東風汽車集團股份有限公司

DONGFENG MOTOR GROUP COMPANY LIMITED*

Stock Code: 489

2014
Interim Report

*For reference only

Contents

Dongfeng Motor Group Company Limited
2014 Interim Report

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the interim report of the Company for 2014 for your review.

In the first half of 2014, China's GDP remained stable growth, representing an increase of 7.4% over the corresponding period of last year. The economic growth was steady yet slow in general and downward pressure remained.

In the first half of 2014, the auto industry in China maintained its growth momentum. The production and sales of vehicles were 11,783,400 units and 11,683,500 units respectively, representing an increase of 9.6% and 8.4% over the corresponding period of last year respectively. However, the growth in total sales dropped 3.9 percentage points as compared with the corresponding period of last year. The auto market remained to grow at a slow pace.

In the first half of the year, Dongfeng Motor Group implemented a series of prudent measures to grow its business and successfully expanded business scale and improved production quality and operation efficiency. Total number of vehicles sold by the Group in the first half of the year was approximately 1.39 million units, representing an increase of approximately 14.8% over the corresponding period of last year and 6.44 percentage points higher than the industry average. The market share of the Group was approximately 11.9%, representing an increase of 0.7 percentage point over the corresponding period of last year. The numbers of passenger vehicles sold were approximately 1.181 million units, representing an increase of approximately 21.5%. Due to the delay of the replacement of China III Emission Standards by China IV Emission Standards, the numbers of commercial vehicles sold were approximately 0.209 million units, representing a decrease of approximately 12.52% over the corresponding period of last year. Based on the proportionate consolidation method, the sales revenue of the Group for the first half of the year was RMB93,214 million, representing an increase of 30.3% as compared with the corresponding period of last year. In the first half of the year, profit attributable to shareholders was approximately RMB8,506 million, representing an increase of 53.6% as compared with the corresponding period of last year. The profit growth outpaced that of the sales volume and the sales revenue, reflecting the improvement in operation efficiency.

In the first half of 2014, the business structure of the Group was further improved as a result of significant progress in business globalization. Upon completion of the subscription for new shares in PSA Peugeot Citroën Group, the Group became one of the major shareholders of PSA Peugeot Citroën Group along with the French government and the Peugeot Family, and was entitled to the strategic resources in relating to products, technologies and business networks. The major strategic alliances with Volvo, Renault and GETRAG were in progress as scheduled. The product lines of the Group were further diversified and the contribution from sales of new products increased. The Group achieved its sales target for the first half of 2014 due to remarkable performance in the sales of Dongfeng Nissan X-Trail, Dongfeng Peugeot 2008, Dongfeng Honda Jade and Dongfeng Citroen C-Elysee. The commercialization of new energy vehicles saw significant progress and the Group has began to launch its marketing campaign. Commercial production of E30, a self-developed new energy vehicle of the Group, has commenced and will be launched to market soon. The Group has further consolidated its position in overseas markets as significant progress was made in the exploration of major overseas markets. The overall competitiveness and sustainability of the Group was further improving.

Chairman's Statement

In the second half of the year, in the mist of global economic uncertainties, the economy of China will still be under pressure. The auto industry will face challenges and opportunities. The use of vehicles will be of great concern in dealing with the issues of environment, energy and transportation. New policies on the restriction of purchase and use of vehicle will bring more challenges to the auto market. Meanwhile, the Board of Directors of the Group is aware that there are other risks, including growing inventory level and the potential long term impact on the sale of our Japanese-brand vehicles due to the intense relationship between China and Japan. The development of proprietary brands of passenger vehicles and new energy vehicle business still need to be further strengthened and the globalization of the Group will also need to be improved.

In this regard, the Group will focus on the following areas in the second half of the year: (i) the Group will take proactive measures to response to market conditions and in exercise strict control of inventory will be prudent in investment and will maintain healthy growth in production by avoiding potential risks brought by the development of the relationship between China and Japan; (ii) the Group will pay great attention to the implementation of new emission standards for commercial vehicles and will accelerate the development and marketing of such commercial vehicles; (iii) the Group will push forward its globalization by exploring overseas market and increasing export sales; (iv) the Group will speed up the strategic development and production of new energy vehicles; (v) the Group will promote on-line sales and speed up the integration of its on-line and off-line businesses. In particular, the Group will establish an integrated e-commerce platform for on-line sales through collaboration of intern business segments.

With strong confidence and devotion, the Group will strive to boost the steady growth of operating results and achieve our annual business goals by implementing the above key measures.

Xu Ping
Chairman

Wuhan, the PRC
29 August 2014

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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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY WEBSITE

www.dfmg.com.cn

COMPANY SECRETARIES

Lu Feng
Lo Yee Har Susan *(FCS, FCIS)*

AUDITORS

Pricewaterhouse Coopers

HONG KONG H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

00489

Report of the Directors

I. BUSINESSES OVERVIEW

(I) Major Businesses

Dongfeng Motor Group is principally engaged in the businesses of research and development, manufacturing and sales of commercial vehicles, passenger vehicles, vehicle engines and other auto parts, production of vehicle manufacturing equipment, and import and export of vehicles related products, logistics services, Auto finance, insurance agency and used car trading. The principal products include commercial vehicles (heavy duty trucks, medium trucks, light trucks, mini trucks and buses, special purpose vehicles, semi-trailers as well as commercial vehicles engines and auto parts) and passenger vehicles (sedans, MPVs, SUVs and passenger vehicles engines and auto parts).

1. Commercial vehicles

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 major products are heavy, medium and light trucks as well as large and medium sized bus. As at 30 June 2014, Dongfeng Motor Group produced 42 series of major commercial vehicles, including 35 series of trucks and 7 series of buses.

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

2. Passenger vehicles

Dongfeng Motor Group's passenger vehicle business is principally operated by the Company (through Dongfeng Passenger Vehicle Company) and the following joint ventures: Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobiles Company Ltd (a joint venture of the Company and PSA Peugeot Citroën Group), Dongfeng Honda Automobile Co., Ltd (a joint venture of the Company and Honda Motor Co., Ltd, partly through Honda Motor (China) Investment Co., Ltd) and Dongfeng Liuzhou Motor Co., Ltd.. The engines and auto parts of passenger vehicles businesses are mainly operated by the Company (through Dongfeng Commercial 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. As at 30 June 2014, the Dongfeng Motor Group manufactured 42 series of passenger vehicles, including 26 series of sedans, 8 series of MPVs and 8 series of SUVs.

The engines of passenger vehicles produced by Dongfeng Motor Co., Ltd, Dongfeng Peugeot Citroën Automobiles Company Ltd and Dongfeng Honda Automobile Co., Ltd are mainly for internal use, while those produced by Dongfeng Honda Engine Co., Ltd. are mainly for external sales. In addition to engines, the Dongfeng Motor Group also manufactures 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) and chassis (mainly comprised of axles, car frames and chassis parts), electronic components and other parts.

3. **Auto parts and equipments**

Dongfeng Motor Group's auto parts and equipments business is principally operated by Dongfeng Motor Co., Ltd, which mainly 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.

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.

4. **Finance Business**

The Dongfeng Motor Group's finance business is principally operated by Dongfeng Motor Finance Co., Ltd (a wholly-owned subsidiary of the Company), 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) and Dongfeng Nissan Auto Finance Co., Ltd (a joint venture company between the Company and Nissan Motor Co. Ltd).

