



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

Stock Code : 489

2015 Annual Report



*For identification purposes only



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Corporate Profile

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

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

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

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

As at 31 December 2015, the Company mainly has 20 subsidiaries, jointly-controlled entities and other companies in which the Company has direct equity interests, all of which constitute the Dongfeng Motor Group. Dongfeng Motor Group is primarily engaged in the manufacture and sale of commercial vehicles, passenger vehicles and auto engines and parts, vehicle manufacturing equipment business, finance businesses as well as other automotive related businesses.

In 2015, the Dongfeng Motor Group commanded a market share of approximately 11.7% in terms of the total sales volume of domestic commercial and passenger vehicle manufacturers in the PRC, according to the statistics published by the China Association of Automobile Manufacturers.



Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the annual report of the Company for 2015 for your review.

In 2015, the Chinese economy entered the new normal. Under the increasing pressure of macro-economic downturn, the slowdown in the growth of automobile industry became more prominent.

In 2015, the sales volume of vehicles in Chinese automobile market amounted to 24,597,600 units, representing an increase of 4.7% as compared with the corresponding period last year. The overall automobile industry showed a sign of “three downs and three ups”.

“Three downs” indicates: a slowdown in the growth of the industry that the sales volume of the entire industry amounted to 24,597,600 units, representing an increase of 4.7% as compared with the corresponding period last year, while the growth speed decreased by 2.2 percentage points; a decrease in sales volume of commercial vehicles that the sales volume amounted to 3,451,300 units, representing a decrease of 9.0%; major corporate efficiency in the industry decreased, and there were different levels of year-on-year decrease of sales revenue, profit and tax.

“Three ups” indicates: an increase in sales volume of passenger vehicles with 1,600 cubic centimeters (the “cc”) or less displacement engines that the sales volume amounted to 14,508,600 units, representing an increase of 10.4%, accounting for 68.6% of the sales volume of passenger vehicles; an increase in the sales volume of self-owned brand passenger vehicles that the sales volume amounted to 8,728,400 units, representing an increase of 17.3% as compared with the corresponding period last year; an increase in the sales volume of new energy vehicles that the sales volume amounted to 331,000 units, representing an increase of 3.4 times as compared with the corresponding period last year.

Facing complex and changeable economy and market environment, Dongfeng Motor Group insisted on the principle of enlargement on the basis of enhancement and optimization and carried out risk prevention and control for the ever-changing market in order to maintain stable operation. In 2015, the total sales of Dongfeng Motor Group amounted to approximately 2,867,000 units, representing an increase of 3.8% as compared with the corresponding period last year with a market share of 11.7%; among which, the sales volume of passenger vehicles amounted to approximately 2,521,800 units, representing an increase of 7.8% as compared with the corresponding period last year with a market share of 11.9%; the sales volume of commercial vehicles amounted to approximately 345,200 units, representing a decrease of 18.6% as compared with the corresponding period last year with a market share of 10.0%.



Chairman's Statement (Continued)

In 2015, the Group recorded sales revenue of approximately RMB126,566 million, representing an increase of 52.3% as compared with the corresponding period last year. Based on the proportionate consolidation method, the sales revenue of the Group for the whole year amounted to approximately RMB226,863 million, representing an increase of 14.6% as compared with the corresponding period last year. The sales revenue of passenger vehicles amounted to RMB180,024 million, representing an increase of 27.1% as compared with the corresponding period last year. The sales revenue of commercial vehicles amounted to RMB46,753 million, representing a decrease of 16.2% as compared with the corresponding period last year. The financial business revenue amounted to RMB2,518 million, representing an increase of 28.7% as compared with the corresponding period last year. In 2015, profit attributable to shareholders was RMB11,550 million, representing a decrease of RMB1,247 million as compared with the corresponding period last year.

In 2015, the operation of Dongfeng Motor Group had the following characteristics:

1. The steadily increase in sales volume of passenger vehicle. The sales volume of passenger vehicles amounted to 2,521.8 thousand units, representing an increase of 7.8% as compared with the corresponding period last year and indicating a stable market performance. Among which, the sales volume of Dongfeng Nissan Passenger Vehicle Company reached over 1 million units, sales volume of Dongfeng Peugeot Citroën Automobiles Company Ltd. reached another 700 thousand units, sales volume of Dongfeng Honda Automobile Co., Ltd. reached over 400 thousand units and sales volume of Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Passenger Vehicle Company broke the historical record, all of which supported the Company to achieve the operation target.
2. A more satisfying performance in self-owned brand passenger vehicles. The product portfolio of self-owned brand products was further enriched with more than 20 different kinds of self-owned brand products. The Company pushed the self-owned brand products and business towards high value adding. The successfully launched Dongfeng Fengshen AX7 and the high-end self-owned brand including the upcoming Dongfeng A9 will improve the profitability of self-owned business of Dongfeng.
3. A more rapid growth in the sales volume of new energy vehicles. The annual sales volume of pure electric vehicles of the Company reached over 15 thousand units, representing a twelve times growth as compared with the corresponding period last year which is more rapid than the growth of the industry.
4. Increase in market share of heavy and medium trucks. Sales volume of heavy trucks outperformed other operators in the industry. Market shares of heavy trucks and medium trucks increased by 0.51 percentage point and 2.3 percentage points as compared with the corresponding period last year, respectively.
5. Strengthening of inventory management and consolidation of operating foundation, with a focus on risk prevention and continuous improvement in inventories. At the end of 2015, the overall inventories of Dongfeng Motor Group decreased by 12.7% as compared with that of the beginning of the year. Most inventories of the whole vehicle segment decreased in a certain extent.

Chairman's Statement (Continued)

At present, The Chinese economy is entering into a new normal of development of “fast changes, optimized structure and alternating momentum”. However, there are still many favorable factors in China including a strong asset base, huge market demands, extensive room for regional development and improvement in production element. The Chinese economy can achieve “soft landing” and grow steadily in the future.

With the entering of new normal of the Chinese economy, there are also many new characteristics, changes and challenges in the Chinese automobile industry. In short, during the period of 13th Five-Year Plan, automobile market will grow moderately and the characteristics of changes in product structure will be significant. High-technology, personalized, diversified and quality products will be the mainstream of market demand. Technologies, products, method of design and manufacturing, consumption pattern and industrial landscape of automobiles will be reformed substantially, and development pace of energy conservation and emission reduction and new energy vehicles will be further accelerated. In view of the rapid changes in markets, policies, regulations and local consumption practices, etc., uncertainties will become a significant characteristic.

2016 marks the beginning of the China's 13th Five-Year Plan, and so for the Dongfeng Motor Group. To address the new normal of the Chinese economy and new characteristics, changes and challenges in the automobile industry, Dongfeng Motor Group will strive to fulfill following tasks:

1. Stabilizing growth, preventing risks and grasping opportunities, and promoting steadily the operation towards a new platform. Dongfeng Motor Group adopts effective measures to promote marketing and continues to leverage on the opportunities of implementation of policy in respect of a 50 percent tax reduction in buying vehicles for passenger vehicles which are under 1,600 cc and the fast growth of SUV market, while increasing efforts in market expansion. It increases the efficiency and performance of its vehicles and speeds up to create a batch of popular products. Dongfeng Motor Group closely monitors the emergence of patterns for new consumption and use of vehicles, innovates marketing strategies and improves the accuracy of marketing.
2. Strengthening the basis and fundamentals and promoting the achievement of new breakthrough of the proprietary business. Dongfeng Motor Group will further utilize various resources inside and outside the Group as well as at home and abroad in the future, enhance key capabilities of development and control including the development of engines and gear boxes, accelerate the optimization of product platform and overcome shortcomings, in order to comprehensively improve abilities of technology, products, key match, manufacture, marketing, services and branding of the proprietary business and enhance the competitiveness of the proprietary brand series.
3. Determined to promote the fast development of new energy vehicles. In the future, Dongfeng Motor Group will further push forward the research and control of electronic control and energy management system, power control system, batteries group technology and core technologies in relation to motor development and manufacture.
4. Focusing on fostering the systematic ability and promoting steadily overseas businesses. Under the premises that risks are controllable and income is increased, Dongfeng Motor Group steadily expands the overseas market. It actively embraces the strategy of “One Belt, One Road”, explores deeply market opportunities, grasps actively the opportunities of the national and central enterprises' key projects to “go out” so as to heighten the international recognition of Dongfeng's brands. Dongfeng Motor Group targets stable and mature markets and capitalized on its abilities of overseas business utilizing its product advantages.

Chairman's Statement (Continued)

5. Enhancing the study of new landscape in automobile industry and actively deploying in such landscape. In the future, Dongfeng Motor Group will innovate systems and models and explore the possibility of establishing an integrated big data center of the Company through positively utilizing Internet to expand high-end business. It strengthens automobile e-commerce business and proactively expand and develop businesses such as vehicle finance leasing and second-hand vehicle business.
6. Achieving in stable, orderly and firmly promoting and deepening reform.

New concept promoting new development under the new normal. Dongfeng Motor Group will further increase quality while enhancing efficiency, improve the Company's operating quality; it will further promote innovative drive and strengthen core competitiveness of the enterprise; it will continue to deepen reform and motivate the enterprise for development, so as to achieve "doing stronger and better" of Dongfeng Motor Group and facilitate the sustained and stable development of the Company, thereby bringing continual and stable returns to all our shareholders.

Zhu Yanfeng

Chairman

29 March 2016



BUSINESS OVERVIEW

I. Major Businesses of the Dongfeng Motor Group

Dongfeng Motor Group is principally engaged in the businesses of commercial vehicles (heavy trucks, medium trucks, light trucks and buses, as well as commercial vehicles engines, auto parts and vehicle manufacturing equipment) and passenger vehicles (sedans, MPVs, SUVs as well as passenger vehicles engines, auto parts and vehicle manufacturing equipment). Besides, Dongfeng Motor Group is also engaged in businesses such as import and export of vehicles and its equipment, financial services, insurance agency and used car trading.

The commercial vehicle business of the Dongfeng Motor Group was established in 1969, and has commanded a leading position in the PRC commercial vehicle industry for many years. As of the end of 2015, the commercial vehicle business of the Dongfeng Motor Group was mainly operated by Dongfeng Commercial Vehicle Co., Ltd. (a joint venture between the Company and Volvo Car), Dongfeng Motor Co., Ltd. (a joint venture between the Company and Nissan Motor Co., Ltd. (through Nissan (China) Investment Co.)), Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Special Commercial Vehicle Co., Ltd. (東風特種商用車有限公司).

The Dongfeng Motor Group's passenger vehicle business is principally operated by the Company (through Dongfeng Passenger Vehicle Company) and Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroën Automobile Company Ltd. (a joint venture between the Company and the PSA Peugeot Citroën Group), and Dongfeng Honda Automobile Co., Ltd. (a joint venture between the Company and Honda Motor Co., Ltd.), and Dongfeng Renault Automobile Company Limited (a joint venture between the Company and Renault S.A.).

The passenger vehicle engines and auto parts business of the Dongfeng Motor Group is principally operated by the Company (through Dongfeng Passenger Vehicle Company), Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroën Automobile Company Ltd., Dongfeng Honda Engine Co., Ltd., Dongfeng Honda Auto Parts Co., Ltd., Dongfeng Honda Automobile Co., Ltd., Dongfeng Renault Automobile Company Limited and Dongfeng Liuzhou Motor Co., Ltd..

In recent years, the Dongfeng Motor Group has strengthened its new energy vehicle business, which is principally operated by Dongfeng Passenger Vehicle Company, Dongfeng Electric Vehicle Co., Ltd. and Dongfeng Motor Co., Ltd. Relevant whole vehicle enterprises will also actively engage in the new energy vehicle business.

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

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

Report of Directors (Continued)

1. Commercial vehicles

As at 31 December 2015, the members of the Dongfeng Motor Group produced 42 series of commercial vehicle, including 35 series of trucks and 7 series of buses. The commercial vehicles manufactured by the Dongfeng Motor Group are sold mainly through four major sales and after-sales service networks exclusively for commercial vehicles manufactured by the Dongfeng Motor Group, which form one of the most extensive commercial vehicle sales and service networks in the PRC.

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

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

2. Passenger vehicles

As at 31 December 2015, the members of the Dongfeng Motor Group produced 55 series of passenger vehicles, including 32 series of sedan, 8 series of MPV and 15 series of SUV. The passenger vehicles manufactured by the Dongfeng Motor Group are sold through 10 independently managed sales and the after-sales service networks throughout the PRC. Each of these networks provides sales and after-sales services for one brand of passenger vehicles and is managed by the Company (through Dongfeng Passenger Vehicle Company), its subsidiaries and joint venture of Dongfeng.

The passenger vehicle engines manufactured by Dongfeng Motor Group (through Dongfeng Passenger Vehicle Company), Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroën Automobile Company Ltd., Dongfeng Honda Automobile Co., Ltd., Dongfeng Renault Automobile Company Limited and Dongfeng Liuzhou Motor Co., Ltd. are mainly for internal assembling of Dongfeng Group, while those manufactured by Dongfeng Honda Engine Co., Ltd. are mainly for external sales. In addition to engines, the Dongfeng Motor Group also produces a range of auto parts for passenger vehicles, including power transmission systems (mainly comprised of gear box, clutch and transmission shaft), vehicle bodies (mainly comprised of stamping parts), electronic components and other parts.

Report of Directors (Continued)

3. Finance

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

4. Other businesses

The Dongfeng Motor Group is also engaged in the production of vehicle manufacturing equipment through Dongfeng Motor Co., Ltd. The vehicle manufacturing equipment produced by Dongfeng Motor Co., Ltd. includes machine tools, coating equipment, die and forging moulds, and measuring and cutting tools. Dongfeng Motor Co., Ltd. also provides equipment maintenance services. In addition to the above businesses, the Dongfeng Motor Group is also engaged in the import/export of vehicles and equipment, insurance agency and used car trading businesses.

II. Business Operations during the Year under Review

1. Production and sales volume and market share for whole vehicles of the Dongfeng Motor Group in 2015

As at 31 December 2015, the production and sales volumes for whole vehicles of the Dongfeng Motor Group were 2,821,664 units and 2,867,037 units respectively. According to statistics published by the China Association of Automobile Manufacturers, the Dongfeng Motor Group had a market share of approximately 11.7% in terms of sales volume of commercial and passenger vehicles made by domestic manufacturers in 2015. The following table sets out the production and sales volumes of



Report of Directors (Continued)

commercial and passenger vehicles of the Dongfeng Motor Group as well as their respective market shares in terms of sales volume in 2015:

	No. of units produced <i>(units)</i>	No. of units sold <i>(units)</i>	Market share in terms of sales volume <i>(%)¹</i>
Commercial Vehicles	336,869	345,225	10.0
Trucks	288,636	296,372	10.4
Buses	48,233	48,853	8.2
Passenger Vehicles	2,484,795	2,521,812	11.9
Basic passenger cars	1,322,056	1,352,986	11.5
MPVs	227,911	235,852	11.2
SUVs	934,828	931,808	15.0
Cross type	0	1,166	0.1
Total	2,821,664	2,867,037	11.7

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

2. Market ranking of the Dongfeng Motor Group's major segments in domestic market in 2015

	No. of units sold by Dongfeng Motor Group <i>(units)</i>	Ranking in Domestic market²
Heavy truck	117,151	1
Medium truck	55,168	1
Light truck	123,456	5
Basic passenger car	1,352,986	3
MPV	235,852	2
SUV	931,808	1

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

Report of Directors (Continued)

3. Sales revenue of Dongfeng Motor Group in 2015

The sales revenue of the Group as at 31 December 2015:

Business	Sales revenue <i>(RMB millions)</i>	Contribution to the Group's sales revenue <i>(%)</i>
Passenger vehicles	88,226	69.7
Commercial vehicles	36,389	28.8
Finance	1,911	1.5
Others	140	0.1
Elimination	-100	-0.1
	<hr/>	<hr/>
Total	<u>126,566</u>	<u>100.0</u>

The pro forma combined sales revenue of the Group for the year ended 31 December 2015 is as follows:

Business	Sales revenue <i>(RMB millions)</i>	Contribution to the Group's sales revenue <i>(%)</i>
Passenger vehicles	180,024	79.4
Commercial vehicles	46,753	20.6
Finance	2,518	1.1
Others	2,073	0.9
Elimination	-4,505	-2.0
	<hr/>	<hr/>
Total	<u>226,863</u>	<u>100.0</u>

Report of Directors (Continued)

4. Sales and Service Networks

Dongfeng Motor Group has always placed importance on the interest of customers and keeps improving its products and services for speedy, efficient, accurate and quality service support for distributors and customers. In 2015, Dongfeng Group further expanded its vehicle sales network. In addition to conventional sales channel of 4S shops, the Group deeply penetrated the markets through new sales channels to cope with the changing automobile market.

As at the end of 2015, the sales and after-sales services of motor vehicles of the Dongfeng Motor Group are provided through sales and service networks under 14 brands in China. Each of these 14 sales and service networks provides sales and after-sales services of vehicles of a particular whole vehicle manufacturing unit and is independently managed by the relevant whole vehicle manufacturing units, which are not connected with any member of the Dongfeng Motor Group.

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

		No. of sales outlets	No. of after-sales service outlets	No. of provinces covered
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	Dongfeng (high-end light truck, light truck, mini truck, pickup)	1,919	1,972	31
Dongfeng Liuzhou Motor Co., Ltd.	Chenglong (heavy and medium truck)	416	784	31
Dongfeng Commercial Vehicle Co., Ltd.	Dongfeng (heavy and medium truck)	781	1,420	31
Dongfeng Special Commercial Vehicle Company	Dongfeng	218	960	31

Report of Directors (Continued)

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

	Brand names	No. of sales outlets	No. of after-sales service outlets	No. of provinces covered	
	Dongfeng Peugeot Citroën Automobile Company Ltd.	Dongfeng Citroën	1,423	659	31
	Dongfeng Peugeot Citroën Automobile Company Ltd.	Dongfeng Peugeot	1,515	663	31
	Dongfeng Motor Co., Ltd. (Dongfeng Nissan Passenger Vehicle Company)	Dongfeng Nissan	1,282	1,088	31
	Dongfeng Infiniti Motor Company Limited	Dongfeng Infiniti	103	101	30
	Dongfeng Motor Co., Ltd. (Dongfeng Nissan Passenger Vehicle Company)	Venucia	304	249	31
	Dongfeng Liuzhou Motor Co., Ltd.	Dongfeng Future	1,416	856	31
	Dongfeng Honda Automobile Co., Ltd.	Dongfeng Honda	513	563	31
	Dongfeng Renault Automobile Co., Ltd.	Dongfeng Renault	125	129	30
	Zhengzhou Nissan Automobile Co., Ltd.	Zhengzhou Nissan	649	547	31
	Dongfeng Passenger Vehicle Company	Dongfeng Fengshen	839	420	31

5. **Production Capacity, Production Capacity Distribution and Future Expansion Plans**

As at 31 December 2015, the total whole vehicle production capacity of the Dongfeng Motor Group was approximately 3,560,000 units. The total production capacity of engines was approximately 3,390,000 units, among which the production capacities of commercial vehicles and commercial vehicle engines were approximately 650,000 units and 360,000 units respectively; the production capacities of passenger vehicles and passenger vehicle engines were approximately 2,910,000 units and approximately 3,040,000 units respectively.

The following table shows the production capacity distribution of vehicles and engines of the Dongfeng Motor Group as at 31 December 2015.

Report of Directors (Continued)

(1) *Production capacity of commercial vehicles*

(1.1) Whole vehicle

Company	Production capacity <i>(0'000 units)</i>
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	25
Dongfeng Commercial Vehicle Co., Ltd.	24
Dongfeng Liuzhou Motor Co., Ltd.	6
Dongfeng Special Commercial Vehicle Company	10

(1.2) Engines

Company	Production capacity <i>(0'000 units)</i>
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	27
Dongfeng Commercial Vehicle Co., Ltd.	9

(2) *Production capacity of passenger vehicles*

(2.1) Whole vehicle

Company	Production capacity <i>(0'000 units)</i>
Dongfeng Motor Co., Ltd.	124
Dongfeng Liuzhou Motor Co., Ltd.	24
Dongfeng Peugeot Citroën Automobile Co., Ltd.	62
Dongfeng Honda Automobile Co., Ltd.	50
Dongfeng Passenger Vehicle Company	20
Dongfeng Renault Automobile Co., Ltd.	11

Report of Directors (Continued)

(2.2) Engines

Company	Production capacity <i>(0'000 units)</i>
Dongfeng Motor Co., Ltd.	104
Dongfeng Peugeot Citroën Automobiles Company Ltd.	75
Dongfeng Honda Automobile Co., Ltd.	45
Dongfeng Passenger Vehicle Company	12
Dongfeng Honda Engines Co., Ltd.	53
Dongfeng Renault Automobile Co., Ltd.	7
Dongfeng Liuzhou Motor Co., Ltd.	8

According to the automobile market forecast and the business plan of the Dongfeng Motor Group, the Dongfeng Motor Group will expand its production capacity with reasonable utility to meet the demand of its products. By the end of 2016, the production capacity of whole vehicles is expected to reach approximately 3,660,000 units.

6. **Capital Expenditure**

In 2015, the Dongfeng Motor Group strictly prevented its risks of overcapacity and realized its smart management by adhering to the principle of rationality and profitability. Total investment in fixed assets during the year amounted to approximately RMB14,197 million (including all members of Dongfeng Motor Group), resulting in steady progress in the following aspects of investment project development.

- (1) Introduction of new products and development of new models timely according to the requirements of the relevant regulations and policies of the PRC and the market demand.
- (2) Strictly managing the rhythm in production capacity expansion or construction to minimize overcapacity risks in accordance with the needs of strategic development and arrangements of commodity plans in face of the slowing down of the growth of the auto market.
- (3) Strengthening the building work of its own brand name and its research and development capabilities to improve the core competitiveness and sustainability of the Dongfeng Motor Group.

In the next two years, the Dongfeng Motor Group will, according to its strategies and business plans, continue to improve its innovation and new energy capability, to introduce new models and new products rationally, to further improve and upgrade production technology and to optimize its investment structure. The total investment of the Dongfeng Motor Group is expected to be approximately RMB17,500 million (including all members of Dongfeng Motor Group) in 2016 and 2017 respectively.

Report of Directors (Continued)

III. Major operating results during the year

1. *Steady and Sound Operation with Operation Foundation Further Consolidated*

In 2015, the sales volume of Dongfeng Motor Group was approximately 2,867.0 thousand units and broke another new record, representing an increase of 3.8% over last year; its market share ranked second in the industry for six consecutive years. Among which, sales volume of passenger vehicles amounted to approximately 2,521.8 thousand units, representing an increase of 7.8% as compared with the corresponding period of last year; sales volume of commercial vehicles amounted to approximately 345.2 thousand units, among which, decrease in sales volume of medium and heavy trucks was 3.0 percentage points lower than the industry with an increase of 0.9 percentage point in market share, ranking the first in the industry for twelve consecutive years.

