	790	227
Zhu Fushou	–	297	406	71	774	227
Li Shaozhu	–	265	368	69	702	203
Zhou Wenjie (resigned on 23 January 2013)	–	23	–	3	26	–
Fan Zhong (resigned on 10 October 2013)	–	204	368	52	624	–
	–	1,086	1,560	270	2,916	657
Non-executive directors:						
Tong Dongcheng	–	265	368	69	702	203
Ouyang Jie	–	265	368	69	702	203
Liu Weidong	–	265	368	69	702	203
Zhou Qiang	–	260	360	68	688	197
	–	1,055	1,464	275	2,794	806
Independent non-executive directors:						
Ma Zhigeng (appointed on 23 January 2013)	171	–	–	–	171	–
Zhang Xiaotie (appointed on 10 October 2013)	16	–	–	–	16	–
Cao Xinghe (appointed on 10 October 2013)	16	–	–	–	16	–
Chen Yunfei (appointed on 10 October 2013)	37	–	–	–	37	–
Yang Xianzu (resigned on 10 October 2013)	147	–	–	–	147	–
Sun Shuyi (resigned on 10 October 2013)	147	–	–	–	147	–
Ng Lin-fung (resigned on 10 October 2013)	147	–	–	–	147	–
	681	–	–	–	681	–
	681	2,141	3,024	545	6,391	1,463

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

2013	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme costs RMB'000	Total RMB'000	Stock appreciation right expenses recognised in the income statement RMB'000
Supervisors:						
Ma Liangjie	–	251	360	77	688	197
Ren Yong	–	779	1,623	113	2,515	149
Li Chunrong (resigned on 10 October 2013)	–	176	245	39	460	110
Chen Binbo (resigned on 10 October 2013)	–	170	696	28	894	122
Huang Gang (resigned on 10 October 2013)	–	165	244	43	452	122
Kang Li (resigned on 10 October 2013)	–	164	299	45	508	122
	–	1,705	3,467	345	5,517	824
Independent supervisors:						
Feng Guo (appointed on 10 October 2013)	12	–	–	–	12	–
Zhao Jun (appointed on 10 October 2013)	12	–	–	–	12	–
Wen Shiyang (resigned on 10 October 2013)	48	–	–	–	48	–
Deng Mingran (resigned on 10 October 2013)	48	–	–	–	48	–
	120	–	–	–	120	–
	120	1,705	3,467	345	5,637	824

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

The names of the directors and the supervisors and their remuneration for the year ended 31 December 2012 are as follows:

2012	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	—	337	414	62	813
Zhu Fushou	—	336	357	56	749
Zhou Wenjie	—	303	383	49	735
Fan Zhong	—	300	383	57	740
Li Shaozhu	—	300	383	57	740
	—	1,576	1,920	281	3,777
Non-executive directors:					
Tong Dongcheng	—	300	383	57	740
Liu Weidong	—	300	383	57	740
Ouyang Jie	—	300	383	57	740
Zhou Qiang	—	294	374	56	724
	—	1,194	1,523	227	2,944
Independent non-executive directors:					
Sun Shuyi	147	—	—	—	147
Ng Lin-fung	147	—	—	—	147
Yang Xianzu	147	—	—	—	147
	441	—	—	—	441
	441	2,770	3,443	508	7,162

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

2012	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme costs RMB'000	Total RMB'000
Supervisors:					
Ren Yong	—	740	1,358	101	2,199
Li Chunrong	—	172	391	43	606
Kang Li	—	184	563	47	794
Ma Liangjie	—	302	374	112	788
Chen Binbo	—	164	763	43	970
Huang Gang	—	170	505	44	719
	—	1,732	3,954	390	6,076
Independent supervisors:					
Wen Shiyang	48	—	—	—	48
Deng Mingran	48	—	—	—	48
	96	—	—	—	96
	96	1,732	3,954	390	6,172

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 2013 and 2012.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2012: one supervisor), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2012: four) highest paid employees who are neither a director nor a supervisor of the Company are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	2,837	1,954
Bonuses	5,983	3,537
Pension scheme contributions	427	278
	9,247	5,769

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	
	2013	2012
Nil–RMB1,500,000	—	3
RMB1,500,001–RMB2,000,000	3	1
RMB2,000,0001–RMB2,500,000	1	—
	4	4

During the year, the SARs were granted to the four (2012: four) 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	
	2013	2012
	RMB million	RMB million
		(Restated)
Current income tax	**770**	48
Deferred income tax	**(661)**	(3)
Income tax expense for the year	**109**	45

(a) Corporate income tax

Under the PRC Corporate Income Tax Law and the respective regulations, the corporate income tax for the Company and its subsidiaries is calculated at rates ranging from 15% to 25%, on their estimated assessable profits for the year based on the existing legislation, interpretations and practices in respect thereof.

(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)

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:

	Group			
	2013		2012	
	RMB million	%	RMB million (Restated)	%
Profit before tax	10,712		9,152	
At the PRC statutory corporate income tax rate of 25% (2012: 25%)	2,678	25.0	2,288	25.0
Tax concessions and lower tax rates for specific provinces or locations	(178)	(1.7)	(52)	(0.6)
Profits attributable to joint ventures and associates	(2,857)	(26.7)	(2,516)	(27.5)
Income not subject to corporate income tax	(22)	(0.4)	(32)	(0.3)
Expenses not deductible for corporate income tax	25	0.2	29	0.3
Tax losses not recognised	463	4.3	328	3.6
Income tax expense at the Group's effective income tax rate	109	1.0	45	0.5

The share of tax attributable to associates and joint ventures amounting to RMB69 million (2012: RMB49 million) and RMB3,913 million (2012: RMB2,816 million), respectively, is included in "Share of profits and losses of joint ventures and associates" in the consolidated income statement.

10. INCOME TAX EXPENSE (continued)

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

Group

	Consolidated statement of financial position As at 31 December		Consolidated statement of comprehensive income Year ended 31 December	
	2013 RMB million	2012 RMB million (Restated)	**2013 RMB million**	2012 RMB million (Restated)
Deferred tax assets:				
Assets impairment	**25**	—	**(25)**	—
Accrued expenses	**376**	4	**(372)**	(1)
Warranty provision	**121**	1	**(120)**	—
Wages payable	**151**	2	**(149)**	—
Others	**46**	7	**(39)**	(4)
Gross deferred tax assets	**719**	14		
Deferred tax liabilities:				
Fair value adjustments arising from gain of control in subsidiaries	**(147)**	—	**147**	—
Gross deferred tax liabilities	**(147)**	—		
			(558)	(5)
Represented by:				
Deferred tax credit to consolidated income statement			**(661)**	(3)
Deferred tax credit to consolidated other comprehensive income			**—**	(2)
Gain of control in subsidiaries			**103**	—
			(558)	(5)

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 2013 includes a profit of RMB6,855 million (2012: RMB7,470 million) which has been dealt with in the financial statements of the Company (note 29).

12. DIVIDEND

	Group	
	2013	2012
	RMB million	RMB million
Proposed final — RMB0.18 (2012: RMB0.15) per ordinary share	**1,551**	1,292

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 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 joint ventures 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:

	2013 RMB million	2012 RMB million
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	**10,528**	9,092

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

The Group had 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 2013				
At 31 December 2012 and 1 January 2013 (Restated):				
Cost	306	2,764	505	3,575
Accumulated depreciation and impairment	(115)	(1,029)	(1)	(1,145)
Net carrying amount	191	1,735	504	2,430
At 1 January 2013, net of accumulated depreciation and impairment (Restated)	191	1,735	504	2,430
Additions	6	178	566	750
Disposals	(10)	(51)	—	(61)
Gain of control in subsidiaries	247	4,365	2,417	7,029
Reclassifications	42	1,200	(1,242)	—
Impairment	—	(2)	—	(2)
Depreciation provided during the year	(27)	(701)	—	(728)
At 31 December 2013, net of accumulated depreciation and impairment	449	6,724	2,245	9,418
At 31 December 2013:				
Cost	734	12,392	2,245	15,371
Accumulated depreciation and impairment	(285)	(5,668)	—	(5,953)
Net carrying amount	449	6,724	2,245	9,418