(II) Principal Business Operations during the First Half of 2014

As at 30 June 2014, the production and sales volumes for whole vehicles of the Dongfeng Motor Group were 1,398,638 units and 1,389,792 units respectively. According to statistics published by the China Association of Automobile Manufacturers, the Dongfeng Motor Group had a market share of approximately 11.9% in terms of sales volume of commercial and passenger vehicles made by domestic manufacturers in 2014. 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 2014:

	Production Volumes (units)	Sales Volumes (units)	Market share (%)[1]
Commercial Vehicles	226,512	209,246	10.21
Trucks	206, 025	189,392	10.70
Buses	20,487	19,854	7.12
Passenger Vehicles	1,172,126	1,180,546	12.25
Basic passenger cars	750,274	766,667	12.46
MPVs	178,782	180,657	20.48
SUVs	240,448	231,160	12.68
Cross type	2,622	2,062	0.27
Total	1,398,638	1,389,792	11.90

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

Revenue of the Group for the six months ended 30 June 2014:

Business	Sales revenue (RMB millions)	Contribution to the Group's sales revenue (%)
Passenger vehicles	7,516.00	24.3
Commercial vehicles	22,631.00	73.1
Finance	712.00	2.3
Others	90.00	0.3
Total	30,949.00	100

Based on the proportionate consolidation method, the revenue of the Group for six months ended 30 June 2014 is as follows:

Business	Sales revenue (RMB millions)	Contribution to the Group's sales revenue (%)
Passenger vehicles	65,188.00	69.9
Commercial vehicles	26,392.00	28.3
Finance	858.00	0.9
Others	776.00	0.9
Total	93,214.00	100

(III) Principal Business Achievements during the First Half of 2014

1. Steady Expansion in Business Scale and Improvement in Quality

The total sales of the Dongfeng Motor Group for the first half of the year were approximately 1,390,000 vehicles, representing an increase of approximately 14.8% over the corresponding period of last year, which was 6.44 percentage points above the average industry level, and the market share was approximately 11.9%, representing an increase of 0.7 percentage point over the corresponding period of last year. Sales of passenger vehicles were approximately 1,181,000 units, representing an increase of approximately 21.5% over the corresponding period of last year. Sales of commercial vehicles were approximately 209,000 units, representing a decrease of approximately 12.5% over last year due to the postponement of the replacement of China III Emission Standards by China IV Emission Standards. Based on the proportionate consolidation method, the sales revenue of the Group was approximately RMB93,214 million, representing an increase of approximately 30.3% as compared with the corresponding period of last year. Profit attributable to shareholders was approximately RMB8,506 million, representing an increase of approximately 53.6% as compared with the corresponding period of last year. The growth in profit was higher than that in sales and sales revenue. The quality of operation improved steadily.

2. **Breakthrough in International Development**

As Dongfeng Motor Group has become a shareholder of and established global strategic alliances with PSA group, the Company is expected to deepen cooperation and in create synergies with PSA in various areas such as international business, commodity, technology, purchase and supply. With the smooth construction progress of the Dalian plant of Dongfeng Nissan, commencement of construction of the third plant of Dongfeng Honda, the establishment of the fourth plant of Peugeot Citroën in Chengdu and the completion and operation of the first phase of the new passenger vehicle plant of Dongfeng Liuzhou in Liu Dong New District, the business network of the Company has been further optimised. The significant strategic projects between Dongfeng Motor Group and Volvo (AB Volvo), Dongfeng Renault and Dongfeng GETRAG achieved satisfactory progress as scheduled.

3. **Expansion of Production Capacity and Introduction of New Products**

According to strategic plans of Dongfeng Motor Group, the Company prudently managed the investments in production capacity expansion and construction in face of the slowing down of the growth of auto market and maintained stable progress for the expansion of production capacity and development and introduction of new products of its major joint ventures. Total investment in fixed assets during the first half of the year amounted to approximately RMB5,943 million (which was not adjusted on a proportionate consolidation basis).

As at 30 June 2014, the total whole vehicle production capacity of the Dongfeng Motor Group was approximately 2,972,000 units. The total production capacity of engines was approximately 2,900,000 units. Production capacities of commercial vehicles and commercial vehicle engines were approximately 622,000 units and 370,000 units respectively. Production capacities of passenger vehicles and passenger vehicle engines were approximately 2,350,000 units and 2,530,000 units respectively.

In addition, Dongfeng Motor Group introduced new products and arranged special investment according to the requirements of the relevant regulations and policies of the PRC and the market demand. The Dongfeng Motor Group introduced a number of new models during the first half of the year, further enriching its product portfolio. New products such as New X-trail and Dongfeng Peugeot 2008 recorded strong sales performance after introduction to the market, providing great support to the achievement of the target sales for the first half of the year of Dongfeng Motor Group.

4. **Sustainable Improvement in Research and Development**

Dongfeng Motor Group persists in enhancing its research and development capacity to ensure the progress of research and development for both passenger vehicles and commercial vehicles. In the first half of 2014, the Dongfeng Motor Group conducted a total of 352 product development projects, including 52 projects of passenger vehicles and almost 300 development projects for existing models of commercial vehicles, with almost 40% of them completed and introduced to the market.

For new energy vehicles, the development of battery electric vehicle model EJ02/04 with brand new technology such as aluminium space frame has been completed and launched to the market for trial operation, and the battery electric vehicle A60 with ISG is under development.

For research on technology, the Dongfeng Motor Group has conducted more than 200 research projects for automotive technology covering materials technology, engine technology, electronic control technology, safety technology, new energy technology, whole vehicle development platforms, manufacturing equipment and techniques and whole vehicle fatigue analysis. These research projects will greatly support the future development and the improvement in product technology of the Dongfeng Motor Group.

During the first half of 2014, the Dongfeng Motor Group has applied for and obtained 731 patents, including 125 invention patents, 404 utility model patents and 202 design patents.

5. Steady Progress of Safety Production and Environment Protection

The Dongfeng Motor Group has established effective management system for safety production, carried out various activities including evaluation of safety management, rectification and improvement on specific safety issues and safety production month and defined the responsibilities of management at all levels to strengthen the management and control of business process. As a result, all safety indicators were under control.

In the first half of 2014, in strict compliance with national policies on energy-saving, emission reduction and ecological civilization, the Dongfeng Motor Group strived to eliminate environmental pollutions and waste of energy. Major indicators of energy-saving and emission reduction achieved satisfactory levels. Energy structure was further optimized and the utilization efficiency improved continuously. Total energy consumption per ten-thousand RMB of added value reduced by 13.93% and COD and SO2 emission decreased by 3.19% and 2.43% respectively as compared with the corresponding period of 2013.

6. Implementation of the "Nurturing" Plan for Fulfilment of Social Responsibilities

In the first half of 2014, Dongfeng Motor Group fulfilled its social responsibilities under the principles of systematic plan, overall arrangement and coordination in line with the strategy to achieve synergies between different business lines. The Group promoted the "Nurturing" plan to facilitate its fulfilment of social responsibilities so as to develop into a responsible brand in the sectors of environment, public welfare and culture. Moreover, the Dongfeng Motor Group officially commenced the "DFM Free Travel Auto Cultural Activity for Citizens", and issued the Convention for Civilized Driving in China (中國汽車公民文明公約), the first guideline on driving behaviours, jointly with the Road Traffic Safety Association of China and China Car Culture Promotion Association (中國汽車文化促進會). The guideline was also the core philosophy of its charity activity of "Safety Travel" (益路平安). Besides, the Dongfeng Motor Group also organised the China Youth Green Car Design Competition of "Dongfeng Dream Car" and promoted the education-aid program named "DFM's children benefitting" (東風潤苗行動). By enhancing the coordination of the performance of social responsibilities and promoting its achievements through media and site-visits, Dongfeng gained wide recognition from the society and the reputation of its Dongfeng brand and social responsibility brand was further enhanced.

During the first half of 2014, the Dongfeng Motor Group has established extensive influence in the society through various social activities and won a number of awards, including the "Responsible Enterprise" and "Outstanding Case" awards in the 2014 Corporate Social Responsibility Ranking of Automobile Industry of China.

7. **Regulated Information Disclosure and Strengthened Investor Relations Management**

The Dongfeng Motor Group has regulated its information disclosure procedures to ensure the timely, fair, accurate and complete disclosure of the relevant information of its operations according to the regulatory requirements of the Listing Rules. In the first half of 2014, the Company published a total of 25 announcements in accordance with the Listing Rules of the Hong Kong Stock Exchange.

In the first half of 2014, the Dongfeng Motor Group also maintained close communication with investors and media through various channels, such as results announcement conferences, news release conferences, overseas and domestic non-deal road shows, reception of routine visits by the investors and analysts, and telephone conferences. It has organized 2 non-deal road shows, 3 reverse road shows, 3 presentations, 18 receptions of routine visits by the investors and analysts, 38 one-on-one telephone conferences and 4 group teleconferences in the first half of the year.

(IV) Business Outlook

In the second half of 2014, the Dongfeng Motor Group will still face a complicated business environment. The automobile industry has shown new trend of stable growth in recent years, and it is expected to see significant development opportunities. Benefiting from the favourable reforms, income of households will continue to increase, and the development of urbanization will be in rapid pace. Automobile consumptions will increase driven by the popularity of auto finance. The application of Internet will bring profound changes to the automobile industry and the new energy vehicles will demonstrate significant breakthrough. However, in the second half of the year, the automobile industry will also face many challenges. The economy of China will still be under pressure in the mist of domestic and global economic uncertainties. The demand for commercial vehicles may continue to decrease due to the tightened regulations on emissions. The conflicts between the environment, energy and transportation regarding the use of vehicles will be intensified. New policies on the restriction of purchase and use of vehicles will also bring more challenges to the automobile market. In addition, the relationship between China and Japan may have a long term impact on the sales of our Japanese-brand vehicles.