Under the ever-changing market condition, Dongfeng Motor Group enhanced risk precautions and endeavored to improve quality and efficiency. Based on the proportionate consolidation method, the sales revenue of the Group was approximately RMB226,863 million, representing an increase of 14.6% as compared with the corresponding period of last year; profit attributable to shareholders amounted to RMB11,550 million, representing a decrease of 9.7% as compared with the corresponding period of last year; meanwhile, Dongfeng Motor Group strived to destock, resulting in a decrease of 12.7% in inventory with a sales volume of vehicle 45 thousand units higher than production volume, which formed an adequate preparation for the start off on the development in 2016 and the “Thirteenth Five-Year Plan”.

2. *Sales of passenger raised steadily with a satisfying performance in self-owned brand passenger vehicles*

The sales of passenger vehicles of Dongfeng Motor Group in 2015 were approximately 2,521.8 thousand units, representing an increase of approximately 7.8% over last year. Market performance was stable. Among which, sales volume of Dongfeng Nissan Passenger Vehicle Company reached over 1 million units, sales volume of Dongfeng Peugeot Citroën Automobiles Company Ltd. reached another 700 thousand units, sales volume of Dongfeng Honda Automobile Co., Ltd. reached over 400 thousand units and sales volume of Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Passenger Vehicle Company broke the historical record, all of which supported the Company to achieve the operation target.

3. *Enhanced product restructuring and facilitated industry transformation and upgrade*

By enhancing the product restructuring, the commercial vehicles of the Company pioneered to realize a comprehensive upgrade of emission; while focusing on the market consumption trend and customers' demands, the Company invested more than 20 new passenger vehicle products including Dongfeng Fengshen AX3 and Xinqijun (新奇駿). Particularly, the structure of SUV was further enriched with a sales volume reaching 0.93 million units, representing an increase of 87.6% as compared to the corresponding period last year and accounting for almost one-third of the total sales volume.

Report of Directors (Continued)

With regard to business restructuring, the Company pushed forward the integration of vehicle into internet, strived to develop automobile e-commerce business and developed researches in fields including mass data internet of vehicles, intelligent and unmanned driving; facilitated the establishment of new business model and strived to develop standard business including used car trading, automobile finance and car rental.

4. Accelerating growth in new energy vehicles and pushing forward new energy vehicle business

Dongfeng Motor Group seized the opportunity brought by policies and facilitated the progress of commercialization. The sales volume of new energy vehicle reached over 15 thousand units, among which, sales volume of pure electric vehicles reached ten thousand units for the first time.

Dongfeng Motor Group optimized the push-forward system of new energy business and further clarified the framework and responsibility. The Company facilitated the major vehicle projects including product development of E30 and A60-EV. The electric vehicle cooperation project of the strategic alliance between Dongfeng and PSA was in an active progress. By enhancing the synergy of core resources, the motive batteries synergy management system and core resources synergy system were constantly improved. The Company explored and innovated business model, enhanced the display and promotion of new energy vehicles and improved the trial operation. As of the end of December 2015, 153 vehicle models were included in the national directory of recommended new energy vehicle demonstration and promotion in total and 16,000 more new energy vehicles were put for trial operation.

5. Strengthened international operation and took a new step towards internationalized development

The synergy effect of the strategic cooperation between Dongfeng and Peugeot Citroën was starting to show. Overseas Sales Companies was established and mutual research center projects will be launched. The strategic cooperation further stretched towards full value chain and developed a channel for overseas export of Dongfeng's self-owned brand; the medium and heavy trucks project between Dongfeng and Volvo operated stably and cooperation projects including commercial products, overseas and manufacturing were push forward steadily; the sedan project between Dongfeng and Renault was established and commenced production; the project between Dongfeng and Infiniti became the domestic luxury vehicle brand with the rapidest growth which helped the Company to accelerate its strategy in luxury vehicle field.



Report of Directors (Continued)

6. *People-oriented and highly value safety production and energy conservation and emission reduction*

The Company strengthened the awareness of red lines and fulfilled production safety responsibility. By carrying out “Anti-incompliance” campaign, continuously improving safety supervision and inspection and strengthening the precaution management, the annual control indicators for production safety were accomplished. The Company continued to push forward centralized treatment for sewage, carried out cooperation disposal of dangerous waste in old bases and proactively explored the management model of “carbon emission” trading. As compared to the corresponding period in 2014, it is estimated that comprehensive energy consumption of RMB10-thousand added value of the Company will be decreased by 29.2% while emission of COD and SO₂ will be reduced by 8.22% and 78.75% respectively, suggesting accomplishments of all energy conservation and emission reduction indicators with high quality.

7. *Continued to build up a harmonious Dongfeng and proactively fulfilled social responsibilities*

The Company pushed forward works including loving and caring projects, difficulty reliefs, Golden Autumn Education Support (金秋助學), and enhanced the aid in employees in difficulty with a satisfying result in the projects for people’s benefit including “Ten Facts” (十件實事) and “Healthy Dongfeng” (健康東風), resulting in a boost in employees’ satisfaction and sense of belongingness. The Company steadily pushed forward projects of supporting Tibet, Xinjiang, Guangxi and Hubei, and proactively carried out poverty alleviation work in various areas. In 2015, the Company devoted RMB44.87 million in aggregate. The Company carried out featured responsibility fulfilment projects including children benefitting (潤苗行動), Dongfeng Caring Automotive (東風愛心車), carbon-balanced eco-forest (碳平衡生態林) and Safety Travel (益路平安) with a satisfying feedback from the society. The Company issued the Corporate Business Ethic Pact (《公司商業道德公約》) and endeavored to become a leading civilized commercial enterprise. The social development index of the Company ranked the first in the industry, positioning among outstanding performers.

IV. Business Prospects

The domestic automobile industry will maintain a steady growth in next five years. It is expected that the total sales volume of domestic automobiles will be increased by 4% to 6% in 2016. Growth in sales volume of passenger vehicles will be of approximate 6% while sales volume of commercial vehicles will record positive growth.

According to the forecast on future market trend and its development plan, Dongfeng Motor Group will continue to strengthen the launch of SUV product (in total of 14 brand new and replacement products), 4 new energy products and 10 sedan products, which totaled a number of 30 brand new and replacement products in the whole passenger vehicles area in next two years, among of which, there are 10 brand new and replacement products of self-owned brand. Dongfeng Motor Group will also launch three series of medium and heavy trucks and one series of light trucks of commercial vehicles.

Report of Directors (Continued)

Sales mode of all whole vehicle enterprises will be enhanced in order to achieve the production target of the new vehicle models. In addition, Dongfeng Motor Group will enhance the marketing of existing models with an aim to maintain stable sales volume of all products in their lifecycles. With all these efforts, Dongfeng Motor Group aims at achieving sales growth and production growth exceeding the overall industry level in 2016.

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

SIGNIFICANT EVENTS

Results and dividends

The Group's results for the year ended 31 December 2015 and the financial position of the Company and the Group as at that date are set out in the audited financial statements on pages 87 to 94 in this annual report.

The Board recommends the dividend distribution of RMB0.2 per share in respect of 2015 results, subject to consideration and approval at the annual general meeting to be held on 17 June 2016.

Subsequent events

On 29 March 2016, the Board of Directors of the Company approved the Company to jointly establish a foreign-invested financial leasing company in the Shanghai Free Trade Zone with Dongfeng Motor (Hong Kong) International Co., Ltd., the wholly-owned subsidiary of the Company, at a shareholding ratio of 70:30. It is proposed to expand automotive financial services by extending existing automotive financial product line in order to provide overall financial solutions to internal and external customers. The establishment of the company is subject to approval from relevant national authorities, and the Company will make further announcement upon completion of the establishment of the joint venture.

The Foreign currency and liability of the Company increased significantly with the constant development of the internationalized business of the Company. On 29 March 2016, the Board of Directors of the Company approved the Company to commence the hedging business regarding exchange rates and interest rates to circumvent risks generated from exchange rate fluctuations (the hedging amount will be limited to 50% of the total foreign currency liability), and authorize the operation staff to timely embark on the business upon the fulfillment of relevant internal approval procedures of the Company.

Material legal proceedings

In February 2014, Dongfeng Commercial Vehicle Co., Ltd. ("DFCV"), a wholly-owned subsidiary of the Company, was served with a notice of arbitration. The arbitration was initiated by the claimant of the arbitration in respect of dispute arising from an agreement and other relevant agreements entered into by the claimant with the Company and DFCV (the "Dispute"). The claimant sought damages totaling BRL 1,670 million, together with related expenses. For details of the Dispute, please refer to the announcement of the Company dated 17 February 2014.

Report of Directors (Continued)

The Company and DFCV reached a settlement with the claimant. For details, please refer to the announcement of the Company dated 6 September 2015.

Dividend distribution by the company's jointly controlled entities

In 2015, the Company's JCEs, in total, declared and distributed aggregate dividends of approximately RMB11,448 million to the Company. Although the exact amounts of dividend distributions are not set each year, pursuant to each of the joint venture agreements, distributions are required to be paid out of the profit made by the relevant JCEs (after payments of income tax) in accordance with the relevant PRC law as determined at the meetings of the Board of Directors of each JCE as being appropriate dividend distributions on the circumstances of each JCE. When determining dividend distributions, the Board of Directors of each JCE will offset losses of previous years and deduct from the profit made by the relevant JCE the portion of profit to be allocated for applicable legal reserves as required under the PRC laws and regulations and company reserve (including but not limited to amounts allocated to cover the relevant JCE's working capital or to increase capital or expand production), employee bonus and welfare and company development. Pursuant to each of the joint venture agreements, distributions of profit will be made in proportion to the capital contributions paid by the relevant joint venture party and the Company respectively in accordance with the PRC laws.

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

Financial summary

A summary of the operating results, assets and liabilities of the Group for the last five years ended 31 December 2015 is set out on pages 178 to 179 in this annual report.

Bank loans and other borrowings

Details of the bank loans and other borrowings of the Group are set out in note 28 to the audited financial statements.

Interest capitalised

Details of the interest capitalised of the Group for the year ended 31 December 2015 are set out in note 7 to the audited financial statements.

Report of Directors (Continued)

Property, plant and equipment

Changes in the Company's and the Group's property, plant and equipment for the year ended 31 December 2015 are set out in note 13 to the audited financial statements.

Designated deposits and overdue term deposits

As at 31 December 2015, the Group had no designated deposits and overdue term deposits in any financial institutions or other authorities.

Reserves

Details of movements in reserves of the Company and the Group for the year ended 31 December 2015 are set out in note 40 to the audited financial statements and the consolidated statement of changes in equity on pages 91 to 92, respectively. Pursuant to Article 155 of the Articles of Association of the Company, if there are material discrepancies between the financial statements prepared in accordance with the accounting standards and regulations in the PRC and the financial statements prepared in accordance with International Financial Reporting Standards or the accounting standards in other place(s) where the Company is listed, the after-tax profit to be allocated for the relevant accounting period shall be the lower of the after-tax profits in these financial statements. The Board of Directors recommends allocation of 10% of total profit to the statutory surplus reserve and no allocation to the discretionary surplus reserve under the laws and the Articles of Association, subject to consideration and approval at the annual general meeting to be held on 17 June 2016.

Donations

The Group has made total donations of approximately RMB3 million for the year ended 31 December 2015.

Major customers and suppliers

During the year ended 31 December 2015, the revenue attributable to the five largest customers accounted for no more than 30% of the Group's revenue for the year.

During the year ended 31 December 2015, the purchases (other than those of a capital nature) from the five largest suppliers accounted for no more than 30% of the Groups total purchase for the year.

Subsidiaries, jointly controlled entities and other companies in which the company has direct equity interests

As at 31 December 2015, details of the subsidiaries and JCEs as well as other companies in which the Company has direct equity interests are set out in notes 16, 17, 18 and 25 to the audited financial statements for the year respectively.

Report of Directors (Continued)

Share capital

As at 31 December 2015, the aggregate share capital of the Company was RMB8,616,120,000 divided into 8,616,120,000 ordinary shares with a nominal value of RMB1 each, of which 5,760,388,000 were Domestic Shares representing approximately 66.86% of the aggregate number of shares in issue, and 2,855,732,000 were H Shares representing approximately 33.14% of the aggregate number of shares in issue. During the year ended 31 December 2015, there is no change in the aggregate share capital of the Company.

Stock appreciation rights

The shareholders of the Company adopted a plan of stock appreciation rights, or SARs, for the core management and technicians of the Company. The plan is designed to link the financial interests of the Company's senior management with the future results of operations and the price and performance of H Shares of the Dongfeng Motor Group. No Shares are to be issued under the SAR plan. Consequently, the shareholdings of the Company's shareholders will not be diluted as a result of the granting of SARs. The first and second rounds of share appreciation rights were fully expired, including those being exercised, waived and lapsed. (Further details were set out in the 2012 Interim Report.)

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

- (a) in the third year following the date of grant, a maximum of 33% of the share appreciation rights granted may be exercised;
- (b) in the fourth year following the date of grant, another 33% of the share appreciation rights granted may be exercised; and
- (c) in the fifth year following the date of grant, the remaining 34% of the share appreciation rights granted may be exercised.

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

Pre-emptive rights

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

Report of Directors (Continued)

Purchase, sale or redemption of securities

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

Interests of substantial shareholders

As at 31 December 2015, the name of the persons (other than directors and supervisors) entitled to exercise 5% or more (class of shares categorized into domestic shares and H shares) of the voting rights at any general meeting of the Company and the number of underlying shares, as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance are set out below:

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

Name	Class of Shares	Number of shares held	Percentage in the class of issued share capital (%)	Percentage in the total share capital (%)
Dongfeng Motor Corporation	Domestic Shares	5,760,388,000(L)	100	66.86
JPMorgan Chase & Co.	H Shares	286,045,519(L)	10.01(L)	3.31(L)
		11,129,234(S)	0.38(S)	0.12(S)
		197,116,497(P)	6.90(P)	2.28(P)
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	240,195,802(L)	8.41(L)	2.78
Prudential plc	H Shares	199,395,093(L)	6.98(L)	2.31
Edinburgh Partners Limited	H Shares	153,514,000(L)	5.38(L)	1.78

Report of Directors (Continued)

Directors, supervisors and senior management of the Company

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

Directors

Xu Ping	Executive Director and Chairman (resigned on 19 June 2015)
Zhu Yanfeng	Executive Director and Chairman (appointed on 19 June 2015)
Zhu Fushou	Executive Director and President (suspended his director and president duties by the Company on 2 November 2015; the Company will timely propose his removal for consideration and approval at the general meeting)
Li Shaozhu	Executive Director
Tong Dongcheng	Non-executive Director
Ouyang Jie	Non-executive Director
Liu Weidong	Non-executive Director
Zhou Qiang	Non-executive Director (resigned on 19 June 2015)
Ma Zhigeng	Independent Non-executive Director
Zhang Xiaotie	Independent Non-executive Director
Cao Xinghe	Independent Non-executive Director
Chen Yunfei	Independent Non-executive Director

Senior Management

Cai Wei	Vice President and Secretary to the Board of Directors
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Brief biographies of each of the directors and senior management are set out on pages 53 to 60 in this annual report.

Supervisors

Ma Liangjie	Chairman of the Supervisory Committee
Zhao Jun	Independent Supervisor
Feng Guo	Independent Supervisor (resigned on 19 June 2015)
Zhong Bing	Staff Supervisor

Brief biographies of each supervisor are set out on pages 53 to 60 in this annual report.

Report of Directors (Continued)

Directors' and supervisors' interests in the share capital of the Company

As at 31 December 2015, none of the directors, supervisors or senior management of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), which were required to be entered in the register required to be kept under section 352 of the Securities and Futures Ordinance, or were required to be notified to the Company and the Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Companies. As at 31 December 2015, the Company did not grant to any director, or senior management or supervisor of the Company or their respective spouses or children under eighteen years of age any rights to subscribe for shares or debentures of the Company or any of its associated corporations.

Confirmations of independence from independent non-executive directors

The Company has received the annual written confirmations of independence from all independent non-executive directors for 2015, namely Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei. The Company is of the view that they are independent.

Directors' and supervisors' service contracts

None of Directors nor supervisors proposed to be reelected at the forthcoming annual general meeting have entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' and supervisors' interests in contracts

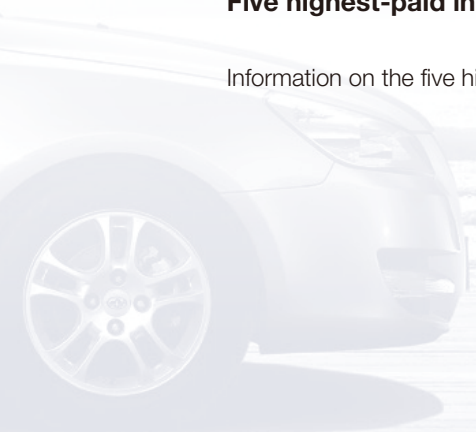
Except for service contracts, no director or supervisor of the Company has a material interest, whether directly or indirectly, in any material contract to which the Company or any of its subsidiaries and JCEs was a party during the year ended 31 December 2015.

Remunerations of directors and supervisors

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

Five highest-paid individuals

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



Report of Directors (Continued)

Employees

As at 31 December 2015, the Dongfeng Motor Group had a total of 129,885 full-time employees. The number of employees in various divisions and their percentage of the total number of employees are as follows:

Division	Employees <i>(number)</i>	Percentage of total <i>(%)</i>
Manufacturing workers	82,737	63.7
Engineering and technology	19,094	14.7
Management	26,496	20.4
Services	1,558	1.2
Total	<u>129,885</u>	<u>100</u>

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

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

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

Retirement benefits

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

Report of Directors (Continued)

Management contracts

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into with any person, firm or legal person during the year ended 31 December 2015.

Directors' interests in competing businesses

None of the directors nor their associates of the Company own any interests in businesses which compete or are likely to compete with the businesses of the Group nor have other interest conflicts with the Group.

Compliance with non-competition agreement

The Company has received from Dongfeng Motor Corporation a written confirmation confirming that during the year ended 31 December 2015 it had complied with Non-competition Agreement signed with the Company.

Public float

As at the date hereof, on the basis of publicly available information and to the best knowledge of the Company and its directors, more than 25% of the Company's total issued share capital is held by the public (as defined in the Listing Rules of the Stock Exchange).

CONNECTED TRANSACTIONS

For the year ended 31 December 2015, the continuing connected transactions between Dongfeng Motor Group and Dongfeng Motor Corporation and its associates (as defined under the Listing Rules), together with the annual caps exempted subject to the Listing Rules, were as follows:

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

1. Provision of Ancillary Services

Date: 26 November 2013

Parties: The Company
Dongfeng Motor Corporation (on behalf of itself and other members under its group)

Term: Three years from 1 January 2014 to 31 December 2016

Objective: In order to satisfy the demand on water, electricity and steam for its ordinary production and operation, Dongfeng Motor Corporation has agreed, or procure other members of the Parent Group, to provide the ancillary services to Dongfeng Motor Group, including water supply, steam supply and electricity supply

Report of Directors (Continued)

Consideration: The government prescribed prices

Annual cap of water supply for the year ended 31 December 2015:	RMB160 million
Annual cap of steam supply for the year ended 31 December 2015:	RMB300 million
Annual cap of electricity supply for the year ended 31 December 2015:	RMB2,000 million
Annual actual consideration of water supply for the year ended 31 December 2015:	RMB40 million
Annual actual consideration of steam supply for the year ended 31 December 2015:	RMB115 million
Annual actual consideration of electricity supply for the year ended 31 December 2015:	RMB733 million

The above ancillary services will be charged at the end of each calendar month by members of the Parent Group based on the actual usage of the ancillary services by members of Dongfeng Motor Group. The charges of the ancillary services will be satisfied in cash per month by internal resources of Dongfeng Motor Group.

2. Trademarks Licensing

Date: 29 October 2005

Parties: The Company
Dongfeng Motor Corporation

Term: Ten years from 7 December 2005 to 6 December 2015 (the agreement will automatically renew for another ten years upon its expiration of the ten-year term)

Objective: Dongfeng Motor Corporation granted to the Company a non-exclusive right to use certain trademarks owned by and registered in the name of Dongfeng Motor Corporation in order to ensure the commercial activities of the Company, including sales of products, are in compliance with the applicable laws and regulations

Consideration: Nil

3. Social Insurance Funds

For the year ended 31 December 2015, Dongfeng Motor Group made payments to the following funds or schemes through the accounts of Dongfeng Motor Corporation according to the applicable laws and regulations in the PRC: (1) basic pension fund; (2) supplementary pension fund; (3) medical insurance; (4) unemployment insurance; and (5) housing provident fund (together "Social Insurance Funds").

Report of Directors (Continued)

4. Financial Service

Date:	26 November 2013
Parties:	Dongfeng Motor Finance Co., Ltd. The Parent Group
Term:	Three years from 1 January 2014 to 31 December 2016
Objective:	Dongfeng Motor Finance Co., Ltd. has agreed to provide treasury services, financing services and auto financial services to the Parent and its subsidiaries so as to enhance the efficiency of capital allocation of the Company and strengthen the finance business of Dongfeng
Consideration:	The consideration shall be charged at the following rates: (a) market price (at government fixed price or government guidance price, if such price are available) (b) price determined on an arm's length and reasonable basis

The proposed annual cap for the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Finance Co., Ltd. to the Parent Group of the year 2015 is RMB800 million. As at 31 December 2015, the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Finance Co., Ltd. to the Parent Group was approximately RMB210 million.

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

Date:	28 November 2006
Parties:	Dongfeng Motor Group Dongfeng Hongtai Wuhan Holdings Group Limited
Term:	The agreement has been effective from 28 November 2006 and is a continuing contract terminable by agreement between the parties on the occurrence of certain events such as the bankruptcy or reorganisation of a party
Objective:	Dongfeng Motor Group sells whole vehicles and purchases auto parts such as seats for assembly through the whole vehicles selling network of Dongfeng Hongtai. Dongfeng Hongtai purchases related auto parts for assembly from Dongfeng Motor Group

Report of Directors (Continued)

Consideration: The consideration shall be determined on the following basis:

- (a) at market price
- (b) on normal commercial terms

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

For the year ended 31 December 2015, the total consideration paid by Dongfeng Motor Group to Dongfeng Hongtai for purchases of vehicle and auto parts from Dongfeng Hongtai was RMB3,903 million and the total amount paid by Dongfeng Hongtai to Dongfeng Motor Group for purchases of vehicle and auto parts from Dongfeng Motor Group was RMB5,163 million.

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

Date: 26 November 2013

Parties: Dongfeng Motor Group
Dongfeng Motor Trade Corporation

Term: Three years from 1 January 2014 to 31 December 2016

Objective: Dongfeng Motor Group sells commercial vehicles and chassis through the whole vehicles selling network of Dongfeng Motor Trade Corporation

Consideration: The consideration shall be charged at the following price:

- (a) market price
- (b) price determined on an arm's length and reasonable basis

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

Report of Directors (Continued)

The proposed annual caps for Dongfeng Motor Trade Corporation's purchase of commodity vehicles from Dongfeng Motor Group for the year 2015 is approximately RMB1,770 million. For the year ended 31 December 2015, the annual actual amount for Dongfeng Motor Trade Corporation's purchase of commodity vehicles from Dongfeng Motor Group was approximately RMB130 million.