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Buildings RMB million (Restated)	Plant and equipment RMB million (Restated)	Construction in progress RMB million (Restated)	Total RMB million (Restated)
31 December 2012				
At 31 December 2011 and 1 January 2012:				
Cost	288	2,321	520	3,129
Accumulated depreciation and impairment	(99)	(811)	(12)	(922)
Net carrying amount	189	1,510	508	2,207
At 1 January 2012, net of accumulated depreciation and impairment	189	1,510	508	2,207
Additions	18	83	283	384
Disposals	(13)	(6)	—	(19)
Gain of control in subsidiaries	12	39	1	52
Reclassifications	3	285	(288)	—
Depreciation provided during the year	(18)	(176)	—	(194)
At 31 December 2012, net of accumulated depreciation and impairment	191	1,735	504	2,430
At 31 December 2012:				
Cost	306	2,764	505	3,575
Accumulated depreciation and impairment	(115)	(1,029)	(1)	(1,145)
Net carrying amount	191	1,735	504	2,430

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 2013				
At 31 December 2012 and 1 January 2013:				
Cost	288	2,413	483	3,184
Accumulated depreciation and impairment	(109)	(926)	(1)	(1,036)
Net carrying amount	179	1,487	482	2,148
At 1 January 2013, net of accumulated depreciation and impairment	179	1,487	482	2,148
Additions	—	20	454	474
Disposals	—	(3)	—	(3)
Reclassifications	1	359	(360)	—
Depreciation provided during the year	(12)	(215)	—	(227)
At 31 December 2013, net of accumulated depreciation and impairment	168	1,648	576	2,392
At 31 December 2013:				
Cost	288	2,788	576	3,652
Accumulated depreciation and impairment	(120)	(1,140)	—	(1,260)
Net carrying amount	168	1,648	576	2,392

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 2012				
At 31 December 2011 and 1 January 2012:				
Cost	284	2,117	505	2,906
Accumulated depreciation and impairment	(99)	(753)	(11)	(863)
Net carrying amount	185	1,364	494	2,043
At 1 January 2012, net of accumulated depreciation and impairment	185	1,364	494	2,043
Additions	2	7	275	284
Disposals	—	(6)	—	(6)
Reclassifications	3	284	(287)	—
Depreciation provided during the year	(11)	(162)	—	(173)
At 31 December 2012, net of accumulated depreciation and impairment	179	1,487	482	2,148
At 31 December 2012:				
Cost	288	2,413	483	3,184
Accumulated depreciation and impairment	(109)	(926)	(1)	(1,036)
Net carrying amount	179	1,487	482	2,148

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.

15. INTANGIBLE ASSETS

	Group		Company	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
Cost:				
At 1 January	403	219	387	219
Additions	518	168	458	168
Gain of control in subsidiaries	2,157	16	—	—
Disposals	(2)	—	—	—
At 31 December	3,076	403	845	387
Accumulated amortisation:				
At 1 January	89	74	82	74
Amortisation	35	10	9	8
Gain of control in subsidiaries	410	5	—	—
Disposals	(2)	—	—	—
At 31 December	532	89	91	82
Impairment:				
At 1 January	112	112	112	112
Additions	—	—	—	—
At 31 December	112	112	112	112
Net book value:				
At 1 January	202	33	193	33
At 31 December	2,432	202	642	193

16. GOODWILL

Group

	2013 RMB million	2012 RMB million (Restated)
At 1 January	**212**	—
Additions	**1,375**	212
At 31 December	**1,587**	212

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 15%. No growth rate has been projected beyond the five-year period.

17. INVESTMENTS IN SUBSIDIARIES

Company

	2013 RMB million	2012 RMB million
Unlisted investments, at cost	**13,413**	865

17. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2013 were as follows:

Name	Place of establishment and business	Paid-up and registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Dongfeng Commercial Vehicles Co., Ltd.	PRC	RMB9,200,000,000	100	–	Manufacturing and sales of commercial vehicles
Dongfeng Liuzhou Motor Co., Ltd.	PRC	RMB958,000,000	75.0	–	Manufacture and sale of automobiles, automotive parts and components
Dongfeng Motor Finance Co., Ltd. ("DFF")	PRC	RMB1,319,000,000	100.0	–	Provision of finance services
China Dongfeng Motor Industry Import and Export Co., Ltd.	PRC	RMB200,000,000	95.0	2.6	Marketing and sale of automobiles
Dongfeng Electric Vehicle Co., Ltd.	PRC	RMB90,580,000	90.07	–	Manufacturing and sale of electric vehicles, parts and components
Dongfeng Off-road Vehicle Co., Ltd.	PRC	RMB155,000,000	100	–	Manufacturing and sale of off-road vehicles, parts and components

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.

17. INVESTMENTS IN SUBSIDIARIES (continued)

During the year ended 31 December 2013, the Group had the following significant changes in the holdings of subsidiaries:

Commercial vehicle and other businesses (the "CV Businesses")

In January 2013, the Group entered into a framework agreement with Nissan Motor Co., Ltd., Nissan (China) Investment Co., Ltd. and Dongfeng Motor Co., Ltd. ("DFL"), a 50%-owned joint venture of the Group, for the acquisition of the CV Businesses from DFL at a total consideration of RMB11,713 million, on condition that DFL shall allocate RMB250 million as the Head Office Expenses to the CV Businesses (the "Allocated Head Office Expenses"). If the Allocated Head Office Expenses exceeds RMB250 million but is less than RMB275 million, no adjustment to the acquisition price shall be required. In addition, the acquisition price shall not be adjusted if the net asset value of the CV Businesses' Head Quarter transferred from DFL does not exceed RMB138 million as at the completion date. The Group acquired the CV Businesses with the aim of setting up joint venture with Aktiebolaget Volvo (Publ.) for the development of medium and heavy duty commercial vehicles.

The finalised purchase consideration for the acquisition was RMB11,833 million and was paid in the form of cash, with RMB7,811 million paid on the acquisition date and RMB4,022 million payable by three annual instalments within three years from the acquisition date.

Upon the completion of the aforesaid acquisition, the Company owns a 100% equity interest in the CV Businesses which is thereafter accounted for as subsidiaries of the Company.

Since the acquisition, the CV Businesses contributed RMB28,744 million to the Group's turnover and profit of RMB852 million for the year ended 31 December 2013.

17. INVESTMENTS IN SUBSIDIARIES (continued)

The Group's share of identifiable assets and liabilities acquired of as at the date of acquisitions were as follows:

	RMB million
Property, plant and equipment	7,029
Intangible assets	1,747
Prepaid land lease prepayments	621
Deferred tax assets	97
Available-for-sale financial assets	187
Investment in a joint venture	917
Other non-current assets	4,314
Inventories	3,157
Trade and bills receivables	15,051
Prepayment, deposits and other receivables	8,323
Cash and cash equivalents	16,590
Pledged bank balances and time deposits	1,031
Interest-bearing borrowings	(1,154)
Trade and bills payables	(21,531)
Other payables and accrued liabilities	(23,658)
Income tax payable	(54)
Other non-current liabilities	(30)
Provisions	(798)
Government grants	(93)
Deferred tax liabilities	(200)
Non-controlling interests	(702)
	10,844
Goodwill on acquisition	1,375
Gain on remeasurement of previously held interests in the acquirees	(40)
	12,179
Represented by:	
Fair value of the consideration — cash	7,811
Fair value of a balance due to a joint venture	4,022
Interest in a joint venture	346
	12,179
An analysis of the cash flows in respect of the gain of control in subsidiaries is as follows:	
Cash consideration	(7,811)
Cash and cash equivalents acquired	16,590
Net inflow of cash and cash equivalents included in cash flows from investing activities	8,779

18. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Unlisted investments, at cost	**—**	—	**13,066**	13,212
Share of net assets	**34,264**	30,859	**—**	—
Goodwill on acquisition	**277**	277	**—**	—
	34,541	31,136	**13,066**	13,212

Particulars of the principal joint ventures as at 31 December 2013 were as follows:

Name	Place of establishment and business	Paid-up registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Dongfeng Motor Co., Ltd. ("DFL")#	PRC	RMB16,700,000,000	50.0	—	Manufacture and sale of automobiles, automotive parts and components
Dongfeng Peugeot Citroen Automobile Company Ltd. ("DPCA")#	PRC	RMB7,000,000,000	50.0	—	Manufacture and sale of automobiles, automotive parts and components
Dongfeng Honda Automobile Co., Ltd. ("DHAC")#	PRC	US$560,000,000	50.0	—	Manufacture and sale of automobiles, automotive parts and components
Dongfeng Honda Engine Co., Ltd.#	PRC	US$121,583,517	50.0	—	Manufacture and sale of automotive parts and components

18. INVESTMENTS IN JOINT VENTURES (continued)

Particulars of the principal joint ventures as at 31 December 2013 were as follows: (continued)