In light of the above factors, the Dongfeng Motor Group is cautiously optimistic towards the general development of the industry in the second half of the year, which is expected to maintain a stable growth throughout the year, while the pressure on operation will increase in the second half of the year. Accordingly, the Group will be devoted to promoting the development of all major business segments with effective steps and focuses on maintaining steady growth in response to the market changes, so as to ensure the achievement of its annual business target.

II. CORPORATE GOVERNANCE

(I) Overview of Corporate Governance

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

1. Corporate Governance Code

The Company had fully complied with the requirements of the provisions of the Corporate Governance Code throughout the period.

2. Securities Transaction of the Directors

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

3. Independent Non-executive Directors

The Board of Directors of the Company consists of eleven directors, including four independent non-executive directors. Mr. Zhang Xiaotie, an independent non-executive director, has the qualification of accounting and financial management. The composition of the Board of Directors of the Company is in compliance with the requirement of Rule 3.10(1) that "every board of directors of a listed issuer must include at least three independent non-executive directors", Rule 3.10A that "an issuer must appoint independent non-executive directors representing at least one-third of the board" and Rule 3.10(2) that "at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise".

(II) Business of the Board of Directors

1. Board Meeting

Six board meetings were held by the Company in the first half of 2014 and the major matters covered were as follows:

- To consider and approve the interim business plan for 2013 of the Company;

- To consider and approve the financial budget for 2014 of the Company;
- To consider and approve the annual investment plan for 2014 of the Company;
- To consider and approve the capital injection in Dongfeng Motor Finance Co., Ltd.;
- To consider and approve the strategic alliance between the Company and PEUGEOT SA;
- To consider and approve the limit and guarantee of loans (financing) of the Company;
- To consider and approve the acquisition of equity interest in PSA Peugeot Citroën Group and the global strategic alliance;
- To consider and approve the establishment of Dongfeng Motor (Hong Kong) International Co., Limited;
- To consider and approve the establishment of Dongfeng Motor Investment (Shanghai) Co., Ltd. (東風汽車投資(上海)有限公司);
- To consider and approve the execution of the agreement in relation to the acquisition of equity interest in PEUGEOT SA by the Company;
- To consider and approve the transfer of 45% equity interest in Dongfeng Commercial Vehicles Co., Ltd. to Volvo by the Company;
- To consider and confirm the independence of independent non-executive directors;
- To consider and approve the remuneration packages of directors and supervisors;
- To consider and approve the issue and allotment of shares;
- To consider and approve the annual report;
- To consider and approve lending limits and to authorize the provision of loans;
- To consider and approve the appointment of auditors;
- To consider and approve the convening of annual general meeting;
- To consider and approve the establishment of Dong Feng Peugeot Citroën Automobile Sales Co., Ltd (東風標緻雪鐵龍汽車銷售有限責任公司).

Meetings of Board of Directors allows effective discussion and prompt and prudent decision. As at 30 June 2014, the attendance of directors at meetings of Board of Directors is as follows:

	Attendance/Number of Meetings		
Members of the Board of Directors	**Board Meetings**	**Attendance Rate**	**Remarks**
Executive Directors			
Xu Ping	6/6	100%	
Zhu Fushou	6/6	100%	
Li Shaozhu	6/6	100%	
Non-executive Directors			
Tong Dongcheng	5/6	83%	
Ouyang Jie	6/6	100%	
Liu Weidong	6/6	100%	
Zhou Qiang	5/6	83%	
Independent Non-executive Directors			
Ma Zhigeng	5/6	83%	
Zhang Xiaotie	6/6	100%	
Cao Xinghe	6/6	100%	
Chen Yunfei	6/6	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.

2. Special Committees of the Board of Directors

Audit Committee

The Company has established an audit committee in accordance with the Rules 3.21 and 3.22 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company and offer recommendation and advice to the Board of Directors in this respect. The audit committee consists of three members who are all non-executive directors (including two independent non-executive directors) of the Company. The chairman of the audit committee is Mr. Zhang Xiaotie who has the professional qualification required by Rule 3.10(2) of the Listing Rules. The other members of the audit committee are Mr. Chen Yunfei and Mr. Ouyang Jie.

The audit committee has reviewed the unaudited financial reports of the Group for the six months ended 30 June 2014.

Remuneration Committee

The Company has established a remuneration committee in accordance with the Rules 3.25 and 3.26 of the Listing Rules. The primary duties of the remuneration committee are 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. The remuneration committee consists of three members, including one Executive directors and two independent non-executive directors of the Company. The chairman of the remuneration committee is Mr. Ma Zhigeng and the other members of the remuneration committee are Mr. Cao Xinghe and Mr. Li Shaozhu.

Nomination Committee

The Company has established a nomination committee in compliance with Rule A.5.1 to Rule A.5.6 of the Corporate Governance Code. The primary duties of the nomination committee are to nominate director candidates and to research, review and offer recommendations in respect of the nominated director candidates and election criteria and procedures. The nomination committee consists of three members and most of them are independent non-executive directors of the Company. Mr. Xu Ping, the Chairman of the Company, is the chairman of the committee and the other members are independent non-executive directors, Mr. Ma Zhigeng and Mr. Zhang Xiaotie.

III. MAJOR MATTERS

Interim Results and Dividends

The results for the six months ended 30 June 2014 of the Group and the financial states of affairs of the Group as at that date are set out in the unaudited condensed consolidated financial statements on page 28 to 47 of this interim report.

The Board of Directors resolved not to distribute any dividends for the earnings of the Company for the first half of 2014.

Major Acquisitions and Disposals of Subsidiaries, Joint Ventures and Associates

On 26 March 2014 (French time), 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.

On 29 April 2014 (French time), the subscription pursuant to the DFG Subscription Agreement by DMHK for 69,866,666 PSA Shares issued under the PSA Reserved Capital Increase was completed. Immediately after the completion of such subscription, DMHK holds approximately 14% of the enlarged issued share capital of PSA as at the date of this announcement.

Material Legal Proceedings

In February 2014, Dongfeng Commercial Vehicle Co., Ltd. (“DFCV”), a wholly-owned subsidiary of the Company received a notice of arbitration. The claimant applied for arbitration in respect of the dispute arising from the relevant agreements entered into by the claimant with the Company and DFCV and claimed a compensation of approximately RMB4.3 billion in satisfaction of default together with arbitration expenses.

The Company and DFCV have sought legal advices for the dispute, and will take all appropriate steps as necessary to defend against any claim and allegation brought by the claimant. The Company believes that the results of the disputes will have no material impact on the financial position of the Company. (For details, please refer to the announcement of the Company dated 17 February 2014.)

Share Capital

As at 30 June 2014, the total share capital of the Company was RMB8,616,120,000 divided into 8,616,120,000 ordinary shares of RMB1 each, of which 5,760,388,000 shares were Domestic Shares, representing approximately 66.86% of the total number of shares in issue, and 2,855,732,000 shares were H Shares, representing approximately 33.14% of the total number of shares in issue.

Interests of Substantial Shareholders

As at 30 June 2014, the interest and short positions of the persons who hold 5% or more of the class shares in the issued share capital of the Company (other than directors and supervisors of the Company), 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:

Long Position and 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	100	66.86
JPMorgan Chase & Co.	H Shares	396,701,553(L)	13.89(L)	4.60
		9,170,672(S)	0.32(S)	0.10
		326,033,492(P)	11.41(P)	3.78
SCMB Overseas Limited	H Shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Asia Limited	H Shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Bank	H Shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Holding Limited	H Shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Holdings (International) B.V.	H Shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered MB Holdings B.V.	H Shares	242,282,000(L)	9.76(L)	2.81
Standard Chartered Private Equity Limited	H Shares	242,282,000(L)	9.76(L)	2.81
BlackRock, Inc.	H Shares	195,534,622(L)	6.85(L)	2.26
Prudential plc	H Shares	169,733,093(L)	5.94(L)	1.96
Edinburgh Partners Limited	H Shares	153,514,000(L)	5.38(L)	1.78

Notes:

L — Long Position
S — Short Position
P — Lending Pool

Report of the Directors

Directors’ and Supervisors’ Interests in the Share Capital of the Company

As at 30 June 2014, the Company is not aware of any interests in the share capital of the Company held by the directors or supervisors of the Company or any dealings in the equity interests of our Company conducted by them during the six months ended 30 June 2014.