7. Dongfeng Motor City Logistics Co., Ltd. Provides logistics services to Dongfeng Motor Group

Date: 26 November 2013

Parties: Dongfeng Motor Group
Dongfeng Motor City Logistics Co., Ltd.

Term: Three years from 1 January 2014 to 31 December 2016

Objective: Dongfeng Motor City Logistics Co., Ltd. provides logistics services for whole vehicles and auto parts to Dongfeng Motor Group and its subsidiaries and joint ventures in order to ensure a secure and timely delivery of the products and satisfy the customers' demands by enhancing the efficiency of its logistics

Consideration: The consideration shall be charged at the following price:

- (a) price determined or instructed by the government
- (b) market price if no government guidance rate is available

The proposed annual caps for the logistics services provided by Dongfeng Motor City Logistics Co., Ltd. to Dongfeng Motor Group for the year 2015 is approximately RMB1,820 million. For the year ended 31 December 2015, the annual actual amount for Logistics Service provided by Dongfeng Motor City Logistics Co., Ltd. to Dongfeng Motor Group was approximately RMB755 million.

8. T Engineering AB provide technical services to Dongfeng Motor Group

Date: 26 November 2013

Parties: Dongfeng Motor Group
T Engineering AB ("T Company")

Term: Three years from 1 January 2014 to 31 December 2016

Objective: The Company will establish a long term cooperation relationship with T Engineering AB in technology research and development, while T Company will provide technical services to Dongfeng Motor Group (including its member companies and business units) when necessary and practical

Report of Directors (Continued)

- Consideration: The consideration shall be charged at the following price:
- (a) market price (at government fixed price or government guidance price if such price are available)
 - (b) price determined on an arm's length and reasonable basis

Dongfeng Motors Engineering Co., Limited ("Dongfeng Motors Engineering") holds 70% equity interests in T Company. Therefore, T Company is a subsidiary of Dongfeng Motors Engineering. Dongfeng Motors Engineering is in turn a wholly-owned subsidiary of Dongfeng Asset Management Co. Ltd. ("Dongfeng Asset"), which is a wholly-owned subsidiary of Dongfeng Motors, a controlling shareholder of the Company. Therefore, the Framework Agreement entered into between the Company and T Company, the provision of technical services by T Company to Dongfeng Motor Group (including its member companies and business units) and the consideration by Dongfeng Motor Group (including its member companies and business units) for the provision of services by T Company to constituted continuing connected transactions under the Listing Rules.

The annual caps of payment by Dongfeng Motor Group (including its member companies and business units) to T Company for the provision of technical services by T Company under the Framework Agreement are RMB250 million, for the years ending 31 December 2015. For the year ended 31 December 2015, the annual actual amount for Technology Service provided by T Company to Dongfeng Motor Group was approximately RMB48 million.

9. Dongfeng Motor Group Places Deposits with Dongfeng Nissan Auto Finance Co., Ltd.

- Date: 26 November 2013
- Parties: Dongfeng Nissan Auto Finance Co., Ltd.
The Company
- Term: Three years from 1 January 2014 to 31 December 2016
- Objective: The Company places certain deposits with Dongfeng Nissan Auto Finance Co., Ltd. in order to enhance the efficiency of our capital allocation and facilitate the sales of passenger vehicles of Dongfeng Nissan
- Consideration: The consideration shall be charged at the following rates:
- (a) market price (at government fixed price or government guidance price, if such price are available)
 - (b) price determined on an arm's length and reasonable basis

Report of Directors (Continued)

The maximum balance of Deposits (including the accrued interests) maintained by the Company with Dongfeng Nissan Auto Finance Co., Ltd. shall not exceed RMB3,000 million on any given day for the year 2015. As at 31 December 2015, the outstanding amount of the deposits placed by the Company with Dongfeng Nissan Auto Finance Co., Ltd. was RMB2,000 million.

10. For the year ended 31 December 2015, the continuing connected transactions relating to the joint ventures include:

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

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

During the year ended 31 December 2015, each of Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroën Automobile Company Ltd., Dongfeng Honda Automobile Co., Ltd., Dongfeng Honda Engine Co., Ltd., Dongfeng Honda Auto Parts Co., Ltd., Dongfeng Renault Automobile Company, and Dongvo (Hangzhou) Truck Co., Ltd. (including each of these companies' subsidiaries and associates) regularly purchased auto parts or production facilities from the joint venture partners of the Company in the manner described below and such purchases will continue for the duration of the joint venture term.

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



Report of Directors (Continued)

In respect of such transactions, it will be in the interest of the Company and the joint ventures if there is any alternative can be obtained from local suppliers on better terms since the purchases of components or production equipment from the Company's joint venture partners involve additional freight costs and taxations.

In respect of such transactions, the joint venture will obtain quotes for equivalent components and production equipment that may be available from local PRC suppliers in order to determine whether viable alternatives can be obtained (1) with the highest quality, (2) in a timely manner, and (3) at the most competitive prices. If related products are available, the joint venture will carry out a tender before selecting a supplier. During the process of the tender, the joint venture shall treat the partner and other third party suppliers equally.

As a result, the Company will not purchase any auto parts and production equipment from the joint venture partner if the Company can obtain better terms from other suppliers. After a certain period, fewer auto parts and production equipment will be purchased from the joint venture partner since many alternatives with competitive pricing and quality are available in the PRC. The process described above, known as "localisation", is a stated priority of the joint ventures provided in the relevant joint venture contracts.

The joint ventures (including their subsidiaries, joint ventures and associates) may only purchase auto parts and production equipment from the joint venture partners (including their subsidiaries and associates) if it is unable to obtain auto parts of equivalent quality or of the required specifications at a more favourable price (or otherwise on more favourable terms) from a local supplier. The contracts regarding the purchases of auto parts and production equipment by the joint ventures (including their subsidiaries, joint ventures and associates) from the joint venture partners (including their subsidiaries and associates) must be pre-approved by the Company to ensure that the joint venture only enters into transactions on normal commercial terms or terms which are more favourable to the joint venture.

Therefore, purchases of auto parts and production facilities by the joint ventures (including their subsidiaries, joint ventures and associates) from their joint venture partners (including their subsidiaries and associates) constitute continuing connected transactions and were made according to fair and reasonable terms. All of these parameters are set out in the joint venture contracts and will remain in place for the duration of the joint venture term.

For the year ended 31 December 2015, the total consideration paid by the joint ventures (including their subsidiaries, joint ventures and associates) in respect of purchases of auto parts and production facilities from the joint venture partners (including their subsidiaries and associates) was RMB47,728 million.

Report of Directors (Continued)

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

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

Consequently, Dongfeng Honda Auto Parts Co., Ltd. regularly sells auto parts to Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd. Such auto parts are then exported by Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd. to Honda Motor Co., Ltd.

Dongfeng Honda Auto Parts Co., Ltd. continued to sell auto parts to Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd. as of 31 December 2015.

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

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

The establishment of Dongfeng Honda Engine Co., Ltd. formed part of the arrangements between Dongfeng Motor Corporation, Honda Motor Co., Ltd. and Guangzhou Automobile Group Co., Ltd. The primary reason for the formation of Dongfeng Honda Engine Co., Ltd. was to manufacture engines and other related auto parts for sale to Guangzhou Honda Automobile Co., Ltd., Honda Motor Co., Ltd.'s other main automotive manufacturing joint ventures in the PRC. Dongfeng Motor Corporation's interests in Dongfeng Honda Engine were subsequently transferred to the Company.



Report of Directors (Continued)

Pursuant to the arrangements among Dongfeng Motor Corporation, Honda Motor Co., Ltd. and Guangzhou Automobile Group Co., Ltd., Guangzhou Honda Automobile Co., Ltd. would only purchase from Dongfeng Honda Engine Co., Ltd. engines and other related auto parts necessary for manufacturing of passenger vehicles for the duration of the joint venture term at such prices as would enable the respective investment returns on Dongfeng Honda Engine Co., Ltd. and on Guangzhou Honda Automobile Co., Ltd. to be proportionate to the initial investment in these two companies (US\$60,060,000 in the case of Dongfeng Honda Engine Co., Ltd. and US\$139,940,000 in the case of Guangzhou Honda Automobile Co., Ltd.). The equity interests of Guangzhou Honda Automobiles Co., Ltd. are equally held between Honda Motor Co., Ltd. and Guangzhou Automobile Group Co., Ltd. As such, Guangzhou Honda Automobile Co., Ltd. is a connected person of the Company under Rule 14A.07 of the Listing Rules and the sales of related auto parts from Dongfeng Honda Engine Co., Ltd. to Guangzhou Honda Automobile Co., Ltd. constitute continuing connected transactions.

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

As of 31 December 2015, Guangzhou Honda Automobile Co., Ltd. continued to purchase from Dongfeng Honda Engine Co., Ltd. engines and auto parts needed by it.

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

The joint ventures make periodic payments of royalties to the foreign joint venture partners pursuant to the technology licence and technical assistance agreements entered into with the foreign joint venture partners of the Company in respect of existing vehicle models manufactured by the joint ventures. The terms of the agreements relating to technology licences and technical assistance are fixed with reference to the expected life cycle of vehicle models. Technology licence and technical assistance fees are negotiated on arm's length commercial term. Technology licence and technical assistance between the joint ventures and their subsidiaries on the one hand and their joint venture partners on the other hand constitutes a continuing connected transaction.

Report of Directors (Continued)

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

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

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

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

As at 31 December 2015, the total consideration paid by the joint ventures in respect of purchases of technology licenses and technical assistance stated above was RMB5,530 million.

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

Report of Directors (Continued)

(v) Lease of land between Dongfeng Motor Co., Ltd. and Dongfeng Motor Corporation

Parties:	Dongfeng Motor Corporation Dongfeng Motor Co., Ltd.
Term:	50 years from 2003 to 2053
Objective:	Dongfeng Motor Co., Ltd. leases land parcels from Dongfeng Motor Corporation for ordinary production and operation
Consideration:	at fair market rate

Under the joint venture lease, Dongfeng Motor Co., Ltd. leased from Dongfeng Motor Corporation a total of 113 parcels of land with an aggregate area of approximately 3,242,791.52 sq.m. for industrial use, which was supplemented with industrial infrastructure.

The standard rent (the "Rent") for each parcel of the leased land amounted to an aggregate annual rent of RMB68 million.

If the Dongfeng Motor Co., Ltd. and Dongfeng Motor Corporation cannot agree on the fair market value of the leased land, an independent appraiser shall be jointly appointed by Dongfeng Motor Co., Ltd. and Dongfeng Motor Corporation to determine the fair market rate of the leased land, with such appraised value served as the basis for the parties' discussions concerning the adjusted rent. The rental payable under the land lease contract is determined on a fair basis and reflects the market rates. An independent appraiser has confirmed that the rental under the land lease contract is not higher than the prevailing market rates. For the period from the lease commencement date to 31 December 2015, Dongfeng Motor Co., Ltd. and Dongfeng Motor Corporation did not adjust the rental of land leased by Dongfeng Motor Co., Ltd. from Dongfeng Motor Corporation.

The Company established a wholly-owned subsidiary, Dongfeng Commercial Vehicle Co., Ltd., on 16 January 2013 by way of cash contribution. Under the framework agreement and its sub-agreements entered into on 26 January 2013, Dongfeng Commercial Vehicle Co., Ltd. acquired from Dongfeng Motor Co., Ltd. (a) all transferred assets; and (b) all transferred equities held by Dongfeng Motor Co., Ltd. in the eight equity transfer entities according to the framework agreement and its sub-agreements. Dongfeng Commercial Vehicle Co., Ltd. and Dongfeng Motor Co., Ltd. completed the acquisition of all transferred assets and equity transfers on 30 June 2013. Due to the concurrent transfer of rights, interests and liabilities, a portion of the land parcels originally leased by Dongfeng Motor Co., Ltd. from Dongfeng Motor Corporation was leased to Dongfeng Commercial Vehicle Co., Ltd. or its subsidiaries (a total of 126 land parcels with a total area of approximately 3,963,420 sq.m.), and a new land lease contract was entered into between Dongfeng Commercial Vehicle and Dongfeng Motor Corporation to determine the rights and obligations.

Report of Directors (Continued)

As of 31 December 2015, the total leasehold payment payable by Dongfeng Motor Co., Ltd. to Dongfeng Motor Corporation was RMB68 million and the actual payment amounted to RMB73 million. The outstanding amount for the year amounted to RMB0 million and the total outstanding amount was RMB14 million.

The Company and the Stock Exchange have agreed that the abovementioned transactions will comply with the annual reporting requirements under Rule 14A.71 of the Listing Rules, and the Company will only disclose annual total amounts of transactions pursuant to waivers stated in paragraphs (i) and (iv). It was due to the fact that disclosure of consideration for each transaction of each joint venture may constitute a disclosure of commercial sensitive information of the business under common control and is not in the interests of the Company nor the joint ventures.

In addition, with respect to transactions mentioned in paragraphs (ii) and (iii), disclosing total consideration and additional terms in compliance with Rule 14A.71(4) of the Listing Rules will constitute a disclosure of commercial sensitive information of the business under common control and is not in the interests of the Company nor the joint ventures. In this regard, the Company has applied to the Stock Exchange for, and has been granted with, a waiver from strict compliance with the requirements under Rule 14A.71(4) of the Listing Rules during each of the transaction periods.

Annual caps of the abovementioned transactions determined in accordance with the requirements stipulated in Rule 14A.53(2) of the Listing Rules will not be in the interests of the Company and relevant joint ventures. In this regard, the Company has applied to the Stock Exchange for, and has been granted with, a waiver from strict compliance with the requirements under Rule 14A.53(2) of the Listing Rules during each of the transaction periods.

11. Lease of land between Dongfeng Commercial Vehicle Co., Ltd. and Dongfeng Motor Corporation

Date: 26 November 2013

Parties: Dongfeng Motor Corporation
Dongfeng Commercial Vehicle Co., Ltd.

Term: Continuing effect

Objective: Dongfeng Commercial Vehicle Co., Ltd. leases land parcels from Dongfeng Motor Corporation for ordinary production and operation

Consideration: at fair market price

In 2015, a total leasehold payment of approximately RMB130 million is payable by the Lessees to Dongfeng Motor Corporation.

Report of Directors (Continued)

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

- a. The adjusted leasehold payments shall not be lower than 90% of the payments for the previous period;
- b. Both parties may negotiate for the payment adjustment within the six months prior to expiry of the leasing term;
- c. In the event that both parties fail to reach an agreement on the fair market value of the leased land, they shall jointly engage an independent valuer to determine the fair market value, which shall be the basis for their negotiation of payment adjustment.

As of 31 December 2015, the annual cap of the leasehold payments payable by Dongfeng Commercial Vehicle Co., Ltd. and its subsidiaries to Dongfeng Motor Corporation shall be approximately RMB175 million. The total leasehold payment payable by Dongfeng Commercial Vehicle Co., Ltd. and its subsidiaries to Dongfeng Motor Corporation was approximately RMB130 million and the outstanding amount for the year amounted to approximately RMB2 million and the total outstanding amount was approximately RMB60 million.



Management Discussion and Analysis

I. FINANCIAL RESULTS OVERVIEW

Data of the Group for 2015 based on proportionate consolidation and equity method:

	The Group (based on proportionate consolidation) <i>RMB million</i>	Joint ventures <i>RMB million</i>	The Group (based on equity method) <i>RMB million</i>
Revenue	226,863	100,297	126,566
Selling Cost	(183,340)	(73,703)	(109,637)
Other income	5,134	3,237	1,897
Selling and distribution costs	(13,298)	(6,154)	(7,144)
Administrative expenses	(7,261)	(3,570)	(3,691)
Other expenses, net	(11,159)	(5,325)	(5,834)
Finance income/(expenses)	84	(105)	189
Share of profits and losses of joint ventures	–	(10,422)	10,422
Share of profits and losses of associates	1,460	163	1,297
	<hr/>	<hr/>	<hr/>
Profit before tax	18,483	4,418	14,065
Income tax expenses	(5,025)	(3,672)	(1,353)
	<hr/>	<hr/>	<hr/>
Profit for the year	13,458	746	12,712
Equity holders of the parent	11,550	–	11,550
Non-controlling interests	1,908	746	1,162
	<hr/>	<hr/>	<hr/>
Total assets	227,092	66,306	160,786
Total liabilities	(131,676)	(62,374)	(69,302)
	<hr/>	<hr/>	<hr/>
Net assets	95,416	3,932	91,484
	<hr/>	<hr/>	<hr/>
Equity attributable to equity holders of the parent	84,650	–	84,650
Non-controlling interests	10,766	3,932	6,834
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Management Discussion and Analysis (Continued)

Revenue

The growth of automobile industry in China was stable in 2015. A total of approximately 24,597,600 vehicles were sold during the year, representing an increase of approximately 4.7% over last year. There are overall slowdown in the growth of the automobile industry and single-digit moderate growth will become the new normal of the industry.

The sales volume of passenger vehicles was approximately 21,146,300 units, representing an increase of 7.3% over last year. Affected by factors such as new policies in respect of vehicle purchase tax, passenger vehicle market still maintains a steady growth generally. Among which SUV still keep a high-speed growth. Sale for the year reached 6,220,300 units, the production and sale volume were at a high speed of 49.7% and 52.4% respectively and market shares approached 30%. In contrast to the high-speed growth of SUV market, the production and sale volume of sedans were decreased by 6.8% and 5.3% respectively. Benefitting from the high-speed growth of SUV market, the vehicle enterprises of self-owned brands have developed rapidly in the past few years. Sales of self-owned brand SUV reached 3,343,000 units, representing an increase of 82.8% over last year, which accounted for 53.7% of the total sales of the SUV market. The market share of Japan-series SUV model such as CR-V and RAV4 was squeezed by self-owned brands. In the coming two years, Japan-series vehicle enterprises will enhance their efforts in investing in products of such market to recover their losses in market shares. In contrast to the booming SUV markets, the domestic sedan market was in a difficult time. Sale of sedans for joint ventures decreased significantly for the year as compared with last few years. Market shares of joint venture brands were seized by self-owned brands. Meanwhile, due to the decline of prices of luxury brands, most of the joint venture brands did not achieve their estimated sales targets in 2015. Especially the Germany-series, America-series and Korea-series brands fulfilled their target from 80% to 90%, while the Japan-series brands completed their sales targets due to their cautious strategies at the beginning of the year.

Sales volume of commercial vehicles was approximately 3,451,300 units, representing a decrease of 9.0% over last year. Affected by the adjustment to national policies, fluctuation in market demand and other factors, the decline of the overall commercial vehicle market enlarged. The total sales of heavy truck market was 550,700 units in total, representing a decrease of 25.9% over last year. Demand of heavy truck market continued to be sluggish and market competition became more intensified. The total sales volume of medium truck market was 200,400 units, representing a decrease of 19.1% over last year, and there is a continuous decline in the sales of such market. The total sales volume of light truck market was 1,558,500 units, representing a decrease of 6.3% over last year.

In 2015, the Group managed to overcome various risks and challenges and its operation remained steady growth. The total sales volume of the Group for the year was approximately 2,867,000 units, representing an increase of approximately 3.8% over last year. Sales of passenger vehicles were approximately 2,521,800 units, representing an increase of approximately 7.8% over last year. Sales of commercial vehicles were approximately 345,200 units, representing a decrease of approximately 18.6% over last year. The domestic market share of the Group in terms of sales volume was approximately 11.7%, representing a decrease of approximately 0.1 percentage point over last year. The market share of its passenger vehicles was approximately 11.9%, remained stable over last year. The market share of its commercial vehicles was 10.0%, representing a decrease of approximately 1.2 percentage points over last year.

Management Discussion and Analysis (Continued)

The revenue of the Group based on proportionate consolidation was approximately RMB226,863 million, representing an increase of approximately RMB28,863 million, or 14.6%, as compared with approximately RMB198,000 million of last year. Except the change in basis of consolidation, the increase was mainly due to the increase in sales volume of passenger vehicles and the contribution of revenue from new products.

The revenue of the Group based on equity method was approximately RMB126,566 million, representing an increase of approximately RMB43,452 million, or 52.3%, as compared with approximately RMB83,114 million of last year. The increase was mainly due to the increase in sales volume of passenger vehicles, the contribution of revenue from new products and the adjustment on the basis of consolidation of commercial vehicles business and Dong Feng Peugeot Citroën.

	2015		2014	
	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	180,024	88,226	141,677	36,701
Commercial vehicles	46,753	36,389	55,775	44,832
Financial business	2,518	1,911	1,956	1,593
Others	2,073	140	1,657	117
Intra-segment elimination	(4,505)	(100)	(3,065)	(129)
Total	<u>226,863</u>	<u>126,566</u>	<u>198,000</u>	<u>83,114</u>

Passenger Vehicle Business

The revenue from sales of passenger vehicles of the Group based on proportionate consolidation increased by approximately RMB38,347 million, or 27.1%, to approximately RMB180,024 million from approximately RMB141,677 million of last year. The increase in revenue from sales was mainly due to the increase in sales volume of whole passenger vehicles. The sales volume of passenger vehicles of Dongfeng Nissan, WDHAC, Dongfeng passenger vehicles, and Dongfeng Liuzhou Motor increased by 5.2%, 31.9%, 25.5% and 4.1% over last year respectively.

Based on equity method, the revenue from sales of passenger vehicles for the year increased by approximately RMB51,525 million, or 140.4%, to approximately RMB88,226 million from approximately RMB36,701 million of last year. Without taking into account the change in the basis of consolidation, the increase in revenue was mainly due to the increase in sales volume of passenger vehicle and the increase in varieties of new products.

Management Discussion and Analysis (Continued)

Commercial Vehicle Business

The revenue from sales of commercial vehicles of the Group based on proportionate consolidation decreased by approximately RMB9,022 million, or 16.2%, to approximately RMB46,753 from approximately RMB55,775 million of last year.

Based on equity method, the revenue from sales of commercial vehicles for the period decreased by approximately RMB8,443 million, or 18.8%, to approximately RMB36,389 million from RMB44,832 million of last year. The decrease in revenue from sales of commercial vehicles was mainly due to the decrease in overall sales volume of commercial vehicles and the decrease in revenue.

Financial Business

The revenue of financial business based on proportionate consolidation increased by approximately RMB562 million, or 28.7%, to approximately RMB2,518 million from approximately RMB1,956 million of last year.

During the period, the revenue of financial business based on equity method increased by approximately RMB318 million, or 20.0%, to approximately RMB1,911 million from RMB1,593 million of last year. The financial business of the Group maintained its rapid growth.

Cost of sales and gross profit

The total gross profit of the Group for 2015 based on proportionate consolidation was approximately RMB43,523 million, representing an increase of approximately RMB5,008 million, or 13.0%, as compared with approximately RMB38,515 million of last year. The comprehensive gross margin was approximately 19.2% and remained stable over last year. The total gross profit of the Group for 2015 based on equity method was approximately RMB16,929 million, representing an increase of approximately RMB6,112 million, or 56.5%, as compared with approximately RMB10,817 million of last year. The comprehensive gross margin increased by 0.4 percentage point to approximately 13.4% from approximately 13.0% of last year.