Name	Place of establishment and business	Paid-up registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Dongfeng Honda Auto Parts Co., Ltd.#	PRC	US$37,500,000	44.0	—	Manufacture and sale of automotive parts and components
Dongvo (Hangzhou) Truck Co., Ltd.#	PRC	RMB289,900,700	50.0	—	Manufacture and sale of automobiles, automotive parts and components
Dongfeng Renault Automotive Co., Ltd.#	PRC	RMB784,781,628	55.0	—	Manufacture and sale of automobiles, automotive parts and components
Wuhan Schmitz Trailer Co., Ltd.#	PRC	RMB150,000,000	50.0	—	Manufacture and sale of automobiles, automotive parts and components
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

18. INVESTMENTS IN JOINT VENTURES (continued)

Particulars of the principal joint ventures as at 31 December 2013 were as follows: (continued)

Name	Place of establishment and business	Paid-up registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
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	RMB2,200,000,000	–	30.0	Manufacture and sale of automobiles, automotive parts and components
Aeolus Xiangyang Motor Co., Ltd.#	PRC	RMB826,000,000	–	41.7	Manufacture and sale of automotive parts and components
Aeolus Automobile Co., Ltd.#	PRC	RMB194,400,000	–	33.4	Manufacture and sale of automobiles, automotive parts and components
Zhengzhou Nissan Automobile Co., Ltd.#	PRC	RMB1,290,000,000	–	39.8	Manufacture and sale of automobiles
Dongfeng Peugeot Citroen Finance Co., Ltd.#	PRC	RMB500,000,000	25	12.5	Provision of finance services

\# Sino-foreign equity joint ventures

\## Joint stock limited liability companies

The above table lists the joint ventures 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 joint ventures would, in the opinion of the directors, result in particulars of excessive length.

18. INVESTMENTS IN JOINT VENTURES (continued)

The following tables illustrate the aggregate financial information of the Group's material joint ventures (not the Group's share of those amounts). The Group's material joint ventures, such as DFL, DPCA and DHAC, are all 50% owned by the Group and are mainly involved in the manufacture and sale of passenger vehicles As these material joint ventures are exposed to similar risk and with similar return characteristics, the aggregate financial information of the Group's material joint ventures are disclosed as follows.

	2013 RMB million	2012 RMB million
Cash and cash equivalents	**26,721**	30,670
Other current assets	**83,006**	67,181
Total current assets	**109,727**	97,851
Non-current assets	**65,260**	67,914
Total assets	**174,987**	165,765
Current financial liabilities (excluding trade, other payables and provisions)	**(2,304)**	(2,235)
Other current liabilities	**(98,510)**	(94,693)
Total current liabilities	**(100,814)**	(96,928)
Non-current financial liabilities (excluding trade, other payables and provisions)	**(2,643)**	(2,318)
Other non-current liabilities	**(1,839)**	(1,457)
Total non-current liabilities	**(4,482)**	(3,775)
Total liabilities	**(105,296)**	(100,703)
Non-controlling interests	**(7,534)**	(7,912)
Net assets	**62,157**	57,150

18. INVESTMENTS IN JOINT VENTURES (continued)

Reconciliation of share of net assets to carrying amount of investments in material joint ventures:

	2013 RMB million	2012 RMB million
Net assets	62,157	57,150
Portion of Group's ownership	50%	50%
Group share of net assets of material joint ventures, excluding goodwill	31,079	28,575
Goodwill on acquisition less cumulative impairment	277	277
Carrying amount of investments in material joint ventures	31,356	28,852

18. INVESTMENTS IN JOINT VENTURES (continued)

Summarised statements of comprehensive income of material joint ventures:

	2013 RMB million	2012 RMB million
Revenue	**237,570**	227,495
Depreciation and amortization	**(5,655)**	(4,946)
Interest income	**983**	1,184
Interest expenses	**(129)**	(212)
Profit before tax	**29,808**	25,104
Income tax expenses	**(7,224)**	(5,247)
Profit after tax	**22,584**	19,857
Non-controlling interests	**(1,771)**	(1,443)
Other comprehensive income	**—**	30
Total comprehensive income	**20,813**	18,444
Dividend received by the Group	**7,928**	7,598

18. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2013 RMB million	2012 RMB million
Share of joint ventures' results		
Profit after tax	769	666
Other comprehensive income	—	—
Total comprehensive income	769	666
Aggregate carrying amount of the Group's investments in the joint ventures	3,185	2,283

19. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
Unlisted investments, at cost	—	—	595	420
Share of net assets	1,362	983	—	—
Goodwill on acquisition	—	—	—	—
	1,362	983	595	420

19. INVESTMENTS IN ASSOCIATES (continued)

Particulars of the principal associates as at 31 December 2013 were as follows:

Name	Place of establishment and business	Paid-up registered capital	Percentage of ownership interest attributable to the Group	Principal activities
Dongfeng Nissan Auto Finance Co., Ltd.#	PRC	RMB1,200,000,000	35%	Provision of finance services
Shenzhen DFS Industrial Group Co., Ltd.#	PRC	RMB300,000,000	47.5%	Marketing and sale of automobiles
Wuhan Lear-DFM Auto Electric Co. Ltd.#	PRC	US$8,000,000	25%	Manufacture and sale of automotive parts and components

Sino-foreign equity joint venture

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.

19. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2013 RMB million	2012 RMB million
Share of associates' results		
Profit after tax	253	191
Other comprehensive income	—	—
Total comprehensive income	253	191
Aggregate carrying amount of the Group's investments in associates	1,362	983

20. OTHER NON-CURRENT ASSETS

		Group	
	Note	2013 RMB million	2012 RMB million (Restated)
Loans and receivables from financing services	24(ii)	4,323	—
Mandatory reserve with the People's Bank of China (the "PBOC") *		2,619	—
Others		165	32
		7,107	32

* The Group's subsidiary, DFF, 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	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
		(Restated)		
Raw materials	**910**	286	**165**	179
Work in progress	**388**	166	**111**	125
Finished goods	**2,947**	746	**166**	533
	4,245	1,198	**442**	837

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	
	2013	2012	**2013**	2012
	RMB million	RMB million	**RMB million**	RMB million
		(Restated)		
Within three months	**1,784**	273	**402**	380
More than three months but within one year	**1,502**	113	**157**	90
More than one year	**49**	11	**9**	1
	3,335	397	**568**	471

22. TRADE RECEIVABLES (continued)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
At 1 January	**45**	43	**9**	6
Gain of control in subsidiaries	**72**	9	**—**	—
Net impairment loss recognised	**43**	(6)	**2**	3
Amount written off as uncollectible	**—**	(1)	**—**	—
At 31 December	**160**	45	**11**	9

As at 31 December 2013, trade receivables of the Group with an aggregate nominal value of RMB39 million (2012: RMB3 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	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Neither past due nor impaired	**1,784**	272	**402**	383
Less than three months past due	**255**	2	**88**	90
	2,039	274	**490**	473

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

22. TRADE RECEIVABLES (continued)

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

	Group		Company	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
DMC, its subsidiaries and joint ventures	331	6	2	2
A non-controlling shareholder of a subsidiary	8	—	—	—
Subsidiaries	—	—	114	225
	339	6	116	227

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	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
Within three months	2,577	411	1,139	340
More than three months but within one year	8,826	2,391	288	2,279
	11,403	2,802	1,427	2,619

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	Group 2013 RMB million	Group 2012 RMB million (Restated)	Company 2013 RMB million	Company 2012 RMB million
Prepayments		1,612	586	465	427
Deposits and other receivables	(i)	793	282	1,574	237
Loans and receivables from financing services	(ii)	8,123	—	—	—
		10,528	868	2,039	664

Notes:

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

	Group 2013 RMB million	Group 2012 RMB million (Restated)	Company 2013 RMB million	Company 2012 RMB million
At 1 January	3	2	—	—
Gain of control in subsidiaries	36	—		
Net impairment loss recognised	2	1	—	—
At 31 December	41	3	—	—

(ii) Loans and receivables from financing services represented loans granted by the Group's subsidiary, which is involved in the provision of financing services, to individuals and entities when they purchased commercial and passenger vehicles from dealers at an interest rate of 4.80%-10.44% per annum. These loans and receivables from financing services were secured by the vehicle licenses together with guarantees provided by these dealers.