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.

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.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Management Discussion and Analysis

(I) ANALYSIS OF THE MAJOR BUSINESSES

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 the annual report for 2013, 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 when comparing with historical financial information. Certain data based on equity method will also be presented for reference.

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

	The Group (based on proportionate consolidation) RMB million	**Joint ventures** RMB million	**The Group (based on equity method)** RMB million
Revenue	93,214	62,265	30,949
Cost of sales	-73,348	-46,852	-26,496
Other income	1,852	1,232	620
Selling and distribution costs	-4,961	-3,765	-1,196
Administrative expenses	-3,032	-1,611	-1,421
Other expenses, net	-3,606	-2,433	-1,173
Finance costs	-311	-75	-236
Profits and losses attributable to:			
Joint ventures	—	-6,178	6,178
Associates	2,281	72	2,209
Profit before tax	12,089	2,655	9,434
Income tax expenses	-3,130	-2,253	-877
Profit for the year	8,959	402	8,557
Equity holders of the parent	8,506	—	8,506
Non-controlling interests	453	402	51
Total assets	197,753	58,963	138,790
Total liabilities	-122,667	-55,395	-67,272
Net assets	75,086	3,568	71,518
Equity attributable to owners of the parent	70,363	—	70,363
Non-controlling interests	4,723	3,568	1,155

Management Discussion and Analysis

1. Revenue

The growth of automobile industry in China was stable in the first half of 2014. A total of approximately 11,683,500 vehicles were sold during the year, representing an increase of approximately 8.4% over the corresponding period last year. Sales volume of passenger vehicles and commercial vehicles were approximately 9,633,800 units and 2,049,700 units respectively, representing an increase of 11.2% and a decrease of 3.2% over the corresponding period last year respectively.

In the first half of 2014, the Group managed to overcome various risks and challenges and its operation achieved steady growth. The total sales of the Group for the period were approximately 1,389,800 units, representing an increase of approximately 14.8% over the corresponding period last year. Sales of passenger vehicles were approximately 1,180,500 units, representing an increase of approximately 21.5% over the corresponding period last year. Sales of commercial vehicles were approximately 209,300 units, representing a decrease of approximately 12.5% over the corresponding period last year. The Group had a domestic market share of approximately 11.9% in terms of sales volume, representing an increase of approximately 0.7 percentage point over the corresponding period last year. The market share of its passenger vehicles was approximately 12.3%, representing an increase of approximately 1.1 percentage points over the corresponding period last year. The market share of its commercial vehicles was 10.2%, representing a decrease of approximately 1.1 percentage points over the corresponding period last year.

The revenue of the Group based on proportionate consolidation was approximately RMB93,214 million, representing an increase of approximately RMB21,694 million, or 30.3%, as compared with approximately RMB71,520 million of the corresponding period last year. Without taking into account the change in the basis of consolidation due to the acquisition of commercial vehicle business in 2013, the revenue of the Group on the same consolidation basis for the first half of 2013 was approximately RMB82,750 million, representing an increase of approximately RMB11,230 million, or 15.7%, as compared with approximately RMB71,520 million of the corresponding period last year. The revenue of the Group based on equity method was approximately RMB30,949 million, representing an increase of approximately RMB21,199 million, or 217.4%, as compared with approximately RMB9,750 million of the corresponding period last year. Except the changes in basis of consolidation due to the acquisition of commercial vehicle business in 2013, the increase in revenue was mainly attributable to the increase in the sales of passenger vehicles and the contribution of new products.

	Six months ended 30 June 2014		Six months ended 30 June 2013	
	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 vehicles	65,188	7,516	51,960	4,490
Commercial vehicles	26,392	22,631	18,761	4,989
Finance	858	712	377	248
Others	776	90	422	23
Total	93,214	30,949	71,520	9,750

1.1 **Passenger vehicle business**

The revenue from sales of passenger vehicles of the Group based on proportionate consolidation increased by approximately RMB13,228 million, or 25.5%, to approximately RMB65,188 million from approximately RMB51,960 million of the corresponding period last year. The revenue from sales of whole passenger vehicles for the period increased by approximately RMB12,987 million, or 28.3%, to approximately RMB58,918 million from approximately RMB45,931 million of the corresponding period last year. Without taking into account the change in basis of consolidation due to the acquisition of commercial vehicle business in 2013, the revenue from sales of passenger vehicles of the Group on the same consolidation basis for the first half of 2013 was approximately RMB62,424 million, representing an increase of approximately RMB10,464 million, or 20.1%, as compared with approximately RMB51,960 million of the corresponding period last year. The increase in sales revenue was mainly attributable to the increase in sales of whole passenger vehicles. The sales of passenger vehicles of Dongfeng Nissan, DHAC, DPCA, Dongfeng Liuzhou Motor increased by 20%, 23%, 24% and 34% as compared with the corresponding period last year respectively. Based on equity method, the revenue from sales of passenger vehicles for the period increased by approximately RMB3,026 million, or 67.4%, to approximately RMB7,516 million from approximately RMB4,490 million of the corresponding period last year.

1.2 **Commercial vehicle business**

The revenue from sales of commercial vehicles of the Group based on proportionate consolidation increased by approximately RMB7,631 million, or 40.7%, to approximately RMB26,392 million from approximately RMB18,761 million of the corresponding period last year. The revenue from sales of whole commercial vehicles increased by approximately RMB6,281 million, or 38.6%, to approximately RMB22,540 million for the period from approximately RMB16,259 million of the corresponding period last year. Without taking into account the change in basis of consolidation due to the acquisition of commercial vehicle business in 2013, the revenue from sales of commercial vehicles of the Group on the same consolidation basis for the first half of 2013 was approximately RMB18,892 million, representing an increase of approximately RMB131 million, or 0.7%, as compared with approximately RMB18,761 million of the corresponding period last year. The increase was mainly attributable to the increase in the unit sales revenue of State IV Emission Standards vehicles and the optimization of sales structure. Based on equity method, the revenue from sales of commercial vehicles for the period increased by approximately RMB17,642 million, or 353.6%, to approximately RMB22,631 million from approximately RMB4,989 million of the corresponding period last year.

1.3 **Financial business**

After the acquisition of commercial vehicle business, the development, volume and revenue of the financial business of the Group improved significantly. The Group began to present its financial business separately in 2014 for easy understanding by investors.

The financial business of the Group mainly includes the collective fund management, deposits from members of the Group, loans and entrusted loans for members, acceptance and discounting of bills for members, settlement between members, loans to other companies in the industry, sales credit, buyer credit and finance lease for products of members. The total turnover of the Group for the first half of 2014 increased by 66% as compared with the corresponding period last year. The revenue of financial business based on proportionate consolidation increased by approximately RMB481 million, or 127.6%, to approximately RMB858 million from approximately RMB377 million of the corresponding period last year. The revenue of financial business of the Group on the same consolidation basis for the first half of 2013 was approximately RMB658 million, representing an increase of approximately RMB281 million, or 74.5%, as compared with approximately RMB377 million of the corresponding period last year. Based on equity method, the revenue of financial business for the period increased by approximately RMB464 million, or 187.1%, to approximately RMB712 million from approximately RMB248 million of the corresponding period last year.

2. Cost of sales and gross profit

The total gross profit of the Group for first half of 2014 based on proportionate consolidation was approximately RMB19,866 million, representing an increase of approximately RMB6,159 million, or 44.9%, when compared with approximately RMB13,707 million for the corresponding period last year. The comprehensive gross margin increased by approximately 2.1 percentage points to approximately 21.3% for the period from approximately 19.2% of the corresponding period last year. The increase in gross profit and gross margin was mainly attributable to: (1) the launch of new models of passenger vehicle of New Teana (新世代天籟), X-Trail (新奇駿) and 2008 and high value-added new commercial vehicles of State IV Emission Standards; (2) the increase in sales and improvement in sales structure as compared with last year; (3) the effective cost cut-off measures for the whole value chain; (4) the appreciation of RMB against US$ and depreciation of Yen against US$.