Other Incomes

The total other incomes of the Group based on proportionate consolidation amounted to approximately RMB5,134 million, representing an increase of approximately RMB427 million as compared with approximately RMB4,707 million of last year.

The total other incomes of the Group based on the equity method was approximately RMB1,897 million, representing an increase of approximately RMB332 million as compared with approximately RMB1,565 million of last year.

The increase in other income was mainly due to government's subsidies and the increase in bank interest income.

Management Discussion and Analysis (Continued)

Selling and Distribution Costs

The selling and distribution costs of the Group based on proportionate consolidation increased by approximately RMB2,075 million to approximately RMB13,298 million from approximately RMB11,223 million of last year. The proportion of selling and distribution costs to the sales revenue increased by approximately 0.2 percentage point to approximately 5.9% from approximately 5.7% of last year.

The selling and distribution costs of the Group based on equity method increased by approximately RMB2,976 million to approximately RMB7,144 million from approximately RMB4,168 million of last year.

Apart from the effect of Dong Feng Peugeot Citroën Sales Company, the increase in selling and distribution costs was mainly due to the increase in advertisement expenses for newly launched products and expenses of market expansion.

Administrative Expenses

The total administrative expenses of the Group based on proportionate consolidation increased by approximately RMB401 million to approximately RMB7,261 million from approximately RMB6,860 million of last year. The proportion of administrative expenses to sales revenue decreased by approximately 0.3 percentage point to approximately 3.2% from approximately 3.5% of last year.

The administrative expenses of the Group based on equity method increased by approximately RMB332 million to approximately RMB3,691 million from approximately RMB3,359 million of last year.

Apart from the effect of Dong Feng Peugeot Citroën Sales Company, the increase in administrative expenses was mainly due to the effect of the expenses in respect of depreciation and amortization, IT information and leasing.

Net other expenses

The net other expenses of the Group based on proportionate consolidation amounted to approximately RMB11,159 million, representing an increase of approximately RMB2,494 million as compared with approximately RMB8,665 million of last year.

The net other expenses of the Group based on equity method amounted to approximately RMB5,834 million, representing an increase of approximately RMB2,344 million as compared with approximately RMB3,490 million of last year.

Apart from the effect of Dong Feng Peugeot Citroën Sales Company, the increase in other expenses was mainly attributable to the technological development expenses, the increase in warranty expenses and exchange gains or losses.

Management Discussion and Analysis (Continued)

Staff costs

The staff costs (including directors' and supervisors' emoluments) of the Group based on proportionate consolidation amounted to approximately RMB12,217 million, representing an increase of approximately RMB697 million as compared with approximately RMB11,521 of last year. The proportion of staff costs to the sales revenue decreased by 0.4 percentage point to approximately 5.4% from approximately 5.8% of last year.

The staff costs of the Group based on equity method amounted to approximately RMB5,599 million, representing an increase of RMB173 million as compared with approximately RMB5,426 million of last year.

The increase in staff costs was mainly attributable to additional expenses including salaries and benefits as a result of a higher demand for labor in line with the increase in production and sales volume of vehicles, as well as the regular adjustment in employees' remuneration.

Depreciation and Amortization

The depreciation charges of the Group based on proportionate consolidation amounted to approximately RMB5,618 million, representing a decrease of approximately RMB72 million as compared with approximately RMB5,690 million of last year.

The depreciation charges of the Group based on equity method amounted to approximately RMB1,700 million, representing an increase of approximately RMB132 million as compared with approximately RMB1,568 million of last year.

Net finance Income

The net finance income of the Group based on proportionate consolidation amounted to approximately RMB84 million, representing a decrease of approximately RMB303 million as compared with approximately RMB387 million of last year.

The net finance income of the Group based on equity method amounted to approximately RMB189 million, representing a decrease of approximately RMB314 million as compared with approximately RMB503 million of last year.

The decrease in net finance income was mainly due to the decrease in exchange gain from Euro-denominated borrowings.

Management Discussion and Analysis (Continued)

Income Tax

The income tax expense of the Group based on proportionate consolidation amounted to approximately RMB5,025 million, representing a decrease of approximately RMB213 million as compared with approximately RMB5,238 million of last year. The effective tax rate for the year was approximately 27.2%, representing a decrease of approximately 0.2 percentage points as compared with approximately 27.4% of last year.

The income tax expense of the Group based on equity method amounted to approximately RMB1,353 million, representing a decrease of approximately RMB11 million as compared with approximately RMB1,364 million of last year. The effective tax rate for the year was approximately 9.6%, representing an increase of approximately 0.3 percentage point as compared with approximately 9.3% of last year.

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 RMB11,550 million, representing a decrease of approximately RMB1,247 million, or 9.7%, as compared with approximately RMB12,797 million of last year. Earnings per share were approximately RMB134.05 cents, representing a decrease of approximately RMB14.48 cents, or 9.7%, as compared with approximately RMB148.53 cents of last year. The net profit margin (a percentage of profit attributable to shareholders to total revenue) was approximately 5.1%, representing a decrease of approximately 1.4 percentage points as compared with approximately 6.5% of last year. The return on net assets (a percentage of profit attributable to shareholders to average net assets) was approximately 14.6%, representing a decrease of approximately 4.1 percentage points as compared with approximately 18.7% of last year.

Profit attributable to shareholders based on equity method amounted to approximately RMB11,550 million, representing a decrease of approximately RMB1,247 million, or 9.7%, as compared with approximately RMB12,797 million of last year. The net profit margin (a percentage of profit attributable to shareholders to total revenue) was approximately 9.1%, representing a decrease of 6.3 percentage points as compared with approximately 15.4% of last year. The return on net assets (a percentage of profit attributable to shareholders to average net assets) was approximately 14.6%, representing a decrease of approximately 4.1 percentage points as compared with approximately 18.7% of last year.

Total Assets

Total assets of the Group for the year based on proportionate consolidation amounted to approximately RMB227,092 million, representing an increase of approximately RMB23,920 million as compared with approximately RMB203,172 million of last year. The increase was mainly due to the increase in cash, bills receivable and investments in associates.

Total assets based on equity method amounted to approximately RMB160,786 million, representing an increase of RMB13,809 million as compared with approximately RMB146,977 million of last year.

Management Discussion and Analysis (Continued)

Total liabilities

Total liabilities of the Group for the period based on proportionate consolidation amounted to approximately RMB131,676 million, representing an increase of approximately RMB7,668 million as compared with approximately RMB124,008 million of last year. The increase was mainly due to the increase in long-term borrowings, payables and other payables.

Total liabilities of the Group based on equity method amounted to approximately RMB69,302 million, representing a decrease of approximately RMB2,239 million as compared with approximately RMB71,541 million of last year.

Total equity

Total equity of the Group for the period based on proportionate consolidation amounted to approximately RMB95,416 million, representing an increase of approximately RMB16,252 million as compared with approximately RMB79,164 million of last year. Equity attributable to equity holders of parent amounted to approximately RMB84,650 million, representing an increase of approximately RMB10,835 million as compared with approximately RMB73,815 million of last year.

Total equity based on equity method amounted to approximately RMB91,484 million, representing an increase of approximately RMB16,048 million as compared with approximately RMB75,436 million of last year.

Liquidity and sources of capital

(Based on proportionate consolidation)

	2015	2014
	<i>RMB million</i>	<i>RMB million</i>
Net cash flows generated from operating activities	19,245	12,826
Net cash flows used in investing activities	(16,260)	(13,386)
Net cash flows generated from/(used in) financing activities	(1,599)	8,280
Net increase in cash and cash equivalents	1,386	7,720

Net cash inflows from operating activities of the Group amounted to approximately RMB19,245 million. Net cash outflows from investing activities amounted to approximately RMB16,260 million. Net cash outflows from financing activities amounted to approximately RMB1,599 million.

Management Discussion and Analysis (Continued)

(Based on equity method)	2015	2014
	<i>RMB million</i>	<i>RMB million</i>
Net cash flows generated from/(used in) operating activities	558	(772)
Net cash flows generated from/(used in) investing activities	4,246	(897)
Net cash flows generated from financing activities	695	8,223
Net increase in cash and cash equivalents	5,499	6,554

Net cash inflows from operating activities of the Group amounted to approximately RMB558 million, mainly including (1) an increase of profit before taxation of approximately RMB3,349 million, net of depreciation, impairment and other non-cash items; (2) a decrease of the statutory reserves deposit in the People's Bank of China by approximately RMB1,426 million; (3) an increase of payables to joint-ventures of approximately RMB1,589 million; (4) an increase of receivables from joint-ventures of approximately RMB3,610 million; (5) income tax payment of approximately RMB2,020 million.

Net cash outflows from investing activities of the Group amounted to approximately RMB4,246 million, reflecting mainly: (1) the purchase of property, plant, equipment and intangible assets of approximately RMB3,795 million for expansion of production capacity and development of new products; (2) obtained the right of control in associates of approximately RMB1,265 million; (3) dividends of approximately RMB9,453 million received from joint-ventures and associated companies.

Net cash inflows from financing activities of the Group amounted to approximately RMB695 million, reflecting mainly: (1) an increase of approximately RMB13,356 million in net bank borrowings; (2) the repayment of net bank borrowings decreased by approximately RMB16,057 million; (3) an increase of approximately RMB5,501 million of capital investment from non-controlling shareholders; (4) approximately RMB1,723 million dividends were distributed to shareholders.

As a result of the above reasons, the Group's cash and cash equivalents (excluding time deposits with an original maturity of three months or more) based on equity method amounted to approximately RMB28,732 million as at 31 December 2015, representing an increase of approximately RMB5,499 million as compared with approximately RMB23,233 million as at 31 December 2014. Cash and bank balances (including time deposits with an original maturity of three months or more) amounted to approximately RMB31,806 million, representing an increase of approximately RMB6,573 million as compared with approximately RMB25,233 million as at 31 December 2014. Net cash (cash and bank balances less borrowings) of the Group amounted to approximately RMB21,057 million, representing a decrease of approximately RMB9,904 million as compared with approximately RMB11,153 million as at 31 December 2014.

Management Discussion and Analysis (Continued)

As at 31 December 2015, the Group's equity ratio (percentage of total borrowings to total shareholders' equity) based on proportionate consolidation was approximately 24.3%, representing a decrease of approximately 7.4 percentage points as compared with approximately 31.7% as at 31 December 2014. The liquidity ratio was approximately 1.22 times, representing an increase of approximately 0.13 times from approximately 1.09 times as at 31 December 2014. The quick ratio was approximately 1.08 times, representing an increase of 0.15 times from approximately 0.93 times as at 31 December 2014.

As at 31 December 2015, the Group's equity ratio (percentage of total borrowings to total shareholders' equity) based on equity method was approximately 17.1%, representing a decrease of approximately 6.9 percentage points as compared with approximately 24.0% as at 31 December 2014. The liquidity ratio was approximately 1.39 times, representing an increase of approximately 0.36 times from approximately 1.03 times as at 31 December 2014. The quick ratio was approximately 1.25 times, representing an increase of 0.36 times from approximately 0.89 times as at 31 December 2014.

The inventory turnover days of the Group based on proportionate consolidation decreased by approximately 10 days to approximately 43 days from approximately 33 days of last year. The Group's turnover days of receivables (including bills receivable) decreased by approximately 3 days to approximately 74 days from approximately 77 days of last year. The turnover days of receivables (excluding bills receivable) decreased by approximately 1 day to approximately 13 days from approximately 14 days of last year. The turnover days of bills receivable decreased by approximately 2 days to approximately 61 days from approximately 63 days of last year.

The inventory turnover days of the Group based on equity method decreased by approximately 21 days to approximately 29 days from approximately 50 days of last year. The Group's turnover days of receivables (including bills receivable) decreased by approximately 23 days to approximately 48 days from approximately 71 days of last year. The turnover days of receivables (excluding bills receivable) decreased by approximately 6 days to approximately 11 days from approximately 17 days of last year. The turnover days of bills receivable decreased by approximately 17 days to approximately 37 days from 54 days of last year. The Group adopts stringent policies 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.

Management Discussion and Analysis (Continued)

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 the second in auto industry in terms of production and sales of vehicles, the first among three major automobile central enterprises in China and the 109th in Fortune Global 500 in 2015. 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. Dongfeng Commercial Vehicles Co., Ltd., a joint venture of Dongfeng Motor Group Company Limited and AB Volvo officially commenced operations, is strategically important to the enhancement of international competitiveness and acceleration of overseas expansion of the commercial vehicle business of Dongfeng.

3. Well-known Dongfeng brand in China

With over 40 years of development, Dongfeng brand is a famous brand of the Company representing the intelligence and dedication of all members of Dongfeng. In 2015, according to the assessment by the World Brand Laboratory, the brand value of “Dongfeng” was worth approximately RMB80.7 billion in aggregate among “China’s 500 Most Valuable Brands”.

4. Best business network in the industry

Dongfeng Motor Group has the most comprehensive business network in the domestic whole vehicles market with business lines in each major segment. It has diversified brand cooperation in major markets of series of automobiles and its product diversity can compare favorably with those of top international automobile manufacturers. 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.



Management Discussion and Analysis (Continued)

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 self-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 over 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.

Profiles of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhu Yanfeng, aged 55, is a senior postgraduate engineer, an Executive Director and the Chairman of the Board of Directors of the Company. Mr. Zhu graduated from Zhejiang University with a Bachelor's degree in Engineering specializing in Chemical Automation and Instruments in 1983. He studied Control Engineering and received a Master's degree in Engineering from Harbin Institute of Technology from 1999 to 2002. He started his career in 1983 at FAW (First Automobile Works) manufacturing plant. He served as the general manager of FAW Group Corporation from 1999 to 2007. He was a standing committee member of the provincial party committee and standing deputy governor of Jilin Province from 2007 to 2012. He was deputy party secretary of the provincial party committee of Jilin Province from 2012 to 2015. He has been the president and party secretary of Dongfeng Motor Corporation since May 2015. He also served as the convener of the nomination committee of the board of directors of Dongfeng Motor Corporation, vice chairman of the supervisory committee of PSA Peugeot Citroën and the chairman of the board of directors of Dongfeng Peugeot Citroën Automobile Company Ltd., Dongfeng Honda Automobile Co., Ltd. and Dongfeng Renault Automobile Company Ltd. He has been the President of the Company since May 2015.

Mr. Li Shaozhu, aged 55, is a senior postgraduate engineer and an Executive Director of the Company. Mr. Li graduated from Tsinghua University in 1983 with a Bachelor's degree in Engineering Science, specializing in Casting Engineering and Equipment. He also studied Business Administration as a postgraduate student from 1994 to 1996 and received a Master's degree in Business Administration from Zhongnan University of Finance and Economics. Mr. Li was appointed as a member of the National Master in Engineering Education Committee by the Second Academic Degrees Committee of the State Council in 2004. Mr. Li joined Dongfeng Motor Corporation in 1983 and was the head of No.2 Foundry Plant of Dongfeng Motor Corporation. Mr. Li has served as deputy general manager of Dongfeng Motor Corporation since 1997. He served as the general manager of Dongfeng Automobile Co., Ltd. from July 1999 to November 2001 and was the vice president of Dongfeng Motor Co., Ltd. from July 2003 to September 2005. He was appointed as a Director of the Board of Directors of the Company in October 2004 and the chairman of Dawnpro Information & Technologies Limited in September 2001. In August 2011, Mr Li was appointed as the chairman of the Dongfeng Design Institute Co., Ltd. and Dongfeng Motor City Logistics Co., Ltd. Mr. Li has more than 20 years of business and management experience in the automotive industry. On 10 October 2013, Mr. Li was re-elected as a Director of the Fourth Session of the Board of Directors of the Company for a term of three years commencing from 10 October 2013.



Profiles of Directors, Supervisors and Senior Management (Continued)

NON-EXECUTIVE DIRECTORS

Mr. Tong Dongcheng, aged 59, is a senior economist and a Non-executive Director of the Company. Mr. Tong graduated from the Central Party School in 1996, majoring in Economics and management. He joined Dongfeng Motor Corporation in 1971, and has been the deputy general manager of Dongfeng Motor Corporation since 1997. From 2003 to 2014, Mr. Tong served as the vice president of Dongfeng Motor Co., Ltd., and served as the executive vice president of Dongfeng Motor Co., Ltd. in 2014. He was also the general manager of the Commercial Vehicle Company of Dongfeng Motor Co., Ltd. from 2003 to 2009. In October 2004, Mr. Tong was appointed as the Director at the Board of Directors of the Company. Mr. Tong has been the director of Dongfeng Motor Co., Ltd. in September 2005, the chairman of the board of directors of Dongfeng Motor Parts and Components Group Co., Ltd. in September 2011, Dongfeng Commercial Vehicles Co., Ltd. in November 2015 and Dongfeng Liuzhou Motor Co., Ltd. in February 2013, Dongfeng Infiniti Motor Co., Ltd. in November 2015, Zhengzhou Nissan Automobile Co., Ltd. in May 2015 and Dongfeng Yulon Motor Co., Ltd. in November 2015. Mr. Tong has more than 30 years of business and management experience in the automotive Industry in the PRC. On 10 October 2013, Mr. Tong was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing from 10 October 2013.

Mr. Ouyang Jie, aged 59, is a senior postgraduate engineer and a Non-executive Director of the Company. Mr. Ouyang graduated in 1982 from the Department of Casting of Hunan University with a Bachelor's degree in Engineering Science and received a Bachelor's degree in Economics from the Renmin University of China in 1988. Mr. Ouyang joined Dongfeng Motor Corporation in 1982 and has served as the deputy general manager of Dongfeng Motor Corporation since 1997. In 2003, Mr. Ouyang became the vice president of Dongfeng Motor Co., Ltd. In October 2004, he was appointed as a Director of the Board of Directors of the Company. He was appointed as the director of Zhengzhou Nissan Automobile Co., Ltd. in August 2013 and the chairman of the board of directors of Dongfeng Automobile Co., Ltd. in November 2015. Mr. Ouyang has more than 20 years of business and management experience in the automotive industry in the PRC. On 10 October 2013, Mr. Ouyang was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing from 10 October 2013.



Profiles of Directors, Supervisors and Senior Management (Continued)

Mr. Liu Weidong, aged 49, is a senior postgraduate engineer and a Non-executive Director of the Company. Mr. Liu graduated in 1988 from Wuhan Technical Institute with a Bachelor's Degree in Engineering, specializing in the automotive industry. He studied Management Science and Engineering as a part-time postgraduate student from 2000 to 2003 and received a Master's degree in Management from Wuhan Polytechnic University. He was a representative of the 10th National People's Congress. Mr. Liu joined Dongfeng Motor Corporation in 1988 and has been the deputy general manager of Dongfeng Motor Corporation since 2001 and the general manager of Dongfeng Peugeot Citroën Automobile Company Ltd. from 2001 to 2011. Mr. Liu has served as a Director of the Board of Directors of the Company since October 2004. He served as the secretary of the community party committee of the Dongfeng Passenger Vehicle Company from July 2007 to July 2011. From July 2011 to May 2014, he was appointed as the general manager of Dongfeng Passenger Vehicle Company. From July 2011 to March 2012, he served as the secretary of the community party committee of Technical Center of Dongfeng Motor Corporation. In November 2015, Mr. Liu was appointed as the vice chairman of the board of directors of Dongfeng Peugeot Citroën Automobile Company Ltd. In August 2011, he was appointed as the chairman of the board of directors of the Dongfeng Hongtai Wuhan Holdings Group Co., Ltd. Since June 2012, Mr. Liu has served as the chairman of the board of directors of Dongfeng Electric Vehicle Co., Ltd. In November 2012, he was appointed as the chairman of the board of directors of Dongfeng GETRAG Transmission Co., Ltd.. Mr. Liu also served as the supervisor of PSA Peugeot Citroën in April 2014. He was appointed as the director of Dongfeng Peugeot Citroën Automobile Sales Co., Ltd. in June 2014. In September 2014, he was the chairman of the board of directors of Xiangyang Daan Vehicle Inspection Centre. In May 2015, he worked for China Dongfeng Motor Industry Import and Export Co., Ltd.. He was appointed as the vice chairman of the board of directors of Dongfeng Yueda Kia Motor Co., Ltd. in November 2015. He also served as the chairman of the board of directors of Dongfeng Xiaokang Motor Company Limited in November 2015 and Dongfeng Peugeot Citroën Automobile Technical Centre Co., Ltd. in August 2015 respectively. Mr. Liu has 20 years of business and management experience in the automotive industry in the PRC. On 10 October 2013, Mr. Liu was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing from 10 October 2013.



Profiles of Directors, Supervisors and Senior Management (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Zhigeng, aged 71, has served as the external director of Dongfeng Motor Corporation and China Three Gorges Corporation since March 2011. Mr. Ma graduated from Yangzhou Institute of Technology majoring in mechanical manufacturing in 1968. Mr. Ma has worked in various positions since September 1968, including the deputy head of Sichuan Ordnance Bureau of the Ordnance Ministry (兵器部四川兵工局), deputy head of the Southwest regional department of China North Industries Group (中國北方工業(集團)總公司), as well as deputy head, chief economist, deputy general manager and deputy party secretary of the Southwest Ordnance Bureau of China North Industries Corporation (中國兵器工業總公司). He served as the general manager and party secretary of China North Industries Group Corporation from June 1999 to June 2007, and as the general manager of China North Industries Group Corporation from June 2007 to October 2008. Mr. Ma has served as the external director of Shanghai Electric Group, China Three Gorges Corporation and Dongfeng Motor Corporation since June 2010, December 2010 and March 2011 respectively. Mr. Ma became a Director of the Third Session of the Board of Directors of the Company in January 2013. Mr. Ma is not related to any of the Directors and senior management of the Company on 10 October 2013, Mr. Ma was re-elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing from 10 October 2013.

Mr. Zhang Xiaotie, aged 63, is the external director of Dongfeng Motor Corporation and China National Travel Service (HK) Group Corporation. Mr. Zhang graduated from the School of Economics and Management of Tsinghua University as a part-time postgraduate in industrial management engineering and received a Master's degree in engineering in 1989. Mr. Zhang had worked in various positions since 1969, including the deputy director general of the Finance Department of the Ministry of Posts and Telecommunications, deputy director general and director general of the Department of Financial Adjustment and Clearance of the Ministry of Information Industry, assistant to president, general manager and deputy general manager of the Planning and Financial Division and a member of leading party group of China Netcom Corporation, and director and senior vice president of China Netcom Group Corporation (Hong Kong) Limited. From May 2008 to June 2010, he served as the deputy general manager and a member of leading party group of China Netcom Corporation. He became the external director of China Electronics Corporation and Dongfeng Motor Corporation in June 2010 and March 2011 respectively. Mr. Zhang is not related to any of the Directors and senior management of the Company and does not have any interests in shares as defined by Division XV of the Securities and Futures Ordinance. On 10 October 2013, Mr. Zhang was elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing from 10 October 2013.