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

	2013 RMB million	2012 RMB million (Restated)
Gross loans and receivables from financing services	12,627	—
Less: impairment allowances	181	—
	12,446	—
Less: current portion	8,123	—
Non-current portion	4,323	—

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes: (continued)

(ii) (continued)

Movements of impairment allowances are as follows:

	2013 RMB million	2012 RMB million (Restated)
At 1 January	—	—
Gain of control in subsidiaries	166	—
Impairment allowances charged	17	—
Amount written off as uncollectible	(2)	—
At 31 December	181	—

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

	Group		Company	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
DMC, its subsidiaries and associates	505	258	147	232
A non-controlling shareholder of a subsidiary	5	—	—	—
Associates	15	15	—	—
Subsidiaries	—	—	1,465	153
	525	273	1,612	385

The above balances are unsecured, have no fixed terms of repayment and interest-free except for a balance due from a subsidiary of Company of RMB1,300 million which bears interest at 7% per annum.

25. BALANCES WITH JOINT VENTURES

		Group		Company	
	Notes	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
Due from joint ventures					
Interest-bearing loans to joint ventures	(a)	215	—	—	—
Dividends receivable from joint ventures		3,029	3,272	3,029	3,272
Others	(b)	468	198	99	80
		3,712	3,470	3,128	3,352
Less: current portion		(3,712)	(3,470)	(3,128)	(3,352)
Non-current portion		—	—	—	—
Due to joint ventures					
Cash deposits in DFF	(c)	2,425	—	—	—
Arising from acquisition of CV businesses	(d)	3,904	—	—	—
Others	(b)	2,706	1,680	158	1,282
		9,035	1,680	158	1,282
Less: current portion		(6,197)	(1,680)	(158)	(1,282)
Non-current portion		2,838	—	—	—

Notes:

(a) Loans to joint ventures are unsecured and bear interest at 4.80%-6.60% per annum.

(b) Others due from/to joint ventures are unsecured, interest-free and have no fixed terms of repayment.

(c) Cash deposits placed by joint ventures in DFF, a subsidiary of the Company involved in the provision of financing services, bear interest at the prevailing savings interest rate published by the PBOC.

(d) The amount due to joint ventures arising from the acquisition of the CV businesses is unsecured, and bears interest at 1.5%-2.2% per annum.

26. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2013	2012	2013	2012
	RMB million	RMB million (Restated)	RMB million	RMB million
Unlisted investments at cost less impairment:				
Non-current	286	128	177	68

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	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
Cash and bank balances	12,682	10,372	5,249	9,311
Time deposits*	11,600	7,676	11,760	7,266
	24,282	18,048	17,009	16,577
Less: Pledged bank balances and time deposits for securing general banking facilities	(2,543)	(108)	—	—
Cash and cash equivalents as stated in the consolidated statement of financial position	21,739	17,940	17,009	16,577
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(5,069)	(7,652)	—	—
Cash and cash equivalents as stated in the consolidated statement of cash flows	16,670	10,288	17,009	16,577

* Time deposits included a cash deposit of RMB2,000 million (2012: RMB2,000 million) 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 three months 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

	2013 RMB million	2012 RMB million
Registered, issued and fully paid:		
— 5,760,388,000 (2012: 5,760,388,000) Domestic Shares of RMB1.00 each	**5,760**	5,760
— 2,855,732,000 (2012: 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 76 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 2012	1,363	4,291	13,044	1,551	20,249
Final 2011 dividend declared	—	—	—	(1,551)	(1,551)
Total comprehensive income for the year	—	—	7,470	—	7,470
Transfer to reserves	—	877	(877)	—	—
Proposed final dividend	—	—	(1,292)	1,292	—
At 31 December 2012 and 1 January 2013	1,363	5,168	18,345	1,292	26,168
Final 2012 dividend declared	—	—	—	(1,292)	(1,292)
Total comprehensive income for the year	—	—	6,855	—	6,855
Transfer to reserves	—	946	(946)	—	—
Proposed final dividend	—	—	(1,551)	1,551	—
At 31 December 2013	1,363	6,114	22,703	1,551	31,731

29. RESERVES (continued)

Company (continued)

Notes:

(a) *Statutory reserves*

In accordance with the PRC Company Law, the Company, its subsidiaries 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 joint ventures 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 12, for dividend distribution purposes, 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 joint ventures 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 joint ventures after transfers to the enterprise expansion fund and the reserve funds can be distributed as dividends by the Group's Sino-foreign joint ventures.

30. INTEREST-BEARING BORROWINGS

Group

	2013			2012 (Restated)		
	Effective interest rate (%)	Maturity	RMB million	Effective interest rate (%)	Maturity	RMB million
Current						
Bank loans — secured	1.52	2014	5	1.52-6.98	2013	180
Bank loans — unsecured	1.62-2.15	2014	303	3.9	2013	124
Short term notes — unsecured	3.8	2014	3,000			—
Medium term notes — unsecured			—	3.49	2013	1,998
Other loans — unsecured *		2014	2,567			—
			5,875			2,302

* Other loans represented cash deposits placed by DMC, its joint venture and subsidiaries amounting to RMB330 million (2012: nil (restated)) and other unrelated third parties with a subsidiary of the Group which is involved in the provision of financing services. These loans bear interest at the prevailing savings interest rate published by the PBOC.

30. INTEREST-BEARING BORROWINGS (continued)

Company

	2013			2012		
	Effective interest rate (%)	Maturity	RMB million	Effective interest rate (%)	Maturity	RMB million
Current						
Bank loans — unsecured			—	5-6	2013	90
Loan from a subsidiary						
— unsecured	1.58-3	2014	1,431			—
Short term notes — unsecured	3.8	2014	3,000			—
Medium term notes — unsecured			—	3.49	2013	1,998
			4,431			2,088
Non-current						
Loan from a subsidiary						
— unsecured	1.98-2.25	2016	2,705			—
			7,136			2,088

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

	2013 RMB million	2012 RMB million (Restated)
Time deposits and bank balances	2,543	108

30. INTEREST-BEARING BORROWINGS (continued)

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 would mature on 15 July 2013. The medium term notes carried a fixed interest rate of 3.49% per annum and would be payable annually on 15 July each year. The medium term notes were fully settled during the year ended 31 December 2013.

On 15 May 2013, short term notes with a principal amount of RMB3,000 million were issued to investors. The short term notes were issued at a face value of RMB100 each with the term of maturity of 270 days. The short term notes carried a fixed interest rate of 3.8% per annum and have to be fully settled on 10 February 2014.

Details of the short and medium term notes at 31 December 2013 are as follows:

	2013 RMB million	2012 RMB million (Restated)
Principal amount	3,000	2,000
Notes issuance cost	(3)	(2)
Proceeds received	2,997	1,998
Accumulated amortised amounts of notes issuance cost	3	—
	3,000	1,998

30. INTEREST-BEARING BORROWINGS (continued)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Bank loans repayable:				
Within one year or on demand	**308**	304	**—**	90
Short/Medium term notes repayable:				
Within one year	**3,000**	1,998	**3,000**	1,998
Other loans repayable:				
Within one year	**2,567**	—	**—**	—
Loan from a subsidiary repayable:				
Within one year	**—**	—	**1,431**	—
In the second year	**—**	—	**1,352**	—
In the third to fifth years, inclusive	**—**	—	**1,353**	—
	—	—	**4,136**	—
	5,875	2,302	**7,136**	2,088

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

31. PROVISIONS

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

	Group			Company
	Environmental restoration costs	Warranty expenses	Total	Warranty expenses
	RMB million	RMB million	RMB million	RMB million
At 1 January 2012 (Restated)	—	38	38	38
Gain of control in subsidiaries	—	1	1	—
Provision during the year	—	85	85	75
Utilised	—	(27)	(27)	(21)
At 31 December 2012 and 1 January 2013 (Restated)	—	97	97	92
Gain of control in subsidiaries	87	711	798	—
Provision during the year	(3)	505	502	108
Utilised	—	(383)	(383)	(43)
At 31 December 2013	84	930	1,014	157

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

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 provide 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.