3. Other incomes

The total other incomes of the Group based on proportionate consolidation amounted to approximately RMB1,852 million, representing a decrease of approximately RMB1,463 million as compared with approximately RMB3,315 million of the corresponding period last year. Without taking into account the change in basis of consolidation due to the acquisition of commercial vehicle business in 2013, other incomes of the Group on the same consolidation basis for the first half of 2013 were approximately RMB1,692 million, representing a decrease of approximately RMB1,623 million, or 49.0%, as compared with approximately RMB3,315 million of the corresponding period last year. The decrease was mainly attributable to the one-off gain of approximately RMB1,759 million from the reorganization of commercial vehicle business in the corresponding period last year.

4. Selling and distribution costs

The selling and distribution costs of the Group based on proportionate consolidation increased by approximately RMB678 million to approximately RMB4,961 million from approximately RMB4,283 million of the corresponding period last year. The proportion of selling and distribution costs to the sales revenue decreased by approximately 0.7 percentage point to approximately 5.3% from approximately 6.0% of the corresponding period last year. Without taking into account the change in basis of consolidation due to the acquisition of commercial vehicle business in 2013, the selling and distribution costs of the Group on the same consolidation basis for the first half of 2013 increased by approximately RMB365 million, or 8.5%, to approximately RMB4,648 million from approximately RMB4,283 million of the corresponding period 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.

5. Administrative expenses

The total administrative expenses of the Group based on proportionate consolidation increased by approximately RMB728 million to approximately RMB3,032 million from approximately RMB2,304 million of the corresponding period last year. The proportion of administrative expenses to the sales revenue increased by approximately 0.1 percentage point to approximately 3.3% from approximately 3.2% of the corresponding period last year. Without taking into account the change in basis of consolidation due to the acquisition of commercial vehicle business in 2013, the total administrative expenses of the Group on the same consolidation basis for the first half of 2013 increased by approximately RMB299 million,or 13.0%, to approximately RMB2,603 million from approximately RMB2,304 million of the corresponding period last year. The increase was mainly attributable to the additional expenses of employees' compensation, depreciation and amortization.

6. Other expenses, net

The net other expenses of the Group based on proportionate consolidation amounted to approximately RMB3,606 million, representing an increase of approximately RMB1,040 million as compared with approximately RMB2,566 million of the corresponding period last year. Without taking into account the change in basis of consolidation due to the acquisition of commercial vehicle business in 2013, the net other expenses of the Group on the same consolidation basis for the first half of 2013 increased by approximately RMB676 million, or 26.3%, to approximately RMB3,242 million from approximately RMB2,566 million of the corresponding period last year. The increase was mainly attributable to the additional expenses of technology development.

7. Staff costs

The staff costs (including directors' and supervisors' emoluments) of the Group based on proportionate consolidation amounted to approximately RMB5,033 million, representing an increase of approximately RMB1,660 million as compared with approximately RMB3,373 million of the corresponding period last year. In addition to the effects of consolidation, the increase was mainly attributable to additional expenses including salaries and benefits as a result of a higher demand for labour in line with the increase in productivity and sales volume of vehicles, as well as the regular adjustment in employees' remuneration.

8. Depreciation charges

The depreciation charges of the Group based on proportionate consolidation amounted to approximately RMB1,913 million, representing an increase of approximately RMB459 million when compared with approximately RMB1,454 million of the corresponding period last year.

9. Finance costs

The finance costs of the Group based on proportionate consolidation amounted to approximately RMB311 million, representing an increase of approximately RMB184 million when compared with approximately RMB127 million of the corresponding period last year. Without taking into account the changes in the consolidation due to the acquisition of commercial vehicle business in 2013, the finance costs of the Group on the same consolidation basis for the first half of 2013 increased by approximately RMB145 million, or 114.2%, to approximately RMB272 million from approximately RMB127 million of the corresponding period last year. The increase was mainly attributable to the addition of finance costs.

10. Income tax

The income tax of the Group based on proportionate consolidation amounted to approximately RMB3,130 million, representing an increase of approximately RMB1,090 million when compared with approximately RMB2,040 million of the corresponding period last year. The effective tax rate was approximately 25.9% for the period, representing an increase of approximately 0.3 percentage point when compared with 25.6% of the corresponding period last year. Without taking into account the changes in the consolidation due to the acquisition of commercial vehicle business in 2013, the income tax of the Group on the same consolidation basis for the first half of 2013 amounted to approximately RMB3,012 million, representing an increase of approximately RMB972 million, or 47.6%, when compared with approximately RMB2,040 million for the corresponding period last year.

11. Profit for the year

As a result of the above reasons, profit attributable to shareholders of the Group based on proportionate consolidation amounted to approximately RMB8,506 million, representing an increase of approximately RMB2,968 million, or 53.6%, when compared with approximately RMB5,538 million of the corresponding period last year. Earnings per share was approximately RMB98.72 cents, representing an increase of approximately RMB34.44 cents, or 53.6%, when compared with approximately RMB64.28 cents of the corresponding period last year. The net profit margin (a percentage of profit attributable to shareholders to total revenue) was approximately 9.1%, representing an increase of approximately 1.4 percentage points when compared with that of approximately 7.7% of the corresponding period last year. The return on net assets (a percentage of profit attributable to shareholders to average net assets) was approximately 25.5%, representing an increase of approximately 5.8 percentage points when compared with approximately 19.8% of the corresponding period last year.

12. Total assets

Total assets of the Group for the period based on proportionate consolidation amounted to approximately RMB197,753 million, representing an increase of approximately RMB26,549 million when compared with approximately RMB171,204 million for the corresponding period last year. The increase was mainly due to the increase in cash, receivables, inventory and investments in associates.

13. Total liabilities

Total liabilities of the Group for the period based on proportionate consolidation amounted to approximately RMB122,667 million, representing an increase of approximately RMB19,104 million when compared with approximately RMB103,563 million of the corresponding period last year. The increase was mainly due to the increase in short-term borrowings and payables.

14. Total equity

Total equity of the Group for the period based on proportionate consolidation amounted to approximately RMB75,086 million, representing an increase of approximately RMB7,445 million when compared with approximately RMB67,641 million at the end of last year. Equity attributable to equity holders of parent amounted to approximately RMB70,363 million, representing an increase of approximately RMB7,228 million when compared with approximately RMB63,135 million of the corresponding period last year.

15. Liquidity and Sources of Capital

	Six months ended 30 June 2014 (RMB million)	Six months ended 30 June 2013 (RMB million)
Net cash flows from operating activities	5,325	7,960
Net cash flows generated from/(used in) investing activities	(11,312)	(1,043)
Net cash flows used in financing activities	13,998	485
Net increase in cash and cash equivalents	8,011	7,402

Net cash inflows from operating activities of the Group amounted to approximately RMB5,325 million, reflecting mainly (1) After deduction of non-cash items such as depreciation and impairment loss, profit before tax was approximately RMB11,840 million; (2) a cash outflow of approximately RMB3,204 million due to inventory increase; and (3) a cash outflow of approximately RMB3,591 million due to taxes paid. The net cash flow from operating activities for the period decreased by approximately RMB2,635 million, as compared to the net cash inflow of approximately RMB7,960 million for the corresponding period last year. The decrease was mainly due to: (1) a cash outflow of approximately RMB4,335 million due to the increase of capital used in inventory; (2) a cash outflow of approximately RMB2,084 million due to the less increment of trade payable, bills payable and other payable as compared to the corresponding period last year; (3) a cash outflow of approximately RMB1,270 million due to the increase of capital used in trade receivables and loan to borrowers generated from financial business; (4) an increase of cash outflow of approximately RMB1,032 million due to income taxes paid; (5) a cash inflow of approximately RMB7,730 million due to the decrease of capital used in trade receivables, bills receivable, prepayments, deposits and other receivables.

Net cash outflows from investing activities of the Group amounted to approximately RMB11,312 million, mainly reflecting (1) the purchase of property, plant and equipment of approximately RMB3,973 million for expansion of production capacity and development of new products; and (2) the investments in associates of approximately RMB6,800 million. The net cash used in investing activities for the period increased by approximately RMB10,269 million, when compared with the net cash outflows of approximately RMB1,043 million of the corresponding period last year. The increase was mainly due to (1) the increase of approximately RMB11,516 million for the investment in subsidises and associates; (2) the decrease of approximately RMB1,037 million for time deposits.

Net cash inflows from financing activities of the Group amounted to approximately RMB13,998 million, mainly reflecting (1) an increase of approximately RMB13,984 million in net amount of interest-bearing borrowings. The net cash outflows from financing activities for the period increased by approximately RMB13,513 million, as compared to approximately RMB485 million of the net cash inflows for the corresponding period of last year. The increase was mainly due to the increase of interest-bearing borrowings.