Profiles of Directors, Supervisors and Senior Management (Continued)

Mr. Cao Xinghe, aged 66, is a senior economist and the external director of Dongfeng Motor Corporation. Mr. Cao graduated from Tianjin Politics and Law Management College majoring in economic laws and Capital University of Economics and Business as a postgraduate majoring in business administration. He had worked in various positions since 1965, including the deputy general manager, general manager and secretary of the communist party of China Offshore Oil Bohai Corporation, and assistant to general manager of China National Offshore Oil Corporation. From 2004 to 2010, he served as the deputy general manager and member of leading party group of China National Offshore Oil Corporation. He served as the executive vice chairman of China Petroleum Enterprise Association and honorary chairman of China Petroleum and Chemical Enterprise Association (中國石油化工企業聯合會) in 2007. He became an independent director of China Yangtze Power Co., Ltd. in 2010, external director of Dongfeng Motor Corporation in 2011 and external director of China Shipping (Group) Company in 2012. Mr. Cao is not related to any of the Directors and senior management of the Company and does not have any interests in shares as defined by Division XV of the Securities and Futures Ordinance. On 10 October 2013, Mr. Cao was elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing from 10 October 2013.

Mr. Chen Yunfei, aged 45, lives in Hong Kong. Mr. Chen received his Bachelor's degree in law from Wuhan University in July 1992 and JD from Southern Illinois University in the US in December 1996. In early 1997, he joined Sullivan & Cromwell, an American law firm based in New York, and started practicing securities law. He moved to Hong Kong in 1998 and continued legal practice in the Hong Kong office of Sullivan & Cromwell. He left Sullivan & Cromwell in July 2001 and joined the Asian investment banking division of Deutsche Bank. During his service as a managing director in the Asian investment banking division of Deutsche Bank, he ran its Asian general industry (such as automobile industry) and metal and mining groups in different periods. In August 2007, he left Deutsche Bank and became an independent investor engaged in investment and consultation. He served as the board chairman of Asia Coal Limited, a company listed in Hong Kong, and is currently the independent director of China Gold International Resources Corp. Ltd., a company listed in Toronto, Canada and Hong Kong. Mr. Chen is not related to any of the Directors and senior management of the Company and does not have any interests in shares as defined by Division XV of the Securities and Futures Ordinance. On 10 October 2013, Mr. Chen was elected as a Director of the Fourth Session of the Board of Directors for a term of three years commencing from 10 October 2013.



Profiles of Directors, Supervisors and Senior Management (Continued)

SENIOR MANAGEMENT

Mr. Cai Wei, aged 57, is the Vice President and the Secretary of the Board of Directors of the Company. Mr. Cai is a senior postgraduate engineer. He graduated from Hefei Industrial University in 1982 with a Bachelor's degree in Engineering Science, specializing in internal combustion engines. Mr. Cai joined Dongfeng Motor Corporation in 1982. He has been the assistant to the general manager and the secretary to the board of directors of Dongfeng Motor Corporation since July 2011. He was the general manager of the auto parts division of the Dongfeng Motor Corporation from November 2001 to July 2003. He was the head of the Planning Department of Dongfeng Motor Corporation from July 2003 to September 2005 and concurrently served as the secretary to the party committee of Dongfeng Honda Automobile Co., Ltd. in December 2009. He has been the Vice President and the Secretary of the Board of Directors of Dongfeng Motor Group Company Limited since October 2004. Mr. Cai was appointed as a director of Dongfeng Honda Automobile Co., Ltd. in July 2003 and Dongfeng Peugeot Citroën Automobile Company Ltd. in November 2004. He also served as the chairman of the board of directors of Dongfeng Honda Engine Co., Ltd. and Dongfeng Honda Automobile Co., Ltd. in March 2013. He was also the supervisor of Dongfeng Peugeot Citroën Automobile Sales Co., Ltd. in June 2014.

SUPERVISORS

Mr. Ma Liangjie, aged 59, is an engineer and the Chairman of the Supervisory Committee of the Company. Mr. Ma graduated from Jilin University of Technology in 1982, specializing in design and manufacturing of internal combustion engine. He studied Astronautics Control and received a master's degree in Engineering from Harbin Institute of Technology from 1998 to 2001. Prior to joining Dongfeng Motor Corporation, he was an assistant to general manager of China Aerospace Science & Industry Corporation and the vice chairman, general manager of China Aerospace Automobile Co., Ltd. (中國航天汽車有限公司) and the chairman of Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd.. Mr. Ma joined Dongfeng Motor Corporation in December 2008, and he served as a standing committee member and the secretary of the disciplinary committee of the communist party of Dongfeng Motor Corporation. From March 2011 to June 2014, Mr. Ma was appointed as a director of Dongfeng Motor Corporation. In October 2013, Mr. Ma was elected as the Chairman of the Fourth Session of the Supervisory Committee for a term of three years commencing from 10 October 2013.

Profiles of Directors, Supervisors and Senior Management (Continued)

Mr. Zhao Jun, aged 57, graduated from Jilin University with a bachelor's degree in mathematics in 1982 and obtained his master's and doctoral degrees in science from Beijing Institute of Technology in 1987 and 1990, respectively. He was promoted to associate professor in 1991. He served as the director of registry in the former Beijing Institute of Commerce (currently known as Beijing Technology and Business University) from 1995 to 1998 and was promoted to professor in 2001. He is a professor and postgraduate instructor in administration at the Business School of University of International Business and Economics. His researches cover academic fields of econometric model, management decision analysis, and statistical analysis and forecasting. He has published over 20 articles on theories of professional disciplines, application of theories, teaching materials and methodologies and education management. Mr. Zhao received the second prize for National Outstanding Teaching Achievements (國家級優秀教學成果二等獎) and the first prize for Beijing Outstanding Teaching Achievements (北京地區優秀教學成果一等獎). Mr. Zhao is not related to any of the Directors or senior management of the Company and does not have any interests in shares as defined by Division XV of the Securities and Futures Ordinance. On 10 October 2013, Mr. Zhao was re-elected as a Supervisor of the Fourth Session of the Supervisory Committee for a term of three years commencing from 10 October 2013.

Mr. Zhong Bing, aged 52, is a senior economist. Mr. Zhong graduated from Jiangsu University majoring in industrial engineering and obtained his master's degree in engineering in 2005. He joined Dongfeng Motor Corporation in 1980 and served as the director of the office of president, director of the office of Wuhan branch and secretary of the communist party of Dongfeng Motor Co., Ltd. in July 2009. Mr. Zhong has served as an assistant to president and director of the office of president of Dongfeng Motor Co., Ltd. since April 2011, and the vice chairman of labour union of Dongfeng Motor Corporation since July 2011. Mr. Zhong served as the Supervisor representing employees of the Company in August 2013. Mr. Zhong is not related to any of the Directors and senior management of the Company and does not have any interests in shares as defined by Division XV of the Securities and Futures Ordinance.

JOINT COMPANY SECRETARY

Lu Feng, aged 48, the Joint Company Secretary of the Company, the head of Legal & Securities Affairs Department and Asset Management Department of the Company and the head of the Secretariat of the Board of Directors of the Company. Mr. Lu served as the deputy general manager of Dongfeng Automobile Co., Ltd. from June 2002 to December 2009 and the general manager of Dongfeng Automobile Co., Ltd. from December 2009 to November 2012.

Lo Yee Har, Susan, aged 57, is the Joint Company Secretary of the Company. Ms. Lo is an executive director of Tricor Services Limited. She is a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.



Profiles of Directors, Supervisors and Senior Management (Continued)

HEADS OF DEPARTMENTS

The head of the Office of the Company (Party Committee Office) is Mr. Zhao Shuliang.

The head of the Strategy & Planning Department of the Company is Mr. Liao Zhenbo.

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

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

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

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

The head of the International Business Department of the Company is Mr. Su Weibin.

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

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

The head of the Legal & Securities Affairs Department of the Company (The Secretary of the board of directors) is Mr. Lu Feng.

The head of the Asset Management Department of the Company is Mr. Lu Feng.

The head of the Employee Welfare and Insurance Department of the Company is Mr. Zhou Weiyong.

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

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

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

The head of the New Energy Vehicle business is Mr. Liu Guoyuan.

The head of the military vehicle business is Mr. Li Jiangang.

The head of Beijing Office of the Company is Mr. Xu Yaosheng.

Report of the Supervisory Committee

Dear shareholders,

In 2015, the Supervisory Committee has carried out its supervisory and other duties in accordance with the Company's Articles of Association to ensure the sound, stable and sustainable development of the Company as well as to safeguard the legal interests of all shareholders. It has performed effective supervision, through the inspection of relevant documents and information of the Company, and attending meetings of the Board of Directors and the shareholders' general meetings, on the compliance of laws, financial positions, connected transactions and internal control of the Company. The Supervisory Committee expressed the following independent opinion of such matters of the Company during the reporting period:

I. PERFORMANCE OF THE SUPERVISORY COMMITTEE

In 2015, the Supervisory Committee held two meetings and the number of attended supervisors formed quorums of the meetings as stipulated by the Company Law.

In 2015, the Supervisory Committee has reviewed and approved: the 2014 report of the Supervisory Committee of the Company; the 2014 financial report, which was audited by PricewaterhouseCoopers Zhong Tian LLP; the 2014 auditors' report, which was audited by PricewaterhouseCoopers and reviewed and approved by the Audit Committee; the 2014 annual report and preliminary results announcement; the 2014 profit distribution and payment of dividend proposal; the 2015 interim report and results announcement and the payment of 2015 interim dividend.

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

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

After the supervision on the directors and senior management of the Company, the Supervisory Committee is of the view that the Board of Directors was in compliance with the Company Law, the Securities Law, the Listing Rules of the Stock Exchange of Hong Kong, the Articles of Association of the Company and other relevant laws, rules and regulations and all Directors diligently performed their duties in 2015. The Supervisory Committee also considers that through scientific and democratic decision-making of the Board of Directors, the internal management and internal control system of the Company have been further improved and a better internal control mechanism was established. The decision of the Company on material matters was reasonable and procedures of decision-making were in compliance with laws and valid. Almost all of the Directors and the senior management of the Company complied with the laws, regulations, the Article of Association of the Company and the resolutions passed at the Shareholders' General Meeting and Board Meeting during their performance of duty. They were devoted to performing their duties diligently and precisely and performed their duties cautiously and aggressively.

Report of the Supervisory Committee (Continued)

During the reporting period, Mr. Zhu Fushou, the executive Director and president of the Company, was removed as the president of the Company on 25 November 2015 due to serious disciplinary and the suspension of his director duties will be proposed at the annual general meeting for consideration and approval.

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

The Chairman of the Supervisory Committee has attended all meetings of the Audit Committee under the Board during the reporting period, examined the financial system, financial position and internal audit of the Company and reviewed the 2014 annual report and 2015 interim report of the Company. The Supervisory Committee considers that the financial statements of the Company were prepared in accordance with the Listing Rules, Company Ordinance and International Accounting Principles and Standards. The financial system of the Company was sound and the management measures and internal control system were effective and could ensure the smooth operation and production of the Company. The Supervisory Committee also considers that the 2015 financial report gives a full, true and fair view of the operating results and financial position of the Dongfeng Motor Group for the year and that the unqualified opinion in the financial report issued by PricewaterhouseCoopers Limited, the auditors of the Company, are objective and fair.

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

The Supervisory Committee has seen the operating results and assets position of the Company in 2015 to its satisfaction. In 2016, the Supervisory Committee will strictly follow the relevant provisions, such as the Company Law, Securities Law and the Articles of Association of the Company and carry out supervision on the performance and conduct of the Board of Directors and senior management in accordance with laws. The Supervisory Committee will also supervise the Company to refine the corporate governance structure based on the requirements of modern enterprise system, in order to enhance the corporate governance level. In addition, the Supervisory Committee will carry out supervision and perform their duties diligently and attend meetings of the Board of Directors, so as to ensure the decision-making procedures of material matters of the Company to be in compliance with laws and protect the interests of our shareholders. Besides, through supervising on the financial situation of the Company, further enhancing its internal control and operational risk prevention and maintaining the communication with the internal audit department and external audit institution, the Supervisory Committee will further protect the interests of the Company and our shareholders, in order to consolidate its solid foundation for steady and sustainable development.

By Order of the Supervisory Committee

Ma Liangjie

Chairman of the Supervisory Committee

Wuhan, the PRC

29 March 2016

Corporate Governance Report

1. OVERVIEW OF CORPORATE GOVERNANCE

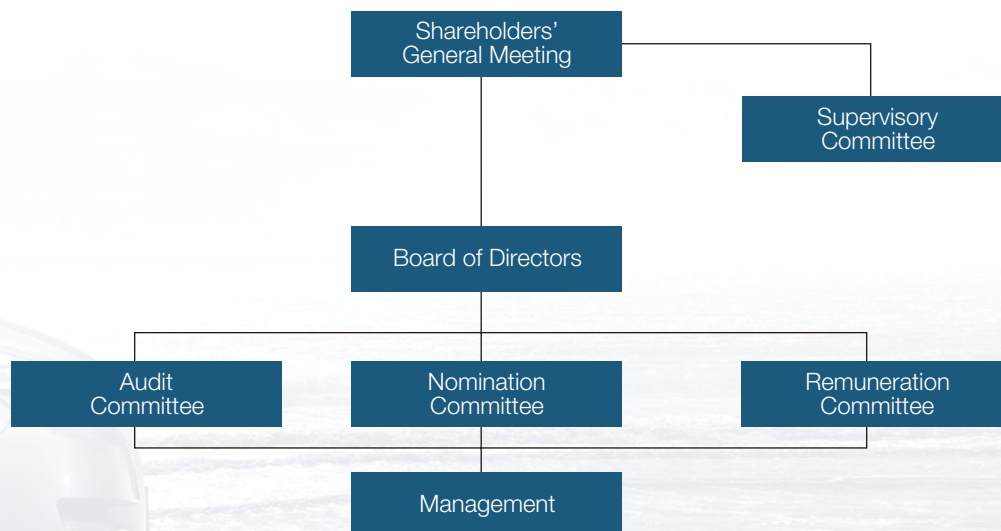
The Company has been in compliance with the Company Law of the People's Republic of China (the "Company Law"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Corporate Governance Code of the Stock Exchange of Hong Kong and the Articles of the Association of the Company, in order to improve its corporate value and bring good return to shareholders. Under the principles of integrity, transparency, openness and efficiency for corporate governance, the Company is dedicated to maintaining a high level of corporate governance so as to ensure its sustainable development.

The Board of Directors has reviewed the corporate governance practices of the Company and adopted a number of improved practices, details of which are set out in this report. During the financial year ended 31 December 2015, the Company fully complied with the code provisions as set out in the Corporate Governance Code (Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited).

2. STRUCTURE OF CORPORATE GOVERNANCE

1. General Structure of Corporate Governance

The highest authority of the Company is the shareholders' general meeting. The Board of Directors and the Supervisory Committee are under the supervision of the shareholders' general meeting. The Board of Directors has its Audit Committee, Nomination Committee and Remuneration Committee. As authorized by the Articles of Association, the Board of Directors is responsible for major business decision and the supervision on daily operation and management of the senior management. The Supervisory Committee is mainly responsible for the supervision on the performance of the Board of Directors and senior management. The Board of Directors and the Supervisory Committee are independently accountable to the shareholders' general meeting.



Corporate Governance Report (Continued)

2. Shareholders and Shareholders' General Meeting

(1) Shareholders

As at 31 December 2015, Dongfeng Motor Corporation, controlling shareholder of the Company, held 66.86% equity interest in the Company, with a market value of RMB49,997.92 million. The remaining 33.14% equity interest in the Company was held by public shareholders, with a market value of RMB24,786.62 million.

Information of other shareholders and persons who are entitled to exercise 5% or more (class of shares classified into domestic shares and H shares) of the voting power at shareholders' general meeting during the reporting period is set out on page 23 of this annual report.

Dongfeng Motor Corporation, a controlling shareholder of the Company, has exercised its rights and fulfilled its obligations in accordance with laws, and has never, directly or indirectly, interfered with the Company's operations beyond the authorization of the shareholders' general meetings. The Board of Directors, Supervisory Committee and internal organizations of the Company can operate independently.

The full text of the Articles of Association of the Company had been posted on the websites of the Company and Hong Kong Stock Exchange. In 2015, there was no amendment or change to the Articles of Association.

(2) Rights of Shareholders

The Company treats all shareholders equally and ensures that shareholders can fully exercise their rights to protect their legal interests. The Company has convened shareholders' general meetings strictly in accordance with laws and regulations. The governance structure of the Company ensures that all shareholders, particularly minority shareholders, enjoy equal rights and bear corresponding obligations.

In addition to the rights provided in the Articles of Association of the Company, pursuant to the Rules of Procedures of Shareholders' General Meeting, our shareholders shall also enjoy the following rights:

- 1) Two or more shareholders holding in aggregate 10% or more of the shares carrying voting rights at the proposed meeting may sign one or several written requests in the same form requesting the Board of Directors to convene an extraordinary general meeting or a class shareholders' meeting, specifying the matters to be considered at the meeting;

Corporate Governance Report (Continued)

- 2) Where the Board of Directors fails to issue notice to convene the meeting within 30 days upon the receipt of the written request, the requisitionists may convene a meeting within 4 months from the date of the receipt of the requisitionists by the Board of Directors. The meeting shall be convened by the requisitionists in accordance with the same procedures, as nearly as possible, as that to be followed by the Board of Directors for convening meetings;
- 3) Where the shareholders decide to convene shareholders' general meeting on their own, they should inform the Board of Directors in writing, and the Board of Directors and the secretary to the Board of Directors shall be cooperative for the purpose of the meeting;
- 4) When the Company convenes an annual general meeting, shareholder(s) holding 5% or more of the total number of shares of the Company carrying voting rights shall be entitled to propose new motions in writing to the Board of Directors;
- 5) Shareholders may raise enquiries about the Company at shareholders' general meeting and, except for trade secrets of the Company which may not be disclosed at the meeting, the chairman of the meeting shall instruct the directors, shareholders or other attendees to answer such enquiries;
- 6) A shareholder or shareholders present in person or by proxy holding shares, severally or jointly, of 10% or more conferring the right to attend and vote at shareholders' general meeting may demand a poll.

(3) Communication with Shareholders/Investor Relations

The Company strengthens its communication with investors through active investor relationship management. Investors will be informed of the results and operation of the Company promptly and will also be invited to have meetings with investment analysts, to attend press meeting and non-deal roadshows, to visit the Company and to attend reverse roadshows. Through these arrangements, shareholders, investors and general public are introduced of the operation of the Company and have the chances to raise their questions for answers. On the other hand, the Company submits monthly return on movements in its shareholdings in accordance with the regulatory requirement of the Stock Exchange. The Company has outstanding short-term debentures and is therefore required to release quarterly reports during the term of the debentures in accordance with the regulatory requirement of the National Association of Financial Market Institutional Investors.



Corporate Governance Report (Continued)

Shareholders may also inquire about any information of the Company within the scope of their rights. The H share registrar of the Company is Computershare Hong Kong Investor Services Limited, the address and contact details are as follows:

Correspondence address:
Shops 1712–1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wan Chai, Hong Kong;
Telephone No.: (+852) 2862 8628

(4) **Shareholders' General Meeting**

The Company attaches great importance to the communication between our directors and shareholders. The chairman of the Board of Directors, conveners of all committees, representative of auditors and management representatives shall attend all shareholders' general meetings and give detailed answers to shareholders' questions.

During the reporting period, the Company held one annual general meeting and one extraordinary general meeting, of which:

the extraordinary general meeting was held at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, the People's Republic of China, at 2:00 p.m. on 22 January 2015 (Thursday). The resolution considered at the meeting and the percentages of voters for and against are as follows:

Resolution	For	%	Against	%
i. As more than two-third (2/3) of the voters from the shareholders who attended and voted at the extraordinary general meeting were cast in favor of the following resolution, the resolution was duly passed as special resolution:				
1. To consider and approve the Company to apply for the registration and issue of medium-term notes by discretion.	6,348,362,485	85.52	1,074,677,677	14.48

Corporate Governance Report (Continued)

The annual general meeting was held at Special, No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei, the People's Republic of China at 9:00 a.m. on 19 June 2015 (Friday). The resolutions considered at the meeting and the percentages of voters for and against are as follows:

Resolutions	For	%	Against	%
I. As more than half (1/2) of the votes from the shareholders' who attended and voted at the annual general meeting were cast in favor of the following resolutions, the resolutions were duly passed as ordinary resolutions:				
1. To consider and approve the report of the Board of Directors of the Company for the year ended 31 December 2014.	7,489,642,515	99.995	360,000	0.005
2. To consider and approve the report of the Supervisory Committee of the Company for the year ended 31 December 2014.	7,489,642,515	99.995	360,000	0.005
3. To consider and approve the international auditors' report and audited financial statements of the Company for the year ended 31 December 2014.	7,489,642,515	99.995	360,000	0.005
4. To consider and approve the profit distribution proposal of the Company for the year ended 31 December 2014, and to authorize the Board of Directors to deal with all issues in relation to the Company's distribution of final dividend for the year 2014.	7,490,246,515	100	0	0
5. To consider and approve the authorization to the Board of Directors to deal with all issues in relation to the Company's distribution of interim dividend for the year 2015 in its absolute discretion (including, but not limited to, determining whether to distribute interim dividend for the year 2015).	7,490,246,515	100	0	0
6. To consider and approve the appointment of PricewaterhouseCoopers as the international auditor of the Company for the year 2015, and the re-appointment of PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor of the Company for the year 2015 to hold office until the conclusion of the next annual general meeting for the year 2015, and to authorize the Board of Directors to fix their remunerations.	7,487,588,515	99.965	2,658,000	0.035

Corporate Governance Report (Continued)

Resolutions	For	%	Against	%
7. To consider and approve the authorization to the Board of Directors to fix the remuneration of the directors and the supervisors of the Company for the year 2015.	7,469,016,515	99.717	21,230,000	0.283
8. To consider and approve the removal of Ren Yong as a Supervisor	7,490,246,515	100	0	0
9. To consider and approve the resignation of Xu Ping as an Executive Director	7,484,815,661	100	0	0
10. To elect Zhu Yanfeng as an Executive Director	7,382,536,349	98.564	107,568,166	1.436
11. To consider and approve the resignation of Zhou Qiang a Non-executive Director	7,447,970,515	100	0	0
12. To consider and approve the resignation of Feng Guo as an Independent Supervisor	7,447,970,515	100	0	0
II. As more than two-thirds (2/3) of the votes from the shareholders who attended and voted at the annual general meeting were cast in favor of the following resolution, the resolution was duly passed as a special resolution:				
13. To grant a general mandate to the Board of Directors to issue, allot and deal with additional shares in the Company not exceeding 20% of the total number of Domestic Shares and H Shares in issue.	5,961,563,114	79.591	1,528,683,401	20.409

All the resolutions proposed at the extraordinary general meeting and the 2014 annual general meeting were approved. There was no restriction on shareholders to cast votes on the resolutions proposed at the extraordinary general meeting and the 2014 annual general meeting. Computershare Hong Kong Investor Services Limited, the share registrar of the Company, retained lawyer Guo Zhi from Commerce & Finance Law Offices as the scrutineer for the vote-taking at the extraordinary general meeting and the 2014 annual general meeting. Poll results were announced at the meetings and on the websites of the Company and the Hong Kong Stock Exchange on the day of the meetings.