32. GOVERNMENT GRANTS

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

	RMB million
At 1 January 2012 (Restated)	—
Received during the year	26
Gain of control in subsidiaries	2
Recognised as other income during the year (note 5)	(26)
At 31 December 2012 and 1 January 2013 (Restated)	2
Received during the year	77
Gain of control in subsidiaries	93
Recognised as other income during the year (note 5)	(48)
At 31 December 2013	124

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	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Within three months	**11,005**	1,495	**2,505**	1,373
More than three months but within one year	**1,642**	386	**872**	284
More than one year	**833**	83	**744**	19
	13,480	1,964	**4,121**	1,676

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
DMC, its subsidiaries and associates	**333**	94	**132**	75
Associates	**59**	50	**50**	48
Subsidiaries	**—**	—	**2,612**	392
	392	144	**2,794**	515

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	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Within three months	**5,629**	187	**395**	187
More than three months but within one year	**6,093**	208	**291**	100
	11,722	395	**686**	287

35. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Advances from customers	**2,514**	775	**490**	652
Accrued salaries, wages and benefits	**1,726**	239	**457**	223
Other payables	**5,308**	570	**1,376**	378
	9,548	1,584	**2,323**	1,253

35. OTHER PAYABLES AND ACCRUALS (continued)

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

	Group		Company	
	2013	2012	2013	2012
	RMB million	RMB million (Restated)	RMB million	RMB million
DMC, its subsidiaries and associates	599	92	46	42
A non-controlling shareholder of a subsidiary	8	—	—	—
Associates	3	—	3	—
Subsidiaries	—	—	403	1
	610	92	452	43

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	
	2013	2012	2013	2012
	RMB million	RMB million (Restated)	RMB million	RMB million
Within one year	149	26	26	26
After one year but not more than five years	590	105	105	105
More than five years	5,007	921	907	921
	5,746	1,052	1,038	1,052

36. COMMITMENTS (continued)

(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	
	2013	2012	**2013**	2012
	RMB million	RMB million (Restated)	**RMB million**	RMB million
Contracted, but not provided for:				
— Property, plant and equipment	**674**	107	**14**	107
— Capital contribution to a joint venture	**373**	—	**373**	—
Authorised, but not contracted for:				
Property, plant and equipment	**239**	—	**—**	—
	1,286	107	**387**	107

In addition, the Group's and the Company's share of joint ventures' own capital commitments, which are not included in the above, is as follows:

	Group and Company	
	2013	2012
	RMB million	RMB million
Contracted, but not provided for:		
Property, plant and equipment	**3,431**	4,332
Authorised, but not contracted for:		
Property, plant and equipment	**2,440**	3,230
	5,871	7,562

37. CONTINGENT LIABILITIES

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

	Group		Company	
	2013 RMB million	2012 RMB million (Restated)	2013 RMB million	2012 RMB million
Bank acceptance bills discounted with recourse	196	—	—	—
Bank acceptance bills endorsed with recourse	7,604	177	434	177
Guarantees given to banks in connection with facilities granted to the following parties at nil consideration:				
— Joint ventures	804	784	804	784
	8,604	961	1,238	961

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 2013 and 2012.

As at 31 December 2013, the banking facilities granted to the joint ventures subject to guarantees given to the banks by the Company were utilised to the extent of approximately RMB804 million (2012: RMB784 million (restated)), and the banking facilities guaranteed by the Group to the joint ventures were utilised to the extent of approximately RMB804 million (2012: RMB784 million (restated)).

38. RELATED PARTY TRANSACTIONS

(a) Transactions with DMC, its subsidiaries and associates, the Group's joint ventures and associates.

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	2013 RMB million	2012 RMB million (Restated)
Purchases of automotive parts/raw materials from:	(i)		
— DMC and its subsidiaries and associates		**391**	109
— A subsidiary's joint venture		**838**	—
— An associate		**126**	—
— Joint ventures		**3,911**	1,074
		5,266	1,183
Purchases of automobiles from:	(i)		
— DMC's subsidiary and associates		**4**	2
— Joint ventures		**448**	739
— An associate		**—**	307
		452	1,048
Purchases of water, steam and electricity from DMC	(i)	**316**	24

38. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Note	2013 RMB million	2012 RMB million (Restated)
Purchases of items of property, plant and equipment from:	(i)		
— DMC and its subsidiaries and associates		83	—
— Joint ventures		20	—
		103	—
Rental expenses to DMC and its subsidiaries		99	27
Purchases of services from:	(i)		
— DMC and its subsidiaries		130	89
— Joint ventures		13	4
— A minority shareholder of a subsidiary		7	—
		150	93
Payment of royalty fee and other expenses to:	(i)		
— DMC and its subsidiaries		52	—

38. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Note	2013 RMB million	2012 RMB million (Restated)
Sales of automotive parts/raw materials to:	(i)		
— DMC and its subsidiaries, a joint venture		67	12
— Joint ventures		2,381	632
— A subsidiary's joint venture		55	—
— Associates		—	15
		2,503	659
Sales of automobiles to:	(i)		
— DMC's subsidiaries		690	—
— Joint ventures		715	17
— A minority shareholder of a subsidiary		292	—
		1,697	17
Provision of services to:	(i)		
— Joint ventures		39	62
— A subsidiary's joint venture		3	—
		42	62
Interest expense paid to:	(i)		
— DMC and its subsidiaries		7	—
— Joint ventures		103	—
		110	—
Interest income from:	(i)		
— DMC, its subsidiaries and joint venture		3	—
— Joint ventures		29	—
		32	—
Fee and commission income from:	(i)		
— DMC, its subsidiaries and joint venture		1	—
— Joint ventures		16	—
		17	—

38. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Note	2013 RMB million	2012 RMB million (Restated)
Rental income from:	(i)		
— DMC's subsidiary		**12**	12

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 joint ventures 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:

	2013 RMB'000	2012 RMB'000
Short term employee benefits	**11,138**	12,436
Post-employment benefits	**890**	898
Stock appreciation right expenses recognised in the income statement	**2,287**	—
Total compensation paid to key management personnel	**14,315**	13,334

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:

2013

Group

Financial assets

	Loans and receivables RMB million	Available-for-sale financial assets RMB million	Total RMB million
Available-for-sale financial assets	—	286	286
Trade receivables	3,335	—	3,335
Bills receivable	11,403	—	11,403
Financial assets included in prepayments, deposits and other receivables	8,916	—	8,916
Due from joint ventures	3,712	—	3,712
Pledged bank balances and time deposits	2,543	—	2,543
Cash and cash equivalents	21,739	—	21,739
	51,648	286	51,934

Financial liabilities

	Financial liabilities at amortised cost RMB million
Trade payables	13,480
Bills payable	11,722
Financial liabilities included in other payables and accruals	5,308
Due to joint ventures	9,035
Interest-bearing borrowings	5,875
	45,420

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2012

Group

Financial assets

	Loans and receivables RMB million (Restated)	Available-for-sale financial assets RMB million (Restated)	Total RMB million (Restated)
Available-for-sale financial assets	—	128	128
Trade receivables	397	—	397
Bills receivable	2,802	—	2,802
Financial assets included in prepayments, deposits and other receivables	282	—	282
Due from joint ventures	3,470	—	3,470
Pledged bank balances and time deposits	108	—	108
Cash and cash equivalents	17,940	—	17,940
	24,999	128	25,127

Financial liabilities

	Financial liabilities at amortised cost RMB million (Restated)
Trade payables	1,964
Bills payable	395
Financial liabilities included in other payables and accruals	570
Due to joint ventures	1,680
Interest-bearing borrowings	2,302
	6,911

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2013

Company

Financial assets

	Loans and receivables RMB million	Available-for-sale financial assets RMB million	Total RMB million
Available-for-sale financial assets	—	177	177
Trade receivables	568	—	568
Bills receivable	1,427	—	1,427
Financial assets included in prepayments, deposits and other receivables	1,574	—	1,574
Due from joint ventures	3,128	—	3,128
Cash and cash equivalents	17,009	—	17,009
	23,706	177	23,883

Financial liabilities

	Financial liabilities at amortised cost RMB million
Trade payables	4,121
Bills payable	686
Financial liabilities included in other payables and accruals	1,376
Due to joint ventures	158
Interest-bearing borrowings	7,136
	13,477

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2012

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	471	—	471
Bills receivable	2,619	—	2,619
Financial assets included in prepayments, deposits and other receivables	237	—	237
Due from joint ventures	3,352	—	3,352
Cash and cash equivalents	16,577	—	16,577
	23,256	68	23,324

Financial liabilities

	Financial liabilities at amortised cost RMB million
Trade payables	1,676
Bills payable	287
Financial liabilities included in other payables and accruals	378
Due to joint ventures	1,282
Interest-bearing borrowings	2,088
	5,711

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 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.

As at 31 December 2013, all the Group's interest-bearing borrowings bear fixed interest rate and not subject to interest rate risk.