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) amounted to approximately RMB42,523 million as at 30 June 2014, representing an increase of approximately RMB8,010 million when compared with approximately RMB34,513 million as at 31 December 2013. Cash and bank balances (including time deposits with an original maturity of three months or more) amounted to approximately RMB51,522 million, representing an increase of approximately RMB8,499 million when compared with approximately RMB43,023 million as at 31 December 2013. Net cash (cash and bank balances less borrowings) of the Group as at 30 June 2014 amounted to approximately RMB24,486 million, representing a decrease of approximately RMB7,828 million when compared with approximately RMB32,314 million as at 31 December 2013. As at 30 June 2014, the Group's equity ratio, as a percentage of total borrowings to total shareholders' equity, was approximately 38.6%, representing an increase of approximately 16.7 percentage points as compared with approximately 21.9% as at 30 June 2013. As at 30 June 2014, the Group's liquidity ratio was approximately 1.07 times, representing a decrease of approximately 0.03 times from approximately 1.10 times as at 30 June 2013. The Group's quick ratio was approximately 0.94 time, representing a decrease of 0.03 time from approximately 0.97 time as at 30 June 2013.

16. Capital efficiency

Inventory turnover days of the Group for the period was approximately 39 days, representing an increase of approximately 2 days over the turnover days of approximately 37 days for the corresponding period of last year. The Group's turnover days of receivables (including bills receivable) decreased by approximately 10 days to approximately 82 days from approximately 92 days for the corresponding period of last year, and the turnover days of receivables (excluding bills receivable) was approximately 14 days, representing an increase of approximately 1 day over the turnover days of approximately 13 days for the corresponding period of last year. The turnover days of bills receivable was approximately 68 days, representing a decrease of approximately 11 days over the turnover days of approximately 79 days for the corresponding period of last year. The Group adopts stringent polices for the management of bills receivable and only accepts applications by trustworthy banks and customers with financial strengths, while the credit risks related to bank promissory notes are assumed by the customers' banks.

(II) ANALYSIS OF CORE COMPETITIVENESS

Dongfeng Motor Group has maintained its industry leading position and achieved a steady growth momentum in an intense competitive market. Its core competitive edge is mainly reflected in the following aspects:

1. Strong industry influence

Dongfeng Motor Corporation, the parent of the Company, is one of the top three operators in the PRC auto industry. It ranked second in auto industry in terms of production and sales of vehicles and ranked 113th in Fortune Global 500 in 2014. It has strong industry influence in the PRC auto industry.

2. Leading position in the domestic commercial vehicles market

Dongfeng Motor Group is the most competitive manufacturer of commercial vehicles in China, and has set up comprehensive value chain in the commercial vehicles sector. It maintains a leading position in China in terms of the system and capacity of research and development, auto parts, advanced production system and perfect sale services.

3. Well-known Dongfeng brand in China

The trademark of Dongfeng is the first well-known trademark in the PRC auto industry, and the Dongfeng brand is a famous brand in China. Dongfeng brand ranked 31st in the global auto industry according to the Best Value Brand of 2013 (2013年度品牌價值排行榜) issued by Brand Finance, a consultant company in England, which is the most valuable auto brand in China. Dongfeng Motor ranked 27th according to the 2013 Best Value Brand in China (2013最佳中國品牌價值排行榜) issued by Interbrand, which is the best rank in the PRC auto industry. According to the Brand Competitiveness Evaluation for Industry Corporations in China in 2013 (2013年度中國工業企業品牌競爭力評價) published by the Ministry of Industry and Information Technology of China, Dongfeng ranked 8th.

4. Best business network in the industry

Dongfeng Motor Group has the most extensive business network in the domestic whole vehicles market with business lines in each major segment. With the best business network in the industry, Dongfeng Motor Group is able to maintain sustainable development, which is helpful to reduce the impact of the risks of a single market or company on the Group as a whole.

5. Global vision and management philosophy

Dongfeng Motor Group adopts strategy to explore business cooperation in the highly competitive auto industry with strong market awareness and global vision. Dongfeng Motor Group aims to achieve growth through business cooperation and organic development. Dongfeng Motor Group develops products and streamlines its business procedures according to the market trend and insists to maintain the quality of management while striving for rapid growth. Dongfeng Motor Group has established a distinctive management model by studying and learning from the advanced management experience and methods in the global market.

Benefiting from the advanced management philosophy and global vision, Dongfeng Motor Group is able to expand overseas and enhance its international management level.

6. Satisfactory development of joint venture business

All business lines of Dongfeng Motor Group maintain steady and sound growth. The strategic mutual trust between Dongfeng Motor Group and its partners has been strengthening, and the shareholders provide more support to the joint ventures. As development of the joint ventures further expands, their product portfolio, distribution network, production capacity and research and development are constantly improved. The joint ventures maintain a leading position in the industry in terms of their profitability.

The sound development of joint venture business provides strong supports, including sufficient capital, professional teams and management supports, to the general business growth of Dongfeng Motor Group, especially to the growth of its proprietary brands.

7. Enhanced innovation

Adhering to the mission to revitalize the PRC auto industry, Dongfeng Motor Group has always been focusing on strengthening its innovation and organic growth throughout its 40 years of development, and has established comprehensive research and development systems for commercial vehicles, passenger vehicles and new energy vehicles. The research and development capacity of Dongfeng Motor Group continues to improve, ranking second in auto industry according to the Evaluation of National Technology Center (國家級技術中心評價) organized by the National Development and Reform Commission.

Directors, Supervisors and Senior Management

During the disclosure period of 2014 interim report, the directors, supervisors and senior management of the Company include:

DIRECTORS

Xu Ping (徐平)	Executive Director and Chairman of the Board of Directors
Zhu Fushou (朱福壽)	Executive Director and President
Li Shaozhu (李紹燭)	Executive Director
Tong Dongcheng (童東城)	Non-Executive Director
Ouyang Jie (歐陽潔)	Non-Executive Director
Liu Weidong (劉衛東)	Non-Executive Director
Zhou Qiang (周強)	Non-Executive Director
Ma Zhigeng (馬之庚)	Independent Non-executive Director
Zhang Xiaotie (張曉鐵)	Independent Non-executive Director
Cao Xinghe (曹興和)	Independent Non-executive Director
Chen Yunfei (陳雲飛)	Independent Non-executive Director

SENIOR MANAGEMENT

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

SUPERVISORS

Ma Liangjie (馬良杰)	Chairman of the Supervisory Committee
Ren Yong (任勇)	Supervisor
Feng Guo (馮果)	Independent Supervisor
Zhao Jun (趙軍)	Independent Supervisor
Zhong Bing (鐘兵)	Supervisor representing employees

HEADS OF DEPARTMENTS

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

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

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

The head of the Technical Development Department of the Company is Li Jiangang

The head of the Operation Management Department of the Company is Lei Ping

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

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

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

The head of the Strategic Planning Department of the Company is Liao Zhenbo

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

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

The head of the Staff Relation Department of the Company is Zhong Bing

The head of the Legal and Securities Affairs Department of the Company is Lu Feng

The head of the Capital Operation Department of the Company is Lu Feng

The representative at Beijing Office of the Company is Xu Yaosheng

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

Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2014 RMB million (Unaudited)	2013 RMB million (Unaudited)
Revenue	2	**30,949**	9,750
Cost of sales		**(26,496)**	(8,523)
Gross profit		**4,453**	1,227
Other income	3	**620**	536
Selling and distribution costs		**(1,196)**	(696)
Administrative expenses		**(1,421)**	(566)
Other expenses, net		**(1,173)**	(523)
Finance costs	5	**(236)**	(82)
Share of profits and losses of:			
Joint ventures		**6,178**	5,620
Associates		**2,209**	113
Profit before tax	4	**9,434**	5,629
Income tax expense	6	**(877)**	(74)
Profit for the period		**8,557**	5,555
Attributable to:			
Owners of the company		**8,506**	5,538
Non-controlling interests		**51**	17
		8,557	5,555
Dividend	7	**—**	—
Earnings per share attributable to ordinary equity holders of the company	8		
Basic for the period		**98.72 cents**	64.28cents
Diluted for the period		**98.72 cents**	64.28cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014	2013
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Profit for the period	**8,557**	5,555
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		
Available-for-sale financial assets:		
Changes in fair value	**—**	37
Income tax effect	**—**	(9)
TOTAL ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**—**	28
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**8,557**	5,583
Total comprehensive income attributable to:		
Owners of the company	**8,506**	5,566
Non-controlling interests	**51**	17
	8,557	5,583