Corporate Governance Report (Continued)

(5) Shareholders' Calendar

The following table sets out the tentative key dates for shareholders for the financial year ending 31 December 2016. The dates are subject to changes in situation. Shareholders should refer to our announcements issued from time to time.

2016 Shareholders' Calendar

29 March	Announcement of final results and final dividends for the year ended 31 December 2015
Late April	Upload of the 2015 annual report on the websites of the Company and the Hong Kong Stock Exchange
Late April	Dispatch of the 2015 annual report to shareholders
17 June	2015 annual general meeting
Late August	Payment of final dividends for the year ended 31 December 2015
26 August	Announcement of interim results and interim dividends for the six months ended 30 June 2016, if any
Late September	Payment of interim dividends for the six months ending 30 June 2016, if any

3. Directors and Board of Directors

(1) Directors

1) *Composition and Term of Office of Directors*

Pursuant to the Articles of Association, directors shall be elected at shareholders' general meeting for a term of three years and shall be eligible for re-election upon expiry of their terms.

The current session of the Board of Directors is the fourth session since the establishment of the Company, which consists of eleven directors, including Mr. Xu Ping, Mr. Zhu Fushou and Mr. Li Shaozhu as executive directors, Mr. Tong Dongcheng, Mr. Ouyang Jie, Mr. Liu Weidong and Mr. Zhou Qiang as non-executive directors, and Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei as independent non-executive directors.



Corporate Governance Report (Continued)

The resignation of Mr. Xu Ping and Mr. Zhou Qiang (resigned on 6 May 2015 and 2 June 2015, respectively), both being directors, due to work commitments was considered and approved and Mr. Zhu Yanfeng was elected as an Executive Director of the Company at the annual general meeting held on 19 June 2015. Upon the changes of the composition, the fourth session of the Board comprises 10 directors, including Executive Directors, namely Mr. Zhu Yanfeng (whose term of office commenced from 19 June 2015), Mr. Zhu Fushou (who was suspended from his duties as an Executive Director and the president on 2 November 2015 due to disciplinary violations and removed as the president of the Company on 25 November 2015. His temporary placement has been arranged and announced and the Company will propose his resignation to the general meeting for the consideration and approval in due course) and Mr. Li Shaozhu, Non-executive Directors, namely Mr. Tong Dongcheng, Mr. Ouyang Jie and Mr. Liu Weidong, and Independent Non-executive Directors, namely Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei. The term of office of all incumbent directors will expire on 9 October 2016. Independent Non-executive Directors are all independent parties who do not have any connected relationship with the Company and substantial shareholders and their term of office does not exceed nine years.

There is no financial, business, family or other material relationships among members of the Board of Directors of the Company. The Company has purchased liability insurance for all directors and senior management.

Members of the Board of Directors of the Company have different industry backgrounds, having expertise and extensive experience in areas of corporate management, financial accounting, laws and investment. The Board of Directors has formulated the Board Diversification Policy and reviews its composition at least once a year. Brief biographies of each of the directors are set out on pages 53 to 60 in this annual report.

2) *Chairman and President*

The Chairman and President of the Company are acted by different persons with a clear division of duties. In particular, the Chairman is responsible for supervising the daily operation of the Board of Directors, examining the execution of the Board resolutions and other duties. During the Reporting Period, Mr. Xu Ping, the former chairman, submitted his resignation for the reason of work commitments with his term of office ended on 19 June 2015 and Mr. Zhu Yanfeng was appointed as the Chairman of the Company with effect from 19 June 2015. Due to disciplinary violations, Mr. Zhu Fushou was suspended from his duties as an Executive Director and president by the Company on 2 November 2015 and removed as the president of the Company on 25 November 2015, while Mr. Zhu Yanfeng, the chairman, is acting as a temporary replacement to perform relevant duties. The Company will public an announcement regarding the arrangement in due course. Details of the senior management of the Company are set out on page 58 in this annual report.

Corporate Governance Report (Continued)

3) *Independent non-executive directors*

Currently, the Company has four Independent Non-executive Directors, representing more than one third of the total members of the Board of Directors. The Company complied with the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors (accounting for at least one third of the Board), at least one of which possessing appropriate professional qualifications or accounting or related financial management expertise. All the Independent Non-executive Directors of the Company are familiar with the rights and obligations of directors and Independent Non-executive Directors of listed companies. During the reporting period, the Independent Non-executive Directors performed their duties in accordance with the Articles of Association of the Company and Rules of Procedures of the Board of Directors in a faithful and diligent manner, exercised the rights as Independent Non-executive Directors in a discreet, careful and proper manner and attended board meetings and shareholders' general meetings in a proactive and responsible manner. They made extensive efforts to improve the Company's corporate governance and material decision-making, and expressed impartial and objective opinions to effectively safeguard the interests of shareholders. All of the four Independent Non-executive Directors of the Company were members of the committees under the Board of Directors.

During the reporting period, the independent non-executive directors of the Company expressed their independent views on connected transactions during the reporting period and discharged their duties as independent non-executive directors seriously.

During the reporting period, the independent non-executive directors of the Company expressed no dissenting views to the resolutions of the Board of Directors and other matters other than such resolutions.

The Board of Directors confirmed the receipt from each of the independent non-executive directors a confirmation in respect of his independence pursuant to Rule 3.13 of the Listing Rules of the Hong Kong Stock Exchange. The Board considered the existing independent non-executive directors are independent persons as defined in Rule 3.13 of the Listing Rules of the Hong Kong Stock Exchange.

4) *Non-executive directors*

The term of office of both non-executive directors and all other members of the Board of Directors of the Company is three years and shall be subject to re-election.



Corporate Governance Report (Continued)

5) Training and Continuous Professional Development Directors

Directors shall participate in appropriate continuous professional development program to develop and refresh their knowledge and skills, in order to ensure that they understand the business and operation of the Company and are fully aware of their responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the reporting year, all directors were regularly given the newsletters for directors and supervisors prepared by the Company Secretariat to understand the industry development, current operation, financial condition and relevant information of the Company. The records are as follows:

	Information reviewed
Executive directors	
Mr. Zhu Yanfeng <i>(Chairman, appointment with effect from 19 June 2015)</i>	5 issues
Mr. Xu Ping <i>(resignation with effect from 19 June 2015)</i>	6 issues
Mr. Zhu Fushou <i>(suspended from his duties since 2 November 2015)</i>	10 issues
Mr. Li Shaozhu	11 issues
Non-executive directors	
Mr. Tong Dongcheng	11 issues
Mr. Ouyang Jie	11 issues
Mr. Liu Weidong	11 issues
Mr. Zhou Qiang <i>(resignation with effect from on 19 June 2015)</i>	6 issues
Independent non-executive directors	
Mr. Ma Zhigeng	11 issues
Mr. Zhang Xiaotie	11 issues
Mr. Cao Xinghe	11 issues
Mr. Chen Yunfei	11 issues

Corporate Governance Report (Continued)

6) *Securities Transaction of Directors*

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 to the Hong Kong Listing Rules (the “Model Code”) to regulate the directors’ securities transactions. During the reporting year, none of the directors had any other interest in the shares of the Company. All directors have confirmed, following enquiry by the Company, that they fully complied with the Model Code during 2015.

7) *Remuneration of Directors*

The fourth session of the Remuneration Committee of the Company is responsible for giving suggestion on the remuneration of individual executive directors and senior management.

Other than the independent non-executive directors of the Company who received remuneration of directors, all other directors did not receive any remuneration of directors from the Company. The executive directors receive remuneration in their capacities of employers of the Company; non-executive directors receive relevant remuneration from the Company; the remuneration of the independent non-executive directors is determined with reference to the average market level and the actual condition of the Company.

During the reporting year, the Company paid remuneration of RMB120,000 (after tax) to each of four independent non-executive directors of the fourth session of the Board of Directors, namely Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei.

(2) *The Board*

The Board is the decision-making body of the Company. The Board is responsible for the operation and management of properties of the Company as authorized by the general meeting. The Board is also responsible for performing the functions set out in the code provision D.3.1 of the CG Code. The Board is accountable to the shareholders in general meeting. The operation unit of the Company is responsible for the daily operation and management.

The Board is accountable to the shareholders’ general meeting and exercises the following functions and powers:

- to be responsible for the convening of the shareholders’ general meeting and to report on its work to the shareholders in general meetings;
- to implement the resolutions passed by the shareholders in general meetings;

Corporate Governance Report (Continued)

- to determine the business plans and investment proposals of the Company;
- to formulate the preliminary and final annual financial budgets of the Company;
- to formulate the profit distribution proposal and loss recovery proposal of the Company;
- to formulate the debt and financial policies, proposals for the increase or reduction of the registered capital of the Company and for the issuance of debentures;
- to draw up the material acquisition or disposal proposals and plans for the merger, division or dissolution of the Company;
- to determine the establishment of the internal management structure of the Company;
- to appoint or remove the president of the Company, to appoint or remove the vice president and the finance director of the Company based on the nominations of the president, and to decide on their remuneration;
- to decide on the establishment of the branch organizations of the Company;
- to set up the basic management system of the Company, including the financial management and human resources management systems;
- to formulate proposals for any amendment of the Articles of Association;
- to submit the proposals for application of bankruptcy of the Company;
- to determine the external guarantees of the Company under the authorization of general meetings;
- except for the matters that the Company Law and the Articles of Association require to be resolved by the shareholders in general meeting, to decide on other important and administrative matters of the Company and to execute other important agreements;
- to exercise such other authorities as conferred at general meetings and the Articles of Association.

The Board shall exercise the above powers by passing resolutions at Board meetings. The directors could also seek independent professional advice when performing their duties.

Corporate Governance Report (Continued)

1) *The Board Meeting*

The Board shall convene at least four meetings every year at an interval of approximately once a quarter. During the reporting period, the Board held six meetings, including four regular meetings and two extraordinary board meetings. The attendance of Directors in person was set out below (Directors failed to attend had appointed their proxies):

	The Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive directors					
Mr. Zhu Yanfeng (<i>Chairman</i>)	2/4 (50%)	-	-	1/1 (100%)	1/1 (100%)
Mr. Xu Ping (<i>Former chairman</i>)	2/2 (100%)	-	-	1/1 (100%)	1/1 (100%)
Mr. Zhu Fushou (<i>Former president</i>)	5/5 (100%)	-	-	-	2/2 (100%)
Mr. Li Shaozhu	3/6 (50%)	-	0/2 (0%)	-	1/2 (50%)
Non-executive directors					
Mr. Tong Dongcheng	4/6 (66.7%)	-	-	-	2/2 (100%)
Mr. Ouyang Jie	6/6 (100%)	3/3 (100%)	-	-	2/2 (100%)
Mr. Liu Weidong	1/6 (16.7%)	-	-	-	0/2 (0%)
Mr. Zhou Qiang (<i>Former non-executive director</i>)	2/2 (100%)	-	-	-	1/1 (100%)
Independent non-executive directors					
Mr. Ma Zhigeng	6/6 (100%)	-	2/2 (100%)	2/2 (100%)	2/2 (100%)
Mr. Zhang Xiaotie	6/6 (100%)	3/3 (100%)	-	2/2 (100%)	2/2 (100%)
Mr. Cao Xinghe	4/6 (66.7%)	-	2/2 (100%)	-	0/2 (0%)
Mr. Chen Yunfei	6/6 (100%)	3/3 (100%)	-	-	2/2 (100%)

Save as the above, meetings between the Chairman of the Board of Directors and non-executive directors (including independent non-executive directors) which no executive directors shall attend is held annually.

2) *Committees under the Board*

The Company has established three committees under the Board, including Audit Committee, Remuneration Committee and Nomination Committee. The members of these committees are mainly Independent Non-executive Directors. Each of the committees carries out its duties in accordance with its term of reference. The full texts of the rules of procedures of the three committees were posted on the websites of the Company and the Hong Kong Stock Exchange.

Corporate Governance Report (Continued)

Audit Committee

Committee members

The members of the Audit Committee are mainly Independent Non-executive Directors, including Mr. Zhang Xiaotie (the convener), Mr. Chen Yunfei and Mr. Ouyang Jie. Mr. Zhang Xiaotie has professional experience in financial management.

Major duties

- to advise the Board on the appointment or replacement of intermediary firms such as auditor and their remuneration;
- reviewing the financial reports of the Company, accounting policy of the Company and its changes, and other financial documents that required approval of the Board, and making suggestions to the Board;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- meeting with the auditor, in the absence of the management, at least twice a year to discuss about the auditing fee, issues arising from the auditing work and other matters suggested by the auditor;
- reviewing the systems for financial control, internal control and risk management of the Company, and discussing the internal control system with the management to ensure the management has performed their duties to establish an effective internal control system;
- coordinating the communication and work of internal and external auditors;
- ensuring sufficient resources provided to and appropriate standing for the internal auditing department within the Company, and reviewing and monitoring the efficiency of the internal auditing department;
- reviewing the following arrangements of the Company which the employees may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for a fair and independent investigation of such matters and for appropriate follow-up actions;
- to comply with any new requirements on the duties and authorities of the Committee under the listing rules of the places where the Company is located and where the shares of the Company are listed;
- other duties as authorized by the Board.

Corporate Governance Report (Continued)

The major works in 2015

The Audit Committee held three meetings in 2015 and the attendance of its members was set out in this report.

The major works of the Audit Committee in 2015 included:

- reviewing the annual financial report for 2014;
- reviewing the engagement of chief auditor for 2015;
- reviewing the interim financial report for 2015;
- receiving report on the conclusion of internal audit work for 2014 and report on audit work plan for 2015;
- considering and approving the work plan of Audit Committee of the Board for 2016.

Remuneration Committee

Committee members

The members of the Remuneration Committee are mainly Independent Non-executive Directors, including Mr. Ma Zhigeng (the convener), Mr. Cao Xinghe and Mr. Li Shaozhu.

Major duties

- to formulate the remuneration structure and strategy of senior management, and submit the same to the Board for approval;
- to formulate the remuneration proposal of Directors, Supervisors and senior management and medium and long term incentive schemes and submit the same to the Board for approval, and conduct performance appraisal for senior management;
- to make suggestion on the remuneration of particular Directors and senior management to the Board;



Corporate Governance Report (Continued)

- to review and approve the compensation (if any) payable to the Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and is also fair and not excessive for the Company;
- to review and approve compensation arrangements (if any) relating to the dismissal or removal of the Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and compensation payment is reasonable and appropriate;
- to ensure that no Director or any of his/her associates are involved in determining his/her own remuneration. The remuneration of a Non-executive Director who is a member of the Remuneration Committee shall be determined by other committee members;
- to comply with any new requirements on the duties and authorities of the Remuneration Committee under the listing rules of the places where the Company is located and where the shares of the Company are listed;
- other duties authorized by the Board.

Details of the remuneration of the each senior management are set out in note 8 to the Financial Statement Contained in this annual report.

The major works in 2015

The Remuneration Committee held two meetings in 2015 and the attendance of its members was set out in this report.

The major works of the Remuneration Committee in 2015 included:

- reviewing the remuneration scheme of the Directors and Supervisors of the Company for 2015;
- reviewing and considering the work plan of the Remuneration Committee of the Board for 2016.

Corporate Governance Report (Continued)

Nomination Committee

Committee members

The members of the Nomination Committee are mainly Independent Non-executive Directors, including Mr. Zhu Yanfeng (the convener), Mr. Ma Zhigeng and Mr. Zhang Xiaotie.

Major duties

- to advise the Board on the composition of the Board based on the operation, asset scale and equity structure of the Company;
- to advise the Board on the selection criteria and procedures of Directors;
- to identify and select qualified candidates to be nominated as Directors;
- to review the qualification of Director candidates and make recommendations to the Board;
- to offer recommendations on the composition of other professional committees;
- to review the independence of Independent Non-executive Directors. If the Board intends to propose a resolution to elect an individual as an Independent Non-executive Director at the shareholders' general meeting, a circular and/or explanatory statement shall be given together with the notice of the relevant shareholders' general meeting to shareholders to provide the reasons for such individual being considered independent;
- to give recommendations on candidates of president, vice president, secretary to the Board and person-in-charge of the finance department and other senior officers for appointment by the Board;
- to review the structure, size and composition of the Board (including skills, knowledge and experiences) at least once a year to ensure that the members of the Board have the requisite skill, knowledge and experience in different areas, and to propose restructuring of the Board to facilitate the implementation of the strategy of the Company;
- to offer recommendations to the Board on the appointment, re-appointment or replacement of Directors and senior management;

Corporate Governance Report (Continued)

- to comply with any new requirements on the duties and authorities of the Nomination Committee under the listing rules of the places where the Company is located and where the shares of the Company are listed;
- other duties as authorized by the Board.

The major works in 2015

The Nomination Committee held two meetings in 2015 and the attendance of its members was set out in this report.

The major works of the Nomination Committee in 2015 included:

- assessing the independence of the Independent Non-executive Directors;
- reviewing the composition of the Board;
- considering the removal of the President and the replacement of the authorized representative of the Company;
- considering and approving the work plan of the Nomination Committee of the Board for 2016.

4. Supervisors and the Supervisory Committee

(1) Supervisors

According to the Articles of Association, Supervisors shall include Supervisors representing the shareholders and one Supervisor representing employees. Supervisors representing the shareholders shall be elected and removed by shareholders' general meetings, and the Supervisors representing employees shall be elected and removed by the employees in a democratic way.

The current Supervisory Committee is the fourth session of Supervisory Committee since the establishment of the Company and comprised four Supervisors, namely, Mr. Ma Liangjie, chairman of the Supervisory Committee, Mr. Feng Guo and Mr. Zhao Jun, independent supervisors and Mr. Zhong Bing, the Supervisor representing employees.

The resignation of Mr. Feng Guo, an independent supervisor (resigned on 2 June 2015), due to work commitments was considered and approved at the annual general meeting held on 19 June 2015. Upon the changes of the composition, the fourth session of the Supervisory Committee of the Company comprises three supervisors, including Mr. Ma Liangjie, the chairman of the Supervisory Committee, Mr. Zhao Jun, an independent supervisor, and Mr. Zhong Bing, the Supervisor representing employees. The term of all incumbent supervisors is three years commencing from 10 October 2013.

Corporate Governance Report (Continued)

(2) Supervisory Committee

During the reporting period, the Supervisory Committee held two regular meetings and the attendance of supervisors in person was set out below (supervisors who failed to attend had appointed their proxies):

	The Supervisory Committee	The regular meeting of the Board	Annual general meeting
Supervisor			
Mr. Ma Liangjie (<i>the chairman</i>)	2/2 (100%)	4/4 (100%)	0/2 (0%)
Independent Supervisor			
Mr. Feng Guo (<i>resignation with effect from 19 June 2015</i>)	1/1 (100%)	1/2 (50%)	0/1 (0%)
Mr. Zhao Jun	2/2 (100%)	3/4 (75%)	1/2 (50%)
Supervisor representing employees			
Mr. Zhong Bing	2/2 (100%)	4/4 (100%)	2/2 (100%)

The Supervisory Committee has supervised on the convening and resolutions of shareholders' general meetings and Board meetings and the implementation of resolutions of shareholders' general meetings by the Board. The Supervisory Committee did not hold a dissenting view regarding the reports and resolutions proposed to shareholders' general meeting by the Board. The Supervisory Committee is of the view that the Company has been in compliance with the Company Law, the Listing Rules of the Stock Exchange of Hong Kong, the Articles of Association and other relevant laws, rules and regulations and diligently implemented all resolutions of shareholders' general meetings during the reporting period. The Supervisory Committee is of the view that the Company continuously refined its internal management and internal control system and the internal management system was well-established.

The Supervisory Committee reviewed the annual and interim financial reports and relevant information of the Company. Upon the audit, the certified public accountant have issued an unqualified auditors' report on the 2014 annual financial report, confirmed the consolidated financial statements give a true and fair view of the financial position and the financial performance of the Company. Accordingly, the certified public accountant also reviewed the interim financial information of year 2015, confirmed that nothing had come to their attention that caused them to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Corporate Governance Report (Continued)

The disciplinary and criminal investigations of a senior officer reflected that there are weakness in the internal management and corruption prevention of the Company, causing adverse effect on the Company. In response, the Company will establish a strict and comprehensive internal control system to prevent risks. The Company will also carry out probity trainings to regulate the behavior of its employees. The Company will strictly implement a system that all major decisions shall be made collectively and will regulate the decision-making process. The Company will also establish an effective supervision mechanism to detect and eliminate any deficiencies in management. The Company emphasizes the importance of integrity in its operation and development so as to achieve remarkable operation results and to protect the interests of its shareholders.

5. Accountability and Auditing

(I) *Financial Reporting*

The Directors are responsible for the preparation of the information and representations in the financial statements of the Company for the year. The Directors consider that the financial statements have been prepared in accordance with the Listing Rules, the Company Ordinance and international accounting standards and code. The Directors have applied appropriate accounting policies and have made prudent and reasonable judgments and estimates. The Directors, having made appropriate enquiries, are not aware of any material uncertain events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the auditor of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 85 to 86 of this annual report.

(II) *Auditors and their Remuneration*

The Audit Committee is responsible for providing recommendation on the appointment and replacement of accounting firms and other intermediary institutions and their remuneration to the Board.

The Company retained PricewaterhouseCoopers as the international auditor of the Company and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor of the Company for the reporting period. The total remuneration paid to the primary auditors for the review of the interim report and audit of annual report amounted to RMB9.8 million.

The Audit Committee has discussed and evaluated the professional qualification and the audit works of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP for 2015.

Corporate Governance Report (Continued)

(III) Risk Management and Internal Control

The Board reviews the effectiveness of the risk management and internal control of the Company regularly, including financial control, operation control and compliance control, to ensure that the operation of the Company is in compliance with laws and its assets are protected and the financial information used in its operation and disclosed to the public is accurate and reliable.

In accordance with the Corporate Governance Code of the Hong Kong Stock Exchange, the Company has set up a comprehensive set of risk management and internal control systems, including systems for mechanisms and procedures, systems for organizations and bodies and the supervision and control system, and has optimized the standardized risk management and internal control and management system.

Under the philosophy of “central planning, division of responsibilities, prioritization and comprehensive implementation” The Company has established a risk management and internal control system involving the Board, the Audit Committee and other relevant units and branches with clear division of duties. The Audit Committee of the Board was established to supervise the financial reporting procedures, internal control and risk management. The Audit Committee receives annual reports on the annual review of risk management and work on management and control, development and operation of internal control system as well as internal audit from the Company and provides guidance and supervision to the Company.

During the Reporting Period, the Company focused on the synergy of risk management with internal control and internal audit, located and rectified defects in the internal control, identified potential risks and promote the risk control capabilities. Also, the Company bettered the risks management by performing an audit on its businesses, in turn optimizing the internal control and eliminating the risks in an effective manner.