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 currency such as, United States dollars ("US$"). Fluctuations in the exchange rates of RMB against this foreign currency can affect the Group's results of operations.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$, 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	
	2013 RMB million	2012 RMB million (Restated)
If RMB strengthens against US$ by 1%	–	(1)
If RMB weakens against US$ by 1%	–	1

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 and passenger 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 joint ventures 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

	2013				
	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	5,875	—	—	—	5,875
Trade payables	13,480	—	—	—	13,480
Bills payable	11,722	—	—	—	11,722
Other payables	5,308	—	—	—	5,308
Due to joint ventures	6,197	2,838	—	—	9,035
Guarantees given to banks in connection with facilities granted to joint ventures	804	—	—	—	804
	43,386	2,838	—	—	46,224

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group (continued)

	2012 (Restated)				
	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	2,302	—	—	—	2,302
Trade payables	1,964	—	—	—	1,964
Bills payable	395	—	—	—	395
Other payables	570	—	—	—	570
Due to joint ventures	1,680	—	—	—	1,680
Guarantees given to banks in connection with facilities granted to joint ventures	784	—	—	—	784
	7,695	—	—	—	7,695

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 2013 and 2012.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a net debt to equity ratio, which is net debt divided by equity. Net debt includes interest-bearing borrowings, less cash and cash equivalents. Equity represents equity attributable to equity holders of the parent. The net debt to equity ratio as at the end of the reporting period was as follows:

Group

	2013 RMB million	2012 RMB million (Restated)
Interest-bearing borrowings	5,875	2,302
Less: Cash and cash equivalents	(21,739)	(17,940)
Net debt	(15,864)	(15,638)
Equity attributable to equity holders of parent	63,135	53,918
Net debt to equity ratio	(25.13%)	(29.00%)

41. EVENTS AFTER THE REPORTING PERIOD

(a) On 16 January 2014, a Brazilian company (the "Claimant") filed an arbitration at the London Court of International Arbitration against the Company and its subsidiary in respect of the dispute (the "Dispute") arising out of an agreement and other relevant agreement (the "Agreements") entered into by the Claimant with the Company and its subsidiary. The Claimant seeks, among other things, damages totally approximately Brazilian Real 1.67 billion (equivalent to approximately RMB4.3 billion) for the alleged breach of the Agreements together with the costs.

The Company and its subsidiary have sought legal advice in respect of the Dispute and believe the outcome of the Dispute will not have a material impact on the financial condition of the Company. Details of the Dispute are set out in the Company's announcement dated 17 February 2014.

41. EVENTS AFTER THE REPORTING PERIOD (continued)

(b) On 26 March 2014, the Company entered into a Master Agreement with Peugeot SA ("PSA"), the French Republic, Establishments Peugeot Freres ("EPF") and FFP under which the Company agreed to subscribe for shares issued in PSA at a total consideration of approximately 800 million euros (equivalent to approximately RMB6.7 billion) and the French Republic is expected to subscribe for the same number of shares in PSA. Details of the proposed investment in PSA are set out in the Company's announcement dated 27 March 2014.

42. OTHER SIGNIFICANT EVENTS

(a) On 26 January 2013, the Company entered into the Cooperation Master Agreement with Volvo (AB Volvo) for the establishment of a capital strategic alliance. Pursuant to the Equity Transfer Agreement under the Cooperation Master Agreement, the Company has agreed to dispose and Volvo has agreed to purchase 45% of the Company's equity interest in the Dongfeng Commercial Vehicles Co., Ltd for a consideration of approximately RMB5,608,000,000 (equivalent to approximately HK$6,991,493,600) (subject to adjustments). Immediately after the completion of the disposal, the Dongfeng Commercial Vehicles Co., Ltd shall have a registered capital of RMB9,200,000,000, of which 55% and 45% shall be attributable to the Company and Volvo, respectively. Details of the Cooperation Master Agreement are set out in the Company's announcement dated 27 January 2013.

(b) In December 2013, the Company and Renault S.A. entered into a joint venture contract to form a capital strategic alliance between the Company and Renault S.A. According to the joint venture contract, the Company and Renault S.A. shall establish Dongfeng Renault Automotive Company Limited, a joint venture company with a registered capital of RMB4,706,303,466. The Company and Renault S.A. shall each hold 50% of the equity interests of the joint venture company. Details of the joint venture arrangement are set out in the Company's announcement dated 5 December 2013.

43. COMPARATIVE AMOUNTS

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 accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2012 has been presented.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2014.

Five Year Financial Summary

31 December 2013

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. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in the accounting policy affecting the accounting for joint ventures, as detailed in note 2.2 to the financial statements.

	Year ended 31 December				
	2013 RMB million	2012 RMB million (Restated)	2011 RMB million (Restated)	2010 RMB million (Restated)	2009 RMB million (Restated)
RESULTS					
Revenue	37,263	6,090	4,642	4,499	3,399
Cost of sales	(32,582)	(5,736)	(4,560)	(4,299)	(3,110)
Gross profit	4,681	354	82	200	289
Other income	1,281	1,123	656	296	106
Selling and distribution costs	(2,268)	(812)	(517)	(486)	(250)
Administrative expenses	(2,179)	(706)	(507)	(476)	(412)
Other expenses, net	(2,062)	(693)	(502)	(472)	(229)
Finance costs	(170)	(178)	(205)	(174)	(106)
Share of profits and losses of:					
Joint ventures	11,176	9,873	11,391	12,022	6,778
Associates	253	191	115	120	103
Profit before tax	10,712	9,152	10,513	11,030	6,279
Income tax	(109)	(45)	(25)	(42)	(24)
Profit for the year	10,603	9,107	10,488	10,988	6,255
Attributable to:					
Equity holders of the parent	10,528	9,092	10,481	10,981	6,250
Non-controlling interests	75	15	7	7	5
	10,603	9,107	10,488	10,988	6,255

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB million	RMB million	RMB million	RMB million	RMB million
		(Restated)	(Restated)	(Restated)	(Restated)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	115,998	62,366	56,511	46,705	35,937
Total liabilities	(51,964)	(8,363)	(10,084)	(9,175)	(8,623)
Non-controlling interests	(899)	(85)	(33)	(36)	(30)
	63,135	53,918	46,394	37,494	27,284

Corporate Information

REGISTERED NAME

Dongfeng Motor Group Company Limited

REGISTERED ADDRESS

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Wuhan Economic and Technology Development Zone
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Hubei 430056,
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY SECRETARIES

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Lo Yee Har Susan *(FCS, FCIS)*

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PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

00489

Notice of Annual General Meeting and Relating Information

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR 2013

NOTICE IS HEREBY GIVEN that an Annual General Meeting (the "AGM") of Dongfeng Motor Group Company Limited (the "Company") for the year 2013 will be held at 9:00 a.m. on Friday, 20 June 2014 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 2013.

2. To consider and approve the report of the supervisory committee for the year ended 31 December 2013.

3. To consider and approve the international auditors' report and audited financial statements for the year ended 31 December 2013.

4. To consider and approve the profit distribution proposal of the Company for the year ended 31 December 2013, and authorize the Board to deal with all issues in relation to the Company's distribution of final dividend for the year 2013.

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 2014 at its sole discretion (including, but not limited to, determining whether to distribute interim dividend for the year 2014).

6. To consider and approve the appointments of PricewaterhouseCoopers as the international auditor of the Company, and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor of the Company for the year 2014 to hold office until the conclusion of annual general meeting for the year 2014, 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 determined by the Board for the year 2014.

II. As special resolutions:

8. To consider and approve the amendments to the rules of procedures of general meeting.

9. To consider and approve the amendments to the rules of procedures of Board meeting.

10. For the purpose of increasing the flexibility and efficiency of operation, to grant a general mandate to the Board to issue, allot and deal with additional Domestic Shares not exceeding 20 percent of the Domestic Shares in issue and additional H Shares not exceeding 20 percent 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 percent of each of the aggregate nominal amounts of Domestic Shares and H shares in issue as at the date of passing this resolution, otherwise than pursuant to (i) a Rights Issue or (ii) any scrip dividend or similar arrangement providing for allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company; and

(d) for the purposes of this resolution:

"**Relevant Period**" means the period from (and including) the date of passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of a period of 12 months from the date of passing of the special resolution granting the general mandate; or

(iii) the date of revocation or variation of the authority given under this resolution by a special resolution of the Company in a general meeting.

"**Rights Issue**" means an offer of shares open for a period fixed by the directors to the holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws, or the requirements, of any recognized regulatory body or any stock exchange in any territory outside Hong Kong) and an offer, allotment or issue of shares by way of rights shall be construed accordingly.

(B) The Board shall 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 issuance of shares as provided in subparagraph (a) of paragraph (A) of this resolution."

By order of the Board
Xu Ping
Chairman

28 April 2014, Wuhan, the PRC

As at the date of this notice, Mr. Xu Ping, Mr. Zhu Fushou and Mr. Li Shaozhu 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. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei 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 Wednesday, 21 May 2014 to Friday 20 June 2014, 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 Tuesday, 20 May 2014.

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 Tuesday, 8 July 2014. The Register of Members will be closed from Wednesday, 2 July 2014 to Tuesday, 8 July 2014 (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 Monday, 30 June 2014.