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2014 RMB million (Unaudited)	31 December 2013 RMB million (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	10,045	9,418
Lease prepayments		905	924
Intangible assets		2,440	2,432
Goodwill		1,587	1,587
Investments in joint ventures		38,573	34,541
Investments in associates		10,348	1,362
Available-for-sale financial assets		286	286
Other non-current assets		9,181	7,107
Deferred tax assets		877	719
Total non-current assets		74,242	58,376
Current assets			
Inventories		5,972	4,245
Trade receivables	10	2,960	3,335
Bills receivables		11,476	11,403
Prepayments, deposits and other receivables		11,249	10,528
Due from joint ventures		1,746	3,712
Pledged bank balances and time deposits	11	2,903	2,543
Cash and cash equivalents	11	28,125	21,739
		64,431	57,505
Assets classified as held for sale		117	117
Total current assets		64,548	57,622
TOTAL ASSETS		138,790	115,998

Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	30 June 2014 RMB million (Unaudited)	31 December 2013 RMB million (audited)
EQUITY AND LIABILITIES			
Equity attributable to owners of the company			
Issued capital		8,616	8,616
Reserves		8,388	8,115
Retained profits		53,359	44,853
Proposed final dividend		—	1,551
		70,363	63,135
Non-controlling interests		1,155	899
Total equity		71,518	64,034
Non-current liabilities			
Other non-current liabilities		161	166
Government grants		130	124
Due to joint ventures		2,652	2,838
Deferred tax liabilities		665	147
Total non-current liabilities		3,608	3,275
Current liabilities			
Trade payables	12	15,851	13,480
Bills payable		11,327	11,722
Other payables and accruals		8,721	9,548
Due to joint ventures		4,961	6,197
Interest-bearing borrowings	13	20,911	5,875
Income tax payables		603	837
Provisions		1,274	1,014
		63,648	48,673
Liabilities directly associated with the assets classified as held for sale		16	16
Total current liabilities		63,664	48,689
TOTAL LIABILITIES		67,272	51,964
TOTAL EQUITY AND LIABILITIES		138,790	115,998
NET CURRENT ASSETS		884	8,933
TOTAL ASSETS LESS CURRENT LIABILITIES		75,126	67,309

Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2014

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the company						Non-	
	Issued capital RMB million (Unaudited)	Capital reserves RMB million (Unaudited)	Statutory reserves RMB million (Unaudited)	Retained profits RMB million (Unaudited)	Proposed dividend RMB million (Unaudited)	Total RMB million (Unaudited)	controlling interests RMB million (Unaudited)	Total equity RMB million (Unaudited)
As at 1 January 2014	8,616	1,541	6,574	44,853	1,551	63,135	899	64,034
2013 final dividend declared	—	—	—	—	(1,551)	(1,551)	—	(1,551)
Total comprehensive income for the period	—	—	—	8,506	—	8,506	51	8,557
Transaction with non-controlling shareholders	—	280	—	—	—	280	160	440
Share of Joint Ventures' other equity changes	—	(7)	—	—	—	(7)	—	(7)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	50	50
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	(5)	(5)
As at 30 June 2014	8,616	1,814	6,574	53,359	—	70,363	1,155	71,518

	Attributable to owners of the company						Non-	
	Issued capital RMB million (Unaudited)	Capital reserves RMB million (Unaudited)	Statutory reserves RMB million (Unaudited)	Retained profits RMB million (Unaudited)	Proposed dividend RMB million (Unaudited)	Total RMB million (Unaudited)	controlling interests RMB million (Unaudited)	Total equity RMB million (Unaudited)
As at 1 January 2013	8,616	1,512	5,358	37,140	1,292	53,918	85	54,003
2012 final dividend declared	—	—	—	—	(1,292)	(1,292)	—	(1,292)
Total comprehensive income for the period	—	28	—	5,538	—	5,566	17	5,583
Gain of control in subsidiaries	—	—	—	—	—	—	702	702
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	73	73
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	(17)	(17)
As at 30 June 2013	8,616	1,540	5,358	42,678	—	58,192	860	59,052

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2014 RMB million (Unaudited)	2013 RMB million (Unaudited)
Cash flows from operating activities			
Cash flows generated from operating activities		(500)	(9,371)
Income tax paid		(750)	(59)
Cash flows from operating activities — net		(1,250)	(9,430)
Cash flows from investing activities			
Investments in associates, joint ventures and acquisition of control in subsidiaries		(9,405)	8,779
Dividends from joint ventures and associates		5,369	5,313
Cash flow from/(used in) other investing activities — net		(1,755)	2,836
Cash flows from/(used in) investing activities — net		(5,791)	16,928
Cash flows from financing activities			
Proceeds from borrowings and bonds		21,536	2,118
Repayments of borrowings and bonds		(8,611)	(467)
Other finance cash flows — net		21	3
Cash flows from financing activities — net		12,946	1,654
Net increase in cash and cash equivalents		5,905	9,152
Cash and cash equivalents at the beginning of the period		16,670	10,288
Cash and cash equivalents at end of the period	11	22,575	19,440

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 CORPORATE INFORMATION

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

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

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

1.2 SIGNIFICANT EVENTS

In the six months ended 30 June 2014, the Group acquired 14.1% of the equity interests in the PSA Peugeot Citroën Group ("PSA") for consideration of EUR 800 million (approximately RMB6,801 million). The investment in PSA is accounted for as an investment in associates through equity method.

In these unaudited interim condensed consolidated financial statements, the Group's share of the fair value of PSA's identifiable assets and liabilities acquired is provisional and pending for final valuations. Accordingly, a provisional one-off gain before taxation amounting to RMB2,109 million arising from the excess of the fair value of the net identifiable assets and liabilities in PSA acquired over the cost of investment is recognized in the share of profits and losses of associates.

1.3 BASIS OF PRESENTATION

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

1.4 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

Amendment to IAS/HKAS 32 'Financial instruments: Presentation' on asset and liability offsetting	These amendments are to the application guidance in IAS/HKAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
Amendments to IFRS/HKFRS 10, 12 and IAS/HKAS 27 "Consolidation for investment entities"	These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS/HKFRS 12 to introduce disclosures that an investment entity needs to make.
Amendment to IAS/HKAS 36, 'Impairment of assets' on recoverable amount disclosures	This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
Amendment to IAS/HKAS 39 'Financial Instruments: Recognition and Measurement' — 'Novation of derivatives	This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.
IFRIC/HK(IFRIC) 21 'Levies'	This is an interpretation of IAS/HKAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS/HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

As at 30 June 2014, there are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

1.5 ESTIMATES

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

1.5 ESTIMATES (continued)

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013, with the exception of new estimates that are required in provisionally determining the Group's share of the fair value of PSA's identifiable assets and liabilities.

2. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION

Revenue on sale of goods

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

Segment information

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

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

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

— The financing service segment mainly provides financing services to external customers and companies within the Group

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

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

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

During the six months ended 30 June 2013 and 2014, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

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

For the six months ended 30 June 2014

	Commercial vehicles RMB million (unaudited)	Passenger vehicles RMB million (unaudited)	Financing service RMB million (unaudited)	Corporate and others RMB million (unaudited)	Total RMB million (unaudited)
Revenue					
Sales to external customers	22,631	7,516	—	90	30,237
Interest income from financing services	—	—	712	—	712
	22,631	7,516	712	90	30,949
Results					
Segment results	1,096	(364)	549	(284)	997
Interest income	179	79	—	28	286
Finance costs					(236)
Share of profit and losses of:					
Associates	—	28	114	2,067	2,209
Joint ventures	149	6,567	25	(563)	6,178
Profit before tax					9,434
Income tax expense					(877)
Profit for the period					8,557

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

For the six months ended 30 June 2013

	Commercial vehicles RMB million (unaudited)	Passenger vehicles RMB million (unaudited)	Financing service RMB million (unaudited)	Corporate and others RMB million (unaudited)	Total RMB million (unaudited)
Revenue					
Sales to external customers	4,989	4,490	—	23	9,502
Interest income from financing services	—	—	248	—	248
	4,989	4,490	248	23	9,750
Results					
Segment results	214	(430)	229	(312)	(299)
Interest income	76	40	—	161	277
Finance costs					(82)
Share of profit and losses of:					
Associates	—	17	95	1	113
Joint ventures	2,096	3,912	19	(407)	5,620
Profit before tax					5,629
Income tax expense					(74)
Profit for the period					5,555

3. OTHER INCOME

	Six months ended 30 June 2014 RMB million (Unaudited)	Six months ended 30 June 2013 RMB million (Unaudited)
Government grants and subsidies	66	4
Interest income	286	277
Rendering of services	49	63
Gain on remeasurement of previously held interests in the acquirees	—	40
Management dispatch fees received from joint ventures	84	96
Others	135	56
	620	536

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2014	2013
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Cost of inventories recognized as expense	**26,419**	8,501
Interest expense for financing services (included in cost of sales)	**77**	22
Reversal of provision against inventories	**(50)**	(22)
Amortization of intangible assets	**118**	6
Depreciation	**480**	182
Reversal of impairment of trade and other receivables	**(32)**	(3)

5. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings wholly repayable:		
Within 5 years	**159**	11
Interest on discounted bills	**8**	22
Interest on medium term notes	**69**	49
Total interest expense	**236**	82

6. INCOME TAX

	Six months ended 30 June	
	2014	2013
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Current income tax	**517**	93
Deferred income tax	**360**	(19)
Income tax charge for the period	**877**	74

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

6. INCOME TAX (continued)

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2014 and 2013.