During the Reporting Period, under the authorization of the Board and the Audit Committee, the Audit Department of the Company carried out self-evaluation on the structure and operation of internal control in respects of the comprehensiveness, significance, control, adaptability and cost effectiveness to ensure the operation of the Company is in compliance with laws, to prevent risks and to enhance the management of the Company. The Company further refined and improved risk prevention mechanism and internal control system so as to ensure the sound operation of the Company. The principal businesses and issues under the internal control assessment cover all the businesses and management issues of the five elements of internal control. Key emphasis has been placed on the high-risk areas, including safety management, quality management, fund management, procurement management, sales management, production management, logistics management, inventory management, contract management and other businesses. During the Reporting Period, the Company has established internal control system for all businesses and issues which were included in the evaluation and the system was implemented effectively, meeting the objectives of internal control of the Company. The internal control of the Company did not have any material deficiencies. As such, reasonable assurance has been given to the fulfillment of the objectives of internal control of the Company.

Corporate Governance Report (Continued)

With the foundation of the annual risk assessment and improvement in specific risk management and control, the focus of the risk management tasks of the Company has been laid on the principle of “integration, innovation and promotion” to endeavor to integrate risks with businesses, innovative approaches with means and promotional templates and results, to augment risk control mechanisms and systems and to enhance the management and control of major risks. The Company has placed great emphasis on the implementation of risk control and management while constantly elevating the effectiveness of risk management and control to ensure the progressive and accelerated development via risk management. During the Reporting Period, there were no material events in relation to risks.

The internal audit of the Company is mainly focused on the communication and coordination with external auditors. Being oriented towards issues and risks, the internal audit is also integrated into the internal control and holistic risk management of the Company, which has enhanced the functions of internal audit as a “radar” and an “immune system”. The priority of the audit is placed on the prevention of operating and financial risks associated with risks on the decision-making procedures of “three major issues and one substantial matter” (“三重一大”), the quality of accounting information and accountability of management during the tenure, which has enhanced the rectification of issues identified in the audit and promoted the continuous optimization of internal control.

6. Company Secretaries

Ms. Susan Lo Yee Har of Tricor Services Limited has been engaged by the Company as one of its external joint company secretary. The Company’s primary internal contact person is Mr. Lu Feng, joint company secretary of the Company.

Ms. Susan Lo Yee Har and Mr. Lu Feng have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

7. Other Stakeholders

The Company respects and protects the legal interests of its stakeholders. The interests of shareholders, employees, the community and other parties are also taken care of. The Company also pays attention to environment protection and charity. The Company aims to maintain its sustainable and healthy growth.

8. Strengthening of Corporate Governance

The Board will continuously review its current practices for improvement based on the changes and development of regulatory requirements, in order to strengthen its corporate governance. The Company encourages shareholders to provide advice and recommendation to enhance and improve the transparency of the Company.

Independent Auditor's Report



羅兵咸永道

To the shareholders of Dongfeng Motor Group Company Limited

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Dongfeng Motor Group Company Limited (the "Company") and its subsidiaries set out on pages 87 to 177, which comprise the consolidated statements of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (Continued)

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 March 2016



Consolidated Income Statement

For the year ended 31 December 2015

	Notes	Year ended 31 December	
		2015 RMB million	2014 RMB million (Restated)
Revenue	4	126,566	83,114
Cost of sales		(109,637)	(72,297)
Gross profit		16,929	10,817
Other income	5	1,897	1,565
Selling and distribution expenses		(7,144)	(4,168)
Administrative expenses		(3,691)	(3,359)
Other expenses		(5,834)	(3,490)
Finance income	7	189	503
Share of profits and losses of:			
Joint ventures	17	10,422	10,664
Associates	18	1,297	2,089
PROFIT BEFORE TAX	6	14,065	14,621
Income tax expense	10	(1,353)	(1,364)
PROFIT FOR THE YEAR		12,712	13,257
Profit attributable to:			
Equity holders of the parent		11,550	12,797
Non-controlling interests		1,162	460
		12,712	13,257
Earnings per share attributable to ordinary equity holders of the parent:	12		
Basic for the year		134.05 cents	148.53 cents
Diluted for the year		134.05 cents	148.53 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Year ended 31 December	
	2015 RMB million	2014 RMB million (Restated)
PROFIT FOR THE YEAR	12,712	13,257
OTHER COMPREHENSIVE INCOME		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Share of other comprehensive income of investments accounted for using the equity method	136	(88)
Others	(31)	(9)
	105	(97)
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(146)	(1,100)
Share of other comprehensive income of interests accounted for using the equity method	18	262
	(128)	(838)
Income tax effect		
Item that will not be reclassified subsequently to profit or loss	4	1
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(19)	(934)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	12,693	12,323
Total comprehensive income attributable to:		
Equity holders of the parent	11,552	11,869
Non-controlling interests	1,141	454
	12,693	12,323

Consolidated Statement of Financial Position

31 December 2015

		31 December	
		2015	2014
<i>Notes</i>		<i>RMB million</i>	<i>RMB million</i> (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	13	12,929	11,862
Lease prepayments		936	984
Intangible assets	14	2,798	2,622
Goodwill	15	1,792	1,792
Investments in joint ventures	17	39,166	40,145
Investments in associates	18	10,525	9,360
Available-for-sale financial assets	25	190	191
Other non-current assets	19	8,908	8,378
Deferred income tax assets	10	1,803	1,703
Total non-current assets		79,047	77,037
Current assets			
Inventories	20	8,665	9,874
Trade receivables	21	3,664	3,883
Bills receivable	22	13,015	12,273
Prepayments, deposits and other receivables	23	14,756	12,589
Due from joint ventures	24	6,073	2,463
Pledged bank balances and time deposits	26	3,760	3,625
Cash and cash equivalents	26	31,806	25,233
Total current assets		81,739	69,940
TOTAL ASSETS		160,786	146,977
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	27	8,616	8,616
Reserves		10,569	9,214
Retained profits		65,465	55,985
		84,650	73,815
Non-controlling interests		6,834	1,621
Total equity		91,484	75,436

Consolidated Statement of Financial Position (Continued)

31 December 2015

	Notes	31 December	
		2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Non-current liabilities			
Interest-bearing borrowings	28	7,559	350
Other long term liabilities		954	697
Government grants	30	543	261
Due to joint ventures	24	–	1,265
Deferred income tax liabilities	10	1,032	764
Provisions	29	578	489
Total non-current liabilities		10,666	3,826
Current liabilities			
Trade payables	31	17,170	16,279
Bills payable	32	10,980	12,821
Other payables and accruals	33	13,981	12,640
Due to joint ventures	24	8,066	6,477
Interest-bearing borrowings	28	6,950	17,354
Income tax payable		541	1,376
Provisions	29	948	768
Total current liabilities		58,636	67,715
TOTAL LIABILITIES		69,302	71,541
TOTAL EQUITY AND LIABILITIES		160,786	146,977

Zhu Yanfeng
Director

Ouyang Jie
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

Year ended 31 December 2014

	Attributable to equity holders of the parent				Total RMB million	Non- controlling interests RMB million	Total equity RMB million
	Issued capital RMB million	Capital reserve RMB million	Statutory reserves RMB million	Retained profits RMB million			
	As at 1 January 2014						
As previously reported	8,616	1,540	6,574	46,404	63,134	899	64,033
Restatement for business combination under common control	-	429	7	(402)	34	11	45
As restated	8,616	1,969	6,581	46,002	63,168	910	64,078
Profit for the year	-	-	-	12,797	12,797	460	13,257
Other comprehensive income for the year	-	(928)	-	-	(928)	(6)	(934)
Total comprehensive income for the year	-	(928)	-	12,797	11,869	454	12,323
Transfer to reserves	-	-	1,263	(1,263)	-	-	-
Changes in ownership interests in subsidiaries without change of control	-	278	-	-	278	264	542
Share of capital reserve of investments accounted for using the equity method	-	51	-	-	51	-	51
Final 2013 dividend declared and paid	-	-	-	(1,551)	(1,551)	(7)	(1,558)
As at 31 December 2014	<u>8,616</u>	<u>1,370*</u>	<u>7,844*</u>	<u>55,985</u>	<u>73,815</u>	<u>1,621</u>	<u>75,436</u>

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2015

Year ended 31 December 2015

	Attributable to equity holders of the parent				Total	Non-controlling interests	Total equity
	Issued capital	Capital reserve	Statutory reserves	Retained profits			
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
As at 1 January 2015							
As previously reported	8,616	941	7,837	56,435	73,829	1,623	75,452
Restatement for business combination under common control	-	429	7	(450)	(14)	(2)	(16)
As restated	8,616	1,370	7,844	55,985	73,815	1,621	75,436
Profit for the year	-	-	-	11,550	11,550	1,162	12,712
Other comprehensive income for the year	-	2	-	-	2	(21)	(19)
Total comprehensive income for the year	-	2	-	11,550	11,552	1,141	12,693
Transfer to reserves	-	-	347	(347)	-	-	-
Changes in ownership interests in subsidiaries without change of control	-	1,220	-	-	1,220	4,239	5,459
Business combination under common control	-	(127)	-	-	(127)	207	80
Share of capital reserve of investments accounted for using the equity method	-	(87)	-	-	(87)	1	(86)
Final 2014 dividend declared and paid	-	-	-	(1,723)	(1,723)	(375)	(2,098)
As at 31 December 2015	<u>8,616</u>	<u>2,378*</u>	<u>8,191*</u>	<u>65,465</u>	<u>84,650</u>	<u>6,834</u>	<u>91,484</u>

* These reserve accounts comprise the consolidated reserves of RMB10,569 million (2014: RMB9,214 million) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	Year ended 31 December	
		2015 RMB million	2014 RMB million (Restated)
Cash flows from operating activities			
Profit before tax		14,065	14,621
Adjustments for:			
Share of profits and losses of joint ventures and associates		(11,719)	(12,753)
Gain on disposal of items of property, plant and equipment, net	6	(72)	(33)
Amortisation of lease prepayments		51	54
Provision against inventories	6	127	65
Impairment of trade and other receivables	6	119	173
Exchange losses, net	6	123	42
Depreciation	6	1,383	1,308
Impairment of items of property, plant and equipment	6	213	33
Amortisation of intangible assets	6	266	206
Finance income	7	(189)	(503)
Interest income	5	(902)	(690)
Government grants	30	(116)	(345)
		3,349	2,178
Decrease/(Increase) in trade and bills receivables and prepayments, deposits and other receivables		827	(1,174)
Decrease/(Increase) in inventories		1,039	(5,484)
Increase in amounts due from joint ventures		(3,610)	(1,221)
Increase in trade and bills payables, and other payables and accruals		1,176	6,570
Decrease in loans and receivables from financing services		(3,246)	(2,756)
Increase in cash deposits received from financing services		72	2,478
Decrease/(Increase) in a mandatory reserve with the People's Bank of China		1,426	(613)
Increase in amounts due to joint ventures		1,589	472
Increase in provisions		269	243
		2,891	693
Cash generated from operations		(313)	(321)
Interest paid		(2,020)	(1,144)
Income tax paid			
Net cash flows from/(used in) operating activities		558	(772)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2015

		Year ended 31 December	
		2015	2014
		<i>RMB million</i>	<i>RMB million</i> (Restated)
Notes			
Cash flows from investing activities			
	Purchases of items of property, plant and equipment	(3,005)	(3,025)
	Increase in lease prepayments and other long term assets	(127)	(96)
	Purchases of intangible assets	(663)	(396)
	Acquisition of subsidiaries	(1,265)	(1,356)
16	Investments in joint ventures	(45)	(2,075)
17	Investments in associates	–	(6,801)
18	Proceeds from disposal of items of property, plant and equipment	300	49
	Proceeds from disposal of intangible assets	36	–
	Proceeds from disposal of available-for-sale financial assets	–	4
	Dividends from joint ventures and associates	9,453	9,871
	Government grants received	398	119
	Interest received	487	734
26	Increase in pledged bank balances and time deposits	(135)	(994)
26	(Increase)/Decrease in non-pledged time deposits with original maturity of three months or more when acquired	(1,074)	3,069
	Disposal of subsidiaries	(114)	–
Net cash flows from/(used in) investing activities		4,246	(897)
Cash flows from financing activities			
	Proceeds from borrowings	13,356	22,372
	Repayment of borrowings	(16,057)	(12,668)
	Changes in ownership interests in subsidiaries without change of control	5,501	101
	Dividends paid to non-controlling shareholders	(370)	(31)
	Dividends paid	(1,723)	(1,551)
	Other finance cash flows – net	(12)	–
Net cash flows from financing activities		695	8,223
Net increase in cash and cash equivalents		5,499	6,554
	Cash and cash equivalents at beginning of year	23,233	16,679
	Cash and cash equivalents at end of year	28,732	23,233
26			

Zhu Yanfeng
Director

Ouyang Jie
Director

Notes to Financial Statements

31 December 2015

1. GENERAL INFORMATION

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

During the year, the Group was principally engaged in the manufacture and sale of automobiles, engines and other automotive parts and rendering of financing services.

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

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

In March 2015, the Group acquired certain businesses from DMC and its subsidiaries. For the business combination under common control, the financial information of the Group and that of the acquired businesses have been combined, as if the Group had acquired such businesses from the beginning of the earliest financial period presented. The net assets of the Group and the acquired business are combined using the existing book values from the controlling party's perspective. No amount is recognised for goodwill or excess of the Group's interest in the net fair value of the acquired business's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. The difference between the consideration and book value of the acquired business at the time of common control combination is deducted in the reserves of the Group. Accordingly, the comparative figures of this consolidated financial information have been restated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Notes to Financial Statements (Continued)

31 December 2015

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

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

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

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

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

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

(i) New and amended standards adopted by the Group

The following new standards and amendments to standards relevant to the Group are mandatory adopted for the first time for the financial year beginning on 1 January 2015:

Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Notes to Financial Statements (Continued)

31 December 2015

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(i) New and amended standards adopted by the Group (Continued)

Amendments from annual improvements to IFRSs – 2010–2012 Cycle, on IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures'.

Amendments from annual improvements to IFRSs – 2011–2013 Cycle, on IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'.

The Group assessed the adoption of these standards and concluded that it did not have a significant impact on the Group's results and financial position.

(ii) New and amended standards that might be relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted

A number of new standards and amendments to standards and interpretations are not effective for annual periods beginning after 1 January 2015, and have not been early adopted in preparing these consolidated financial statements. The Group has started assessing the full impact of the amendments and standards and intends to adopt the amendments no later than the respective effective dates of the amendments. The new standards and amendments to standards and interpretations are set out below:

IFRS 14 'Regulatory Deferral Accounts', effective for annual periods beginning on or after 1 January 2016.

Amendment to IFRS 11 on accounting for acquisitions of interests in joint operations, effective for annual periods beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortization, effective for annual periods beginning on or after 1 January 2016.

Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture, effective for annual periods beginning on or after 1 January 2016.

Amendment to IAS 27 on equity method in separate financial statements, effective for annual periods beginning on or after 1 January 2016.

Annual improvements 2014 that affect following standards: IFRS 5 'Non-current assets held for sale and discontinued operations', IFRS 7 'Financial instruments: Disclosures', IAS 19 'Employee benefits' and IAS 34 'Interim financial reporting', effective for annual periods beginning on or after 1 January 2016.

Notes to Financial Statements (Continued)

31 December 2015

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(ii) New and amended standards that might be relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted (Continued)

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities: applying the consolidation exception, effective for annual periods beginning on or after 1 January 2016.

Amendments to IAS 1 for the disclosure initiative, effective for annual periods beginning on or after 1 January 2016.

IFRS15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2018.

IFRS 9 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018.

(iii) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) the Group's voting rights and potential voting rights.

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

Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. If the Group holds less than 20% of the equity voting rights of the investee but can clearly demonstrate it has significant influence over the investee, the Group accounts such investees as associates. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's investments in associates and joint ventures include goodwill identified on acquisition. Upon the acquisition, any difference between the cost of the associates and joint ventures and the Group's share of the net fair value of the associates and joint ventures, identifiable assets and liabilities is accounted for as goodwill or share of profit of associates and joint ventures.

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

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

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

Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures *(Continued)*

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

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange of control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at face value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

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

Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill *(Continued)*

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

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

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

Fair value measurement

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

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

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

Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

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



Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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

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

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

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

Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

(i) Patents and licences

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

(ii) Research and development costs

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

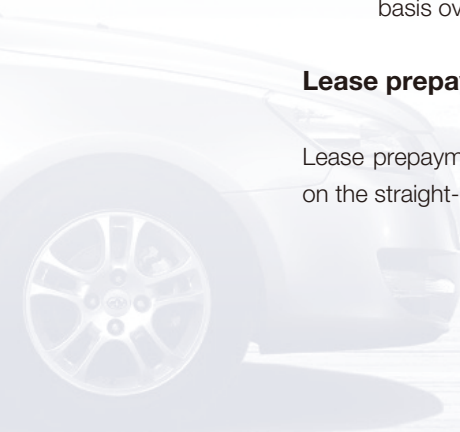
The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment arises during the year.

(iii) Customer relationships

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

Lease prepayments

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



Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating leases

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

Investments and other financial assets

(i) *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as loans and receivables, and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

(ii) *Subsequent measurement*

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

Loans and receivables

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

Available-for-sale financial investments

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

Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

(ii) Subsequent measurement (Continued)

Available-for-sale financial investments (Continued)

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

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

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

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

Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (Continued)

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

Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

(i) **Financial assets carried at amortised cost** (Continued)

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

(ii) **Assets carried at cost**

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

(iii) **Available-for-sale financial instruments**

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

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

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



Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

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

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

(ii) Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

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

Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Inventories

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

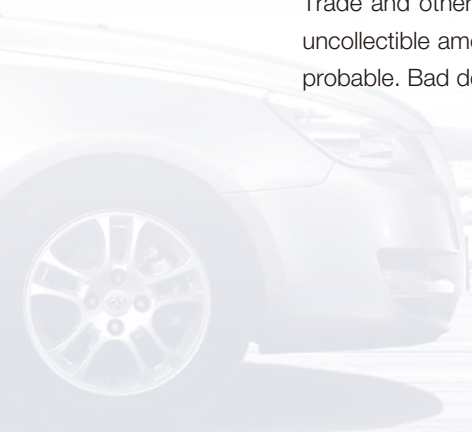
Costs incurred in bringing each product to its present location and condition are accounted for as follows:

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

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

Trade and other receivables

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



Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

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

Provisions

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

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

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

Income tax

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

(i) Current income tax

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

Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

(ii) Deferred income tax

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

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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

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

Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

(ii) **Deferred income tax** (Continued)

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

Government grants

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

Revenue recognition

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

(i) **Sale of goods**

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

(ii) **Rendering of services**

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

(iii) **Interest income**

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

Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

(iv) Dividend income

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

Employee benefits

(i) Retirement benefits

The Group's contributions to various defined contribution pension schemes regulated by the relevant municipal and provincial governments in the PRC and a supplemental pension scheme regulated by DMC are expensed as incurred. Further details of the defined contribution pension schemes and the supplemental pension scheme are set out in note 6(a) below.

(ii) Medical benefits

The Group's contributions to various defined contribution medical benefit plans organised by the relevant municipal and provincial governments in the PRC and a supplemental medical benefit plan organised by DMC are expensed as incurred. Further details of the defined contribution medical benefit plans and the supplemental medical benefit plan are set out in note 6(b) below.

(iii) Cash housing subsidies

Cash housing subsidies represented payments to the housing subsidy plans implemented by the Group in 2000. Cash housing subsidies related to past services of employees were fully recognised in the income statement on a one-off basis in the year of implementation of 2000. Cash housing subsidies related to present services of employees are recognised in the income statement when incurred. Further details of the housing subsidy plans are set out in note 6(c) below.

(iv) Termination and early retirement benefits

Termination and early retirement benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed either to terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Further details of the termination and early retirement benefit plan are set out in note 6(d) below.

Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

(v) Share-based payments

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

The cost of cash-settlement transactions is measured initially at fair value at the grant date using a binomial model, taking into account the terms and conditions upon which the instruments were granted (note 6(e)). The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is measured at the end of each reporting period up to and including the settlement date with changes in fair value recognised in the income statement.

Borrowing costs

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

Dividends

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

Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

(i) **Functional and presentation currency**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the company's functional and the group's presentation currency.

(ii) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(iii) **Group companies**

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

Notes to Financial Statements (Continued)

31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

(iii) Group companies (Continued)

- all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

3 SIGNIFICANT ACCOUNTING ESTIMATES

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

Notes to Financial Statements (Continued)

31 December 2015

3 SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation uncertainty

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

(i) *Impairment of goodwill*

Management determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More details are set out in note 15.

(ii) *Impairment of long-lived assets*

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

(iii) *Warranty provisions*

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

(iv) *Deferred tax assets*

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

(v) *Income tax*

The Group need to pay the income tax in several jurisdiction. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Notes to Financial Statements (Continued)

31 December 2015

3 SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

(vi) Fair value of associate's identifiable assets and liabilities

During the year ended 31 December 2014, the Group acquired an associated company (Note 18). Upon the acquisition, the Group initially recognised the investments in associates as the Group's share of the net fair value of the associate's identifiable assets and liabilities. The fair value of associate's identifiable assets and liabilities is determined by using certain valuation techniques. Significant judgement is required in determining the fair value of the associate's identifiable assets and liabilities.

4. REVENUE ON SALE OF GOODS AND SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

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.

For management purposes, the Group is organised 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.