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 needs 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 19 June 2014.

   (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 Friday, 30 May 2014 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) 2529 6087

(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

The 9th Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited

Resolutions on the Remuneration of Directors and Supervisors

To: Annual general Meeting

According to the resolution on the remuneration of Directors and Supervisors passed by the 9th Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors has decided to propose the resolution on the remuneration of Directors and Supervisors for 2014 to the Annual General Meeting of the Company:

I. Annual Remuneration

Positions	Cash	Medium to Long Term Incentives
Executive Directors Non-executive Directors	Nil Nil	Shares appreciation rights granted under the 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

Notes:

- The Executive Directors and Non Executive Directors receive salaries in their capacities of employee of the Company rather than director.
- Executive Directors and the Non Executive Directors participate in the Stock Appreciation Scheme in their capacities of director.
- Independent Directors and Independent Supervisors are not entitled to participate in the Stock Appreciation Scheme according to the applicable regulations of the SASAC.
- 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.

II. Allowance of Meetings

Positions	Allowance of Board meetings	Allowance of meetings of special committees	Allowance of meetings of Supervisory Committee
Executive Directors	Nil	Nil	Nil
Non-executive Directors	Nil	Nil	Nil
Independent Non-executive Directors	RMB3,000/meeting	RMB2,000/meeting	Nil
Supervisors	Nil	Nil	Nil
Independent Supervisors	Nil	Nil	RMB3,000/meeting

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

The Board of Directors
Dongfeng Motor Group Company Limited

28 March 2014

The 9th Meeting of the Fourth Session of the 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 9th meeting of the fourth session of the board of directors of Dongfeng Motor Group Company Limited (the "Company") and will be proposed at the annual general meeting of the Company for consideration:

1. To consider and approve the 2013 financial report audited by Ernst & Young Hua Ming and the 2013 auditors' report audited by Ernst & Young.

2. To consider and approve the report of the board of directors of the Company of 2013.

3. To consider and approve the results announcement of the Company of 2013.

4. To approve a dividend of RMB1,551 million, or RMB0.18 per ordinary share, for 2013 to shareholders of the Company.

5. To authorize the board of directors to deal with any matters in relation to the distribution of the interim dividends for 2014 as they thing fit, including but not limited to the determination of distribution of interim dividends for 2014.

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

The Board of Directors
Dongfeng Motor Group Company Limited

28 March 2014

The 9th Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited

Resolutions on the Issuance and Allotment of Shares

To: Annual General Meeting

According to the resolutions on the issuance and allotment of Shares passed by the 9th Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors has decided to 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/or 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

28 March 2014

The 9th Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited

Resolutions in relation to the Appointments of Chief Auditors

To: Annual General Meeting

The following resolutions in relation to the appointments of chief auditors have been approved at the 9th meeting of the fourth session of the board of directors of Dongfeng Motor Group Company Limited (the "Company") and will be proposed at the annual general meeting of the Company for consideration:

1. To approve the appointments of PricewaterhouseCoopers Limited as the international auditors of the Company, and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditors of the Company for the year 2014 to hold office until the conclusion of annual general meeting for the year 2014;

2. To approve the appointments of the above chief auditors and to authorize the Board to determine their remunerations.

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

The Board of Directors
Dongfeng Motor Group Company Limited

28 March 2014

2nd Meeting of the Fourth Session of the Board of Directors
Dongfeng Motor Group Company Limited

Resolution on the Amendments to the Rules of Procedures for Meeting of the Board of Directors

To: Annual General Meeting of the Company

According to the resolutions on the amendments to the rules of procedures for general meeting and meeting of the board of directors considered and passed by the 2nd Meeting of the fourth Session of Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors shall propose the resolutions on the amendments to the rules of procedures for meeting of the board of directors (see attachment) to the general meeting of the Company:

The above resolutions will be submitted to the general meeting for shareholders' consideration.

The Board of Directors
Dongfeng Motor Group Company Limited

26 November 2013

Proposed amendments to the rules for procedures of meeting of the board of directors

No.	Articles	Original	Amendment	Reasons of amendment
1	Article 8 of Chapter 3	The board of directors of the Company shall comprise 13 directors, one of which shall be the chairman and one which shall be the vice chairman. The board of directors shall include executive directors, non-executive directors and independent non-executive directors. More than half of the members of the board of directors shall be external directors (being those who do not hold office in the Company) and shall include at least 3 independent directors.	The board of directors of the Company shall comprise not more than 13 directors, one of which shall be the chairman and one which shall be the vice chairman. The board of directors shall include executive directors, non-executive directors and independent non-executive directors. More than half of the members of the board of directors shall be external directors (being those who do not hold office in the Company) and more than one third of the members shall be independent non-executive directors.	New regulations regarding the structure of the board of directors under the Listing Rules
2	Article 11 of Chapter 3	The board of directors of the Company has an audit committee and a remuneration committee.	The board of directors of the Company has a nomination committee, an audit committee and a remuneration committee.	To update expression
3	Article 12 of Chapter 3	Nil	Article 12 The nomination committee shall comprise three to five directors, a majority of whom shall be independent non-executive directors. The primary duties of the nomination committee are: (1) to advise the board of directors on the composition of the board of directors based on the operation, asset scale and equity structure of the Company; (2) to advise the board of directros on the selection qualified candidates to be nominated as directors; (3) to identify and select qualified candidates to be nominated as directors;	The addition of Article 12

No.	Articles	Original	Amendment	Reasons of amendment
			(4) to review the qualification of director candidates and make recommendations to the board of directors; (5) to offer recommendations on the composition of other professional committees; (6) to review the independence of independent non-executive directors. If the board of directors intends to propose a resolution to elect an individual as an independent non-executive director at the general meeting, a circular and/or explanatory statement shall be given together with the notice of the relevant general meeting to shareholders to provide the reasons for such individual being considered independent; (7) to give recommendations on candidates of president, vice president, secretary to the board of directors and person-in-charge of the finance department and other senior officers for appointment by the board of directors; (8) to review the structure, size and composition of the board of directors (including skills, knowledge and experiences) at least once a year to ensure that the members of the board of directors have the requisite skill, knowledge and experience in different areas, and to propose restructuring of the board of directors to facilitate the implementation of the strategy of the Company; (9) to offer recommendations to the board of directors on the appointment, re-appointment or replacement of directors and senior management;	

No.	Articles	Original	Amendment	Reasons of amendment
			(10) to comply with any new requirements on the duties and authorities of the Committee under the listing rules of the places where the Company is located and where the shares of the Company are listed; (11) other duties as authorized by the board of directors.	
4	Article 12 of Chatper 3	The audit committee shall be comprised of one non-executive director and two independent non-executive directors, at least one of which shall possess the relevant professional qualifications in the field of finance and accounting. The primary duties of the audit committee are: (1) to propose the appointment and removal of the auditors of the Company, to approve their remuneration and other engagement terms and to supervise and monitor the work of the auditors; (2) to review the financial information of the Company and monitor the completeness of the Company's financial information such as financial statement, annual reports and interim reports;	Article 13 The audit committee shall be comprised three to five directors, a majority of whom shall be independent non-executive directors, and at least one of the independent non-executive directors shall possess the relevant professional qualifications in the field of finance and accounting. The primary duties of the audit committee are: (1) to advise the board of directors on the appointment or replacement of intermediary firms such as auditor and their remuneration; (2) reviewing the financial reports of the Company, accounting policy of the Company and its changes, and other financial documents that required approval of the board of directors, and making suggestions to the board of directors; (3) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;	The original Article 12 was revised as Article 13 with additional provisions on duties

No.	Articles	Original	Amendment	Reasons of amendment
		(3) to monitor the financial reporting, internal control and risk management systems of the Company.	(4) meeting with the auditor at least once a year without the presence of the management to discuss about the auditing fee, issues arising from the auditing work and other matters suggested by the auditor; (5) reviewing the systems for financial control, internal control and risk management of the Company, and discussing the internal control system with the management to ensure the management has performed their duties to establish an effective internal control system; (6) coordinating the communication and work of internal and external auditors; (7) ensuring sufficient resources provided to and appropriate standing for the internal auditing department within the Company, and reviewing and monitoring the efficiency of the internal auditing department; (8) to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that the Company has appropriate ways to carry out fair and independent investigation and appropriate follow-up action in relation to such matters; (9) to comply with any new requirements on the duties and authorities of the Committee under the listing rules of the places where the Company is located and where the shares of the Company are listed; (10) other duties as authorized by the board of directors.	