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

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

7. DIVIDEND

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

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

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2014	2013
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the company	**8,506**	5,538

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

Diluted earnings per share equals basic earnings per share as the Company has no dilutive potential ordinary shares for the six months ended 30 June 2014 and 30 June 2013.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment in an aggregate amount of approximately RMB1,110 million (six months ended 30 June 2013: RMB187 million) and disposed of property, plant and equipment with an aggregate net book value of approximately RMB3 million (six months ended 30 June 2013: RMB0 million), resulting in a net gain on disposal of approximately RMB1 million (six months ended 30 June 2013: nil). Depreciation is approximately RMB480 million (six months ended 30 June 2013: RMB182 million).

10. TRADE RECEIVABLES

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

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

	30 June 2014 RMB million (Unaudited)	31 December 2013 RMB million (audited)
Within three months	**1,690**	1,784
More than three months but within one year	**1,187**	1,502
More than one year	**83**	49
	2,960	3,335

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

	30 June 2014 RMB million (Unaudited)	31 December 2013 RMB million (audited)
Cash and bank balances	**17,021**	12,682
Time deposits	**14,007**	11,600
	31,028	24,282
Less: Pledged bank balances and time deposits for securing general banking facilities	**(2,903)**	(2,543)
Cash and cash equivalents in the interim condensed consolidated statement of financial position	**28,125**	21,739
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(5,550)**	(5,069)
Cash and cash equivalents in the interim condensed consolidated cash flow statement	**22,575**	16,670

12. TRADE PAYABLES

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

	30 June 2014 RMB million (Unaudited)	31 December 2013 RMB million (audited)
Within three months	**13,967**	11,005
More than three months but within one year	**1,680**	1,642
More than one year	**204**	833
	15,851	13,480

13. INTEREST-BEARING BORROWINGS

On 15 May 2013, short term notes with a principle 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 been fully settled during the period ended 30 June 2014.

On 5 June 2014, short term notes with a principle amount of RMB4,000 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 4.88% per annum and have to be fully settled on 2 March 2015.

Interest expense on borrowings and loans for the six months ended 30 June 2014 is approximately RMB228 million (30 June 2013: approximately 60 million).

14. COMMITMENTS

(a) Operating lease commitments as lessee

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

	30 June 2014 RMB million (Unaudited)	31 December 2013 RMB million (Audited)
Within one year	**149**	149
After one year but not more than five years	**590**	590
More than five years	**4,933**	5,007
	5,672	5,746

14. COMMITMENTS (continued)

(b) Commitments

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

	30 June 2014 RMB million (Unaudited)	31 December 2013 RMB million (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**602**	674

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

	30 June 2014 RMB million (Unaudited)	31 December 2013 RMB million (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**3,054**	3,431
Authorized, but not contracted for:		
Property, plant and equipment	**6,195**	2,440
	9,249	5,871

15. CONTINGENT LIABILITIES

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

	30 June 2014 RMB million (Unaudited)	31 December 2013 RMB million (audited)
Bank acceptance bills discounted with recourse	8	196
Bank acceptance bills endorsed with recourse	7,980	7,604
Guarantees given to banks in connection with facilities granted to the following parties at nil consideration:		
— Joint ventures	55	804
	8,043	8,604

No financial liabilities were recorded for the above guarantees given to banks as, in the opinion of the directors, the fair values of the financial guarantee contracts were not material as at 30 June 2014 and 31 December 2013.

(b) 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.

16. RELATED PARTY TRANSACTIONS

(a) Transactions with DMC, its subsidiaries, DMC's joint ventures, the Group's joint ventures, associates, and non-controlling shareholders of subsidiaries.

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

	Six months ended 30 June	
	2014	2013
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Purchases of automotive parts/raw materials from:		
DMC, its subsidiaries and associates	**229**	96
Joint ventures	**5,788**	957
	6,017	1,053
Purchases of automobiles from:		
DMC, its subsidiaries and associates	**3**	—
Joint ventures	**14**	426
	17	426
Purchases of water, steam and electricity from DMC	**297**	43
Rental expenses to DMC	**59**	14
Rental income from subsidiaries of DMC	**6**	6
Purchases of services from:		
DMC and its subsidiaries	**88**	52
Joint ventures	**32**	3
	120	55
Purchases of property, plant and equipment from:		
DMC, its subsidiaries and associates	**104**	5
Joint ventures	**67**	—
	171	5
Interest expense paid to:		
DMC and its subsidiaries	**19**	4
Joint ventures	**69**	18
	88	22

16. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Six months ended 30 June	
	2014	2013
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Sales of automotive parts/raw materials to:		
DMC, its subsidiaries and joint ventures	**83**	10
Joint ventures	**1,885**	433
Associates	**1**	—
	1,969	443
Sales of automobiles to:		
Subsidiaries of DMC	**961**	16
Joint ventures	**144**	187
A non-controlling shareholder of a subsidiary	**410**	—
	1,515	203
Provision of services to joint ventures	**35**	27
Interest income from:		
DMC, its subsidiaries and joint ventures	**9**	—
Joint ventures	**7**	18
	16	18
Fee and commission income from:		
DMC, its subsidiaries and joint ventures	**1**	—
Joint ventures	**7**	8
	8	8

16. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

	30 June 2014 RMB million (Unaudited)	31 December 2013 RMB million (audited)
Receivables from related parties included in trade receivables:		
DMC, its subsidiaries and joint ventures	204	331
A non-controlling shareholder of a subsidiary	—	8
	204	339
Receivables from related parties included in prepayments, deposits and other receivables:		
DMC, its subsidiaries and associates	486	505
A non-controlling shareholder of a subsidiary	5	5
Associates	15	15
	506	525
Payables to related parties included in trade payables:		
DMC, its subsidiaries and associates	228	333
Associates	2	59
	230	392
Payables to related parties included in other payables, deposit taking and accruals:		
DMC, its subsidiaries and associates	1,806	599
Associates	3	3
A non-controlling shareholder of a subsidiary	4	8
	1,813	610

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

	Six months ended 30 June	
	2014 RMB thousand (Unaudited)	2013 RMB thousand (Unaudited)
Short term employee benefits	11,294	7,463
Post-employment benefits	377	473
Stock appreciation rights expenses recognized in the income statement	2,287	—
Total compensation to key management personnel	13,958	7,936

Definitions

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

"Company"	東風汽車集團股份有限公司 (Dongfeng Motor Group Company Limited), a joint stock limited company registered in the PRC on 12 October 2004 in accordance with the laws of the PRC or where the context refers to any time prior to the date of incorporation, those entities and businesses which were contributed to and conducted by the Company upon its establishment;
"Dongfeng Joint Venture Companies"	Joint Venture Entities in which the Company, its subsidiaries or Jointly-venture Entities (including their respective subsidiaries and Jointly-venture Entities) have equity interests as at 30 June 2014;
"Group" or "Dongfeng Motor Group"	the Company and its subsidiaries, the Dongfeng Joint Venture Companies and their respective subsidiaries and associates;
"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;
"Dongfeng Motor Corporation" or "DMC"	東風汽車公司 (Dongfeng Motor Corporation), a state-owned enterprise incorporated under the laws of the PRC and the parent of the Company;
"PRC" or "China"	the People's Republic of China. Except where the context requires, geographical references in this interim report to the PRC or China exclude Hong Kong, Macau or Taiwan;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time.