Notes to Financial Statements (Continued)

31 December 2015

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

During the year ended 31 December 2015, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Year ended 31 December 2015

	Commercial vehicles RMB million	Passenger vehicles RMB million	Financing service RMB million	Corporate and others RMB million	Elimination RMB million	Total RMB million
Segment revenue						
Sales to external customers	36,344	88,218	1,864	140	–	126,566
Sales to internal customers	45	8	47	–	(100)	–
	<u>36,389</u>	<u>88,226</u>	<u>1,911</u>	<u>140</u>	<u>(100)</u>	<u>126,566</u>
Results						
Segment results	(464)	2,524	1,070	(2,398)	523	1,255
Interest income	295	352	–	834	(579)	902
Finance income, net						189
Share of profits and losses of:						
Joint ventures	172	10,621	151	(522)	–	10,422
Associates	–	986	283	28	–	1,297
	<u>–</u>	<u>986</u>	<u>283</u>	<u>28</u>	<u>–</u>	<u>1,297</u>
Profit before tax						14,065
Income tax expense						(1,353)
						<u>12,712</u>
Other segment information						
Capital expenditure:						
– Property, plant and equipment	1,213	1,602	2	188	–	3,005
– Intangible assets	414	187	8	54	–	663
– Lease prepayments	2	12	–	–	–	14
Depreciation of items of property, plant and equipment	720	581	2	80	–	1,383
Amortisation of intangible assets	186	11	2	67	–	266
Provision against inventories	100	24	–	3	–	127
Impairment losses recognised in the income statement	143	188	–	1	–	332
Warranty provisions	661	710	–	–	–	1,371
	<u>661</u>	<u>710</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,371</u>

Notes to Financial Statements (Continued)

31 December 2015

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

Year ended 31 December 2014

	Commercial vehicles <i>RMB million</i> (Restated)	Passenger vehicles <i>RMB million</i> (Restated)	Financing service <i>RMB million</i> (Restated)	Corporate and others <i>RMB million</i> (Restated)	Elimination <i>RMB million</i> (Restated)	Total <i>RMB million</i> (Restated)
Segment revenue						
Sales to external customers	44,787	36,671	1,565	91	–	83,114
Sales to internal customers	45	30	28	26	(129)	–
	<u>44,832</u>	<u>36,701</u>	<u>1,593</u>	<u>117</u>	<u>(129)</u>	<u>83,114</u>
Results						
Segment results	966	204	721	(1,698)	482	675
Interest income	409	233	–	598	(550)	690
Finance income, net						503
Share of profits and losses of:						
Joint ventures	466	11,314	48	(1,164)	–	10,664
Associates	–	(470)	234	2,325	–	2,089
	<u>–</u>	<u>(470)</u>	<u>234</u>	<u>2,325</u>	<u>–</u>	<u>2,089</u>
Profit before tax						14,621
Income tax expense						<u>(1,364)</u>
Profit for the year						<u>13,257</u>
Other segment information						
Capital expenditure:						
– Property, plant and equipment	2,128	888	4	5	–	3,025
– Intangible assets	203	169	16	8	–	396
– Lease prepayments	37	15	–	–	–	52
Depreciation of items of property, plant and equipment	721	485	2	100	–	1,308
Amortisation of intangible assets	184	22	–	–	–	206
Provision against inventories	63	2	–	–	–	65
Impairment losses recognised in the income statement	59	35	112	–	–	206
Warranty provisions	569	195	–	–	–	764
	<u>569</u>	<u>195</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>764</u>

Notes to Financial Statements (Continued)

31 December 2015

5. OTHER INCOME

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

	<i>Notes</i>	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Net income from disposal of other materials		103	93
Government grants and subsidies	30	309	345
Rendering of services		69	107
Interest income		902	690
Management dispatch fee received from joint ventures		209	211
Others		305	119
		1,897	1,565



Notes to Financial Statements (Continued)

31 December 2015

6. PROFIT BEFORE TAX

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

	<i>Notes</i>	2015 RMB million	2014 <i>RMB million</i> (Restated)
Cost of inventories recognised as expense		108,293	71,933
Interest expense for financing services (included in cost of sales)		150	134
Provision against inventories		127	65
Depreciation	13	1,383	1,308
Amortisation of intangible assets	14	266	206
Amortisation of lease prepayments		51	54
Auditors' remuneration		23	14
Lease payments under operating leases in respect of land and buildings		141	128
Staff costs (excluding directors' and supervisors' remuneration (note 8)):			
– Wages and salaries		4,671	4,432
– Pension scheme costs	(a)	596	660
– Medical benefit costs	(b)	319	274
– Cash housing subsidy costs	(c)	3	3
– Stock appreciation rights expense	(e)	3	40
		5,592	5,409
Included in other expenses:			
Gain on disposal of items of property, plant and equipment, net		(41)	(34)
(Gain)/Loss on disposal of lease prepayments		(31)	1
Impairment of items of property, plant and equipment	13	213	33
Impairment of trade and other receivables		119	173
Warranty provisions	29	1,371	764
Research costs		2,894	2,432
Other exchange losses, net		123	42

Notes to Financial Statements (Continued)

31 December 2015

6. PROFIT BEFORE TAX (CONTINUED)

(a) Retirement benefits

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

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

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

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

(b) Medical benefits

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

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

Notes to Financial Statements (Continued)

31 December 2015

6. PROFIT BEFORE TAX (CONTINUED)

(b) Medical benefits (Continued)

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

(c) Cash housing subsidies

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

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

(d) Termination and early retirement benefits

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

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

Notes to Financial Statements (Continued)

31 December 2015

6. PROFIT BEFORE TAX (CONTINUED)

(e) Stock appreciation rights

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

On 16 July 2013, the Company’s board of directors approved a plan of SARs for the senior management of the Group. 40,198,000 SAR units were granted with a term of five years with effect from 16 July 2013 (the “SAR”). The rights to the SAR units will have an exercise period of two years from the date of grant (i.e., 16 July 2013) and can be exercised in the third, fourth and fifth years following the date of grant and the total number of the rights exercised by an individual shall not in aggregate exceed 33%, 66% and 100%, respectively, of the total rights granted to the individual, respectively. The exercise price of the SARs as approved by the board of directors on 27 March 2012 was HK\$9.67 per unit, being the higher of the closing share price of the date of grant and the average share price at the close of trading over the five business days preceding the date of grant.

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

As at 31 December 2015, the carrying amount of the liability relating to the SARs stated on the basis as described in the preceding paragraph was RMB71 million (2014: RMB67 million) and the compensation expense recognised for the year ended 31 December 2015 was RMB4 million (2014: RMB43 million).

The following SARs were outstanding during the year:

	2015		2014	
	Weighted average exercise price HK\$ per share	Number of SAR units '000	Weighted average exercise price HK\$ per share	Number of SAR units '000
At 1 January	9.67	37,110	9.67	40,198
Granted during the year		—		—
At 31 December		37,110		40,198

Notes to Financial Statements (Continued)

31 December 2015

6. PROFIT BEFORE TAX (CONTINUED)

(e) Stock appreciation rights (Continued)

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

	Number of SAR units <i>'000</i>	Exercise price <i>HK\$ per share</i>	Exercise period
At 31 December 2015	37,110	9.67	16-07-2015 to 16-07-2017
At 31 December 2014	40,198	9.67	16-07-2015 to 16-07-2017

The fair value of SARs is measured using the binomial option pricing model. Measurement inputs include share price on the measurement date, exercise price of the SARs, expected dividends yield expected volatility (based on the weighted average historical volatility), weighted average expected life of the SARs (based on the expected nil SAR holder resignation rate and the expected exercise behavior when the share price exceeds 240% of the exercise price of HK\$9.67 per share), and the risk-free interest rate (based on Hong Kong Exchange Fund Note). Changes in the subjective input assumptions could materially affect the fair value estimate of the SARs.

The following table lists the inputs to the binomial option pricing model used for the measurement of the fair value of the SARs as at 31 December 2015:

Dividend yield (%)	0
Expected volatility (%)	40
Risk-free interest rate (%)	0.56
Expected life of options (years)	2.28
Share price on measurement date (<i>HK\$ per share</i>)	10.36

7. FINANCE INCOME

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Interest on bank loans and other borrowings	163	237
Interest on short term notes and discounted bills	96	120
Exchange net gains of financing activities	(448)	(860)
Net finance income	<u>(189)</u>	<u>(503)</u>

Notes to Financial Statements (Continued)

31 December 2015

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	Directors		Supervisors	
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Fees	686	697	81	104
Other emoluments:				
– Salaries	769	1,773	358	450
– Discretionary bonuses	3,535	8,108	905	1,445
– Estimated money value of other benefits	228	274	96	86
– Employer's contribution to a retirement benefit scheme	355	520	149	139
	5,573	11,372	1,589	2,224
Stock appreciation right expenses recognised in the income statement	195	2,631	48	553
Total charged to the income statement	5,768	14,003	1,637	2,777

Certain directors and supervisors were granted stock appreciation rights, in respect of their services to the Group, further details of which are set out in note 6(e) to the financial statements.

Notes to Financial Statements (Continued)

31 December 2015

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000	Stock appreciation right expenses recognised in the income statement RMB'000
Executive directors:							
Zhu Yanfeng (appointed on 19 June 2015)	-	93	93	27	35	248	-
Li Shaozhu	-	141	587	43	65	836	32
Xu Ping (resigned on 19 June 2015)	-	53	587	15	26	681	36
	-	287	1,267	85	126	1,765	68
Non-executive directors:							
Tong Dongcheng	-	141	587	43	68	839	32
Ouyang Jie	-	141	587	42	68	838	32
Liu Weidong	-	141	604	42	64	851	32
Zhou Qiang (resigned on 19 June 2015)	-	59	490	16	29	594	31
	-	482	2,268	143	229	3,122	127
Independent non-executive directors:							
Ma Zhigeng	168	-	-	-	-	168	-
Zhang Xiaotie	188	-	-	-	-	188	-
Cao Xinghe	162	-	-	-	-	162	-
Chen Yunfei	168	-	-	-	-	168	-
	686	-	-	-	-	686	-
	686	769	3,535	228	355	5,573	195
Supervisors:							
Ma Liangjie	-	141	574	53	90	858	31
Zhong Bing	-	217	331	43	59	650	17
	-	358	905	96	149	1,508	48
Independent supervisors:							
Feng Guo (resigned on 19 June 2015)	27	-	-	-	-	27	-
Zhao Jun	54	-	-	-	-	54	-
	81	-	-	-	-	81	-
	81	358	905	96	149	1,589	48

Notes to Financial Statements (Continued)

31 December 2015

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

The remuneration of every director and the chief executive is set out below: (Continued)

For the year ended 31 December 2014:

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000	Stock appreciation right expenses recognised in the income statement RMB'000
Executive directors:							
Xu Ping	-	277	1,281	40	78	1,676	408
Zhu Fushou	-	277	1,239	39	78	1,633	408
Li Shaozhu	-	244	1,122	39	73	1,478	365
	-	798	3,642	118	229	4,787	1,181
Non-executive directors:							
Tong Dongcheng	-	244	1,118	39	73	1,474	365
Ouyang Jie	-	244	1,122	39	73	1,478	365
Liu Weidong	-	244	1,128	39	73	1,484	365
Zhou Qiang	-	243	1,098	39	72	1,452	355
	-	975	4,466	156	291	5,888	1,450
Independent non-executive directors:							
Ma Zhigeng	170	-	-	-	-	170	-
Zhang Xiaotie	189	-	-	-	-	189	-
Cao Xinghe	173	-	-	-	-	173	-
Chen Yunfei	165	-	-	-	-	165	-
	697	-	-	-	-	697	-
	697	1,773	8,108	274	520	11,372	2,631
Supervisors:							
Ma Liangjie	-	243	1,104	48	82	1,477	354
Zhong Bing	-	207	341	38	57	643	199
	-	450	1,445	86	139	2,120	553
Independent supervisors:							
Feng Guo	51	-	-	-	-	51	-
Zhao Jun	53	-	-	-	-	53	-
	104	-	-	-	-	104	-
	104	450	1,445	86	139	2,224	553

Notes to Financial Statements (Continued)

31 December 2015

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

No retirement benefits or termination benefits were paid to directors or supervisors during the year ended 31 December 2015. No considerations were provided to third parties for making available directors' services (2014: same).

During the year ended 31 December 2015, no loans, quasi-loans or other dealings was entered into by the company in favour of directors or supervisors (2014: same).

No significant transactions, arrangements and contracts in relation to the group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include directors (2014: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the five (2014: three) highest paid employees who are neither a director nor a supervisor of the Company are as follows:

	2015	2014
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	2,881	2,079
Bonuses	3,895	2,972
Pension scheme contributions	473	275
	<u>7,249</u>	<u>5,326</u>

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

	Number of employees	
	2015	2014
Nil-RMB1,500,000	5	-
RMB1,500,001-RMB2,000,000	-	3
RMB2,000,001-RMB2,500,000	-	-
	<u>5</u>	<u>3</u>

Notes to Financial Statements (Continued)

31 December 2015

10. INCOME TAX EXPENSE

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Current income tax	1,181	1,727
Deferred income tax	172	(363)
Income tax expense for the year	<u>1,353</u>	<u>1,364</u>

(a) Corporate income tax

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

(b) Hong Kong profits tax

No provision for Hong Kong profits tax (tax rate: 16.5%) has been made as the Group had no assessable profits arising in Hong Kong during the year.

(c) Deferred income tax

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

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



Notes to Financial Statements (Continued)

31 December 2015

10. INCOME TAX EXPENSE (CONTINUED)

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

	2015		2014	
	<i>RMB million</i>	%	<i>RMB million</i> (Restated)	%
Profit before tax	14,065		14,621	
At the PRC statutory corporate income tax rate of 25% (2014: 25%)	3,516	25.0	3,655	25.0
Tax concessions and lower tax rates for specific provinces or locations	(172)	(1.2)	(119)	(0.8)
Associates and Joint Ventures' results reported net of tax	(2,686)	(19.1)	(2,649)	(18.1)
Income not subject to corporate income tax	(16)	(0.1)	(26)	(0.2)
Expenses not deductible for corporate income tax	5	-	19	0.1
Tax losses not recognised	706	5.0	484	3.3
Income tax expense at the Group's effective income tax rate	1,353	9.6	1,364	9.3

The share of tax attributable to associates and joint ventures amounting to RMB71 million (2014: RMB72 million) and RMB3,703 million (2014: RMB3,854 million), respectively, is included in "Share of profits and losses of joint ventures and associates" in the consolidated income statement.

Notes to Financial Statements (Continued)

31 December 2015

10. INCOME TAX EXPENSE (CONTINUED)

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

	Consolidated statement of financial position		Consolidated income statement and statement of comprehensive income	
	As at 31 December		Year ended 31 December	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		(Restated)
Deferred tax assets:				
Assets impairment	123	86	(37)	(61)
Accrued expenses	1,096	1,110	14	(731)
Warranty provision	244	136	(108)	(15)
Wages payable	153	277	124	(126)
Tax losses carry-forwards	118	–	(118)	–
Others	69	94	25	(48)
Gross deferred tax assets	<u>1,803</u>	<u>1,703</u>	<u>(100)</u>	<u>(981)</u>
Deferred tax liabilities:				
Fair value adjustments arising from gain of controls in subsidiaries	(119)	(134)	(15)	(13)
Unremitted earnings of oversea businesses	<u>(913)</u>	<u>(630)</u>	<u>283</u>	<u>630</u>
Gross deferred tax liabilities	<u>(1,032)</u>	<u>(764)</u>	<u>268</u>	<u>617</u>
			<u>168</u>	<u>(364)</u>
Represented by:				
Deferred tax charged/credited to consolidated income statement			172	(363)
Deferred tax credited to other comprehensive income			<u>(4)</u>	<u>(1)</u>
			<u>168</u>	<u>(364)</u>

Notes to Financial Statements (Continued)

31 December 2015

10. INCOME TAX EXPENSE (CONTINUED)

Deferred income tax assets and deferred income tax liabilities are analysed as follows:

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Deferred income tax assets:		
– Deferred income tax assets collected over 12 months	533	293
– Deferred income tax assets collected within 12 months	1,270	1,410
	1,803	1,703
Deferred income tax liabilities:		
– Deferred income tax liabilities collected over 12 months	(1,014)	(749)
– Deferred income tax liabilities collected within 12 months	(18)	(15)
	(1,032)	(764)
	771	939

11. DIVIDEND

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Proposed final – RMB0.20 (2014: RMB0.20) per ordinary share	1,723	1,723

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

The dividends paid in 2015 amounted to RMB1,723 million (RMB0.20 per share) (2014: RMB1,723 million (RMB0.20 per share)).

Notes to Financial Statements (Continued)

31 December 2015

11. DIVIDEND (CONTINUED)

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

- (i) Making up prior years’ cumulative losses, if any.
- (ii) Allocations to the statutory surplus reserves of at least 10% of after-tax profit, until the reserve reaches 50% of the Company’s share capital in aggregate. For the purpose of calculating the transfer to the reserve, the profit after tax shall be the amount determined under PRC GAAP. The transfer to this reserve must be made before any distribution of dividends to shareholders.

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

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

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

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

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

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

The calculation of basic earnings per share is based on:

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Earnings: Profit for the year attributable to ordinary equity holders of the parent	11,550	12,797

Notes to Financial Statements (Continued)

31 December 2015

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

	Number of shares	
	<i>million</i>	<i>million</i>
Shares:		
Weighted average number of ordinary shares in issue during the year	<u>8,616</u>	<u>8,616</u>
Earnings per share	<u>134.05 cents</u>	<u>148.53 cents</u>

The Group had no potentially dilutive ordinary shares in issue during these years, so the diluted earnings per share equals the basic earnings per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB million</i>	Plant and equipment <i>RMB million</i>	Construction in progress <i>RMB million</i>	Total <i>RMB million</i>
At 31 December 2014 and 1 January 2015:				
Cost	1,052	15,957	2,211	19,220
Accumulated depreciation and impairment	<u>(379)</u>	<u>(6,976)</u>	<u>(3)</u>	<u>(7,358)</u>
Net carrying amount	<u>673</u>	<u>8,981</u>	<u>2,208</u>	<u>11,862</u>
At 1 January 2015, net of accumulated depreciation and impairment	673	8,981	2,208	11,862
Additions	17	352	2,562	2,931
Disposals	(107)	(161)	-	(268)
Reclassification	240	2,094	(2,334)	-
Impairment	(1)	(212)	-	(213)
Depreciation provided during the year	<u>(73)</u>	<u>(1,310)</u>	<u>-</u>	<u>(1,383)</u>
At 31 December 2015, net of accumulated depreciation and impairment	<u>749</u>	<u>9,744</u>	<u>2,436</u>	<u>12,929</u>
At 31 December 2015:				
Cost	1,077	17,749	2,436	21,262
Accumulated depreciation and impairment	<u>(328)</u>	<u>(8,005)</u>	<u>-</u>	<u>(8,333)</u>
Net carrying amount	<u>749</u>	<u>9,744</u>	<u>2,436</u>	<u>12,929</u>

Notes to Financial Statements (Continued)

31 December 2015

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings <i>RMB million</i> (Restated)	Plant and equipment <i>RMB million</i> (Restated)	Construction in progress <i>RMB million</i> (Restated)	Total <i>RMB million</i> (Restated)
At 31 December 2013 and 1 January 2014:				
Cost	854	13,141	2,246	16,241
Accumulated depreciation and impairment	<u>(307)</u>	<u>(5,895)</u>	<u>–</u>	<u>(6,202)</u>
Net carrying amount	<u><u>547</u></u>	<u><u>7,246</u></u>	<u><u>2,246</u></u>	<u><u>10,039</u></u>
At 1 January 2014, net of accumulated depreciation and impairment				
	547	7,246	2,246	10,039
Additions	89	763	2,326	3,178
Disposals	–	(14)	–	(14)
Reclassification	109	2,252	(2,361)	–
Impairment	–	(33)	–	(33)
Depreciation provided during the year	<u>(72)</u>	<u>(1,233)</u>	<u>(3)</u>	<u>(1,308)</u>
At 31 December 2014, net of accumulated depreciation and impairment				
	<u><u>673</u></u>	<u><u>8,981</u></u>	<u><u>2,208</u></u>	<u><u>11,862</u></u>
At 31 December 2014:				
Cost	1,052	15,957	2,211	19,220
Accumulated depreciation and impairment	<u>(379)</u>	<u>(6,976)</u>	<u>(3)</u>	<u>(7,358)</u>
Net carrying amount	<u><u>673</u></u>	<u><u>8,981</u></u>	<u><u>2,208</u></u>	<u><u>11,862</u></u>

Notes to Financial Statements (Continued)

31 December 2015

14. INTANGIBLE ASSETS

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Cost:		
At 1 January	3,473	3,077
Additions	442	396
Disposals	(1)	–
	<hr/> 3,914 <hr/>	<hr/> 3,473 <hr/>
At 31 December		
Accumulated amortisation:		
At 1 January	739	533
Amortisation	266	206
Disposals	(1)	–
	<hr/> 1,004 <hr/>	<hr/> 739 <hr/>
At 31 December		
Impairment:		
At 1 January	112	112
Additions	–	–
	<hr/> 112 <hr/>	<hr/> 112 <hr/>
At 31 December		
Net book value:		
At 1 January	<hr/> 2,622 <hr/>	<hr/> 2,432 <hr/>
At 31 December	<hr/> 2,798 <hr/>	<hr/> 2,622 <hr/>

Notes to Financial Statements (Continued)

31 December 2015

15. GOODWILL

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
At 1 January	1,792	1,590
Additions	<u>–</u>	<u>202</u>
At 31 December	<u>1,792</u>	<u>1,792</u>

The recoverable amounts of the cash-generating units, to which the goodwill is allocated, have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period. The discount rate applied to the cash flow projections is 13%–15% (2014: 13%–15%). No growth rate has been projected beyond the five-year period.

16. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2015 were as follows:

Name	Place of establishment and business	Paid-up and registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Dongfeng Commercial Vehicles Co., Ltd.	PRC	RMB9,200,000,000	55	–	Manufacturing and sales of commercial vehicles
Dongfeng Liuzhou Motor Co., Ltd.	PRC	RMB1,224,700,000	75	–	Manufacturing and sale of automobiles, automotive parts and components
Dongfeng Motor Finance Co., Ltd.	PRC	RMB3,500,000,000	100	–	Provision of finance services
China Dongfeng Motor Industry Import and Export Co., Ltd.	PRC	RMB200,000,000	95	2.6	Marketing and sale of automobiles
Dongfeng Electric Vehicle Co., Ltd.	PRC	RMB90,580,000	90.07	–	Manufacturing and sale of electric vehicles, parts and components
Dongfeng Off-road Vehicle Co., Ltd.	PRC	RMB155,000,000	100	–	Manufacturing and sale of off-road vehicles, parts and components
Dongfeng Special Commercial Vehicle Co., Ltd.	PRC	RMB343,314,200	75.08	–	Manufacturing and sale of special commercial vehicles, parts and components
Dongfeng Peugeot Citroën Automobile Sales Co., Ltd.	PRC	RMB100,000,000	50	–	Marketing and sale of automobiles

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

Notes to Financial Statements (Continued)

31 December 2015

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with non-controlling interests:

There is no individually material subsidiary with non-controlling interest within the group. Considering all the subsidiaries are automobile industry related companies, their principal activities are manufacturing and sale of automobile, automotive parts as well as components and they all operate their businesses in China mainland, the summarised aggregated financial information for all the subsidiaries that has non-controlling interests are set out below:

Summarised statement of financial position

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Current assets	43,134	42,210
Current liabilities	40,417	39,884
Net current assets	2,717	2,326
Non-current assets	16,475	14,975
Non-current liabilities	1,779	1,167
Net non-current assets	14,696	13,808
Net assets	17,413	16,134

Summarised statement of comprehensive income

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Revenue	118,134	79,464
Profit before tax	3,438	2,757
Income tax expense	(839)	(579)
Profit for the year	2,599	2,178
Other comprehensive income	(45)	(16)
Total comprehensive income for the year	2,554	2,162
Total comprehensive income attributable to non-controlling interests	5	17

Notes to Financial Statements (Continued)

31 December 2015

17. INVESTMENTS IN JOINT VENTURES

The amounts recognised in the consolidated statement of financial position are as follows:

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Joint ventures, at carrying value	39,166	40,145

The movements in investments in joint ventures are as follows:

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
At 1 January	40,145	34,629
Additional investments	184	2,075
Share of profit	10,432	10,807
Other comprehensive income	(5)	(20)
Other changes in equity	1	–
Disposals	(139)	–
Dividends received	(11,452)	(7,346)
At 31 December	39,166	40,145



Notes to Financial Statements (Continued)

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17. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Particulars of the principal joint ventures of the Group as at 31 December 2015 were as follows:

Name	Place of establishment and business	Paid