No.	Articles	Original	Amendment	Reasons of amendment
5	Article 13 of Chatper 3	Article 13 The remuneration committee shall be comprised of one executive director and two independent non-executive directors. The primary duties of the remuneration committee are: (1) to make recommendations to the board of directors in respect of the remuneration package and policies of directors and senior management and to maintain a fair and transparent remuneration system; (2) to determine the remuneration of executive directors and senior management and to make recommendations to the board of directors in respect of the remuneration of non-executive directors; (3) to review and approve the remuneration system set up by the Company; (4) to review and approve the offer of compensation by the Company to executive directors and senior management for loss of office, dismissal or removal due to improper behaviour and to ensure such compensation are fair and reasonable for a listing company;	Article 14 The remuneration committee shall be comprised of three to five directors, a majority of whom shall be independent non-executive directors. The primary duties of the remuneration committee are: (1) to formulate the remuneration structure and strategy of senior management, and submit the same to the board of directors for approval; (2) to formulate the remuneration proposal of directors, supervisors and senior management and mid- to long-term incentive scheme and submit the same to the board of directors for approval, and conduct performance appraisal for senior management; (3) to make suggestion on the remuneration of particular directors and senior management to the board of directors; (4) to review and approve the compensation (if any) payable to the executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and is otherwise fair and not excessive for the Company; (5) to review and approve compensation arrangements (if any) relating to dismissal or removal of the directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;	The original Article 13 was revised as Article 14 with additional provisions on duties

No.	Articles	Original	Amendment	Reasons of amendment
		(5) to ensure no director shall be involved in determining his/her own remuneration.	(6) to ensure that no director or any of his/her associates are involved in determining his/her own remuneration. The remuneration of a non-executive director who is a member of the Committee shall be determined by other Committee members; (7) to comply with any new requirements on the duties and authorities of the Committee under the listing rules of the places where the Company is located and where the shares of the Company are listed; (8) other duties authorized by the board of directors.	
6	Article 15 of Chapter 4	The board of directors shall have its own office, which is located at the secretariat to the board of directors of the investors relation department. Such office shall be for use by the secretary to the board of directors to carry out his/her daily work.	The board of directors shall have its own office, which is located at the secretariat to the board of directors. Such office shall be for use by the secretary to the board of directors to carry out his/her daily work.	To update expression
7	Article 17 of Chapter 4	The board of directors shall convene 4 meetings every year, at a frequency of approximately once a quarter.	The board of directors shall convene 4 meetings every year, and the time and agenda of the meeting shall be in accordance with the working plan of the year as approved by the board of directors.	To modify expression
8	Article 22 of Chapter 6	Regular board meetings shall be convened by issuing a notice for the collection of matters for consideration to directors, committees of the board of directors and functioning department within the Company 30 days prior to the convening of the meeting.	Regular board meetings shall be convened by issuing a notice for the collection of matters for consideration to directors, committees of the board of directors and functioning department within the Company 15 days prior to the convening of the meeting.	To modify time limit

No.	Articles	Original	Amendment	Reasons of amendment
9	Article 23 of Chapter 6	The draft shall be approved and signed by the Chairman of the board of directors 14 days before convening board meetings.	The draft shall be approved and signed by Chairman of the board of directors 10 days before convening board meetings.	To modify time limit
10	Article 24 of Chapter 7	When the Company convenes a board meeting, the secretariat to the board shall issue a written notice 14 days before the date of the meeting.	When the Company convenes a board meeting, the secretariat to the board shall issue a written notice 10 days before the date of the meeting.	To modify time limit
11	Article 30 of Chapter 7	Before convening each board meeting, the corresponding special committees of the board of directors shall conduct a discussion in advance in accordance with their rules of work so as to be well-prepared of the matters for consideration and provide necessary material or information to directors via the secretary to the board. Chairmen of relevant special committees shall report the results of discussion of the matter in relation to their terms of reference to the board of directors.	Before convening each board meeting, the corresponding special committees of the board of directors shall conduct meeting to discuss on relevant subject matters according to the working plans prior to the relevant meeting of the board of directors, and prepare a review report with its recommendation and submit the same to the board of directors for consideration.	To modify expression
12	Article 32 of Chapter 8	In principle, directors shall attend board meetings in person. In the event that a director is unable to attend the meeting for certain reasons, he/she may authorize another director to attend the meeting on his/her behalf by a letter of proxy.	In principle, directors shall attend board meetings in person. In the event that a director is unable to attend the meeting for certain reasons, he/she may authorize another director to attend the meeting and consider and vote for all resolutions on his/her behalf and/or appoint another director to vote according to his/her opinions by a letter of proxy.	To modify expression
13	Article 37 of Chapter 9	Independent directors shall express independent opinions on the following matters:	Independent non-executive directors shall convene independent non-executive meeting and express independent opinions on the following matters:	To modify expression

No.	Articles	Original	Amendment	Reasons of amendment
14	Article 42 of Chapter 10	Minutes of board meetings shall include:	Minutes of board meetings shall be in form of (including but not limited to) shorthand and audio records and shall include:	To modify expression
15	Article 43 of Chapter 10	The finalized minutes shall be signed by the attending directors or proxies and the secretary to the board of directors.	The finalized minutes shall be signed by the attending directors or proxies and the secretary to the board of directors. Directors shall have the right to record his/her reservation opinions in the minutes.	To modify expression
16	Article 45 of Chapter 11	The board of directors of the Company shall strictly adhere to the disclose requirement of the regulatory authorities and stock exchange in the territory where the Company's shares are listed and disclose the matters or resolutions discussed at board meetings in a complete, timely and accurate manner. The Company shall also provide the minutes of board meetings as required by stock exchanges.	The board of directors of the Company shall strictly adhere to the disclose requirement of the regulatory authorities and stock exchange in the territory where the Company is placed and the Company's shares are listed and disclose the matters or resolutions discussed at board meetings in a complete, timely and accurate manner. The Company shall also provide the minutes of board meetings and relevant documents as required by the juridical and regulatory authorities (including stock exchanges).	To modify expression
17	Article 49 of Chapter 12	Should there be any matter not covered herein or in the event that these Rules and Procedures contravene the laws, administrative regulations and other related regulatory documents promulgated from time to time, the laws, administrative regulations and other related regulatory documents shall prevail.	Should there be any matter not covered herein or in the event that these Rules and Procedures contravene the laws, administrative regulations and the listing rules of the places where the Company is located and where the shares of the Company are listed and the Articles of Association from time to time, the laws, administrative regulations, the listing rules of the places where the Company is located and where the shares of the Company are listed and the Articles of Association shall prevail.	To modify expression

2nd Meeting of the Fourth Session of the Board of Directors
Dongfeng Motor Group Company Limited

Resolution on the Amendments to the Rules of Procedures for General Meeting

To: General Meeting of the Company

According to the resolutions on the amendments to the rules of procedures for general meeting and the meeting of board of directors considered and passed by the 2nd Meeting of the fourth Session of Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors shall propose the resolutions on the amendments to the rules of procedures for general meeting (see attachment) to the general meeting of the Company:

The above resolutions will be submitted to the general meeting for shareholders' consideration.

The Board of Directors
Dongfeng Motor Group Company Limited

26 November 2013

Proposed amendments to the rules for procedures of general meeting

No.	Articles	Original	Amendment	Reasons of amendment
1.	Article 36 of Chapter 6	When a general meeting of the Company is convened, the directors, supervisors and secretary to the board of directors who are in relation to the motions shall attend the meeting, while the president, vice president and other senior management who are in relation thereto shall present at the meeting.	When a general meeting of the Company is convened, the directors, supervisors and secretary to the board of directors who are in relation to the motions shall attend the meeting, while the president, vice president and other senior management who are in relation thereto shall present at the meeting. Chairmen of all committees and external auditors shall present the annual general meeting.	New regulations regarding the structure of the board of directors under the Listing Rules
2.	Article 61 of Chapter 11	Should there be any matter not covered herein or in the event that these Rules and Procedures contravene the laws, administrative regulations and other related regulatory documents promulgated from time to time, the laws, administrative regulations and other related regulatory documents shall prevail.	Should there be any matter not covered herein or in the event that these Rules and Procedures contravene the laws, administrative regulations and the listing rules of the places where the Company is located and where the shares of the Company are listed and the Articles of Association from time to time, the laws, administrative regulations, the listing rules of the places where the Company is located and where the shares of the Company are listed and the Articles of Association shall prevail.	To modify expression

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"	Joint ventures in which the Company, its subsidiaries or joint ventures (including their respective subsidiaries and joint ventures) have equity interests as at 31 December 2013
"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 is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control
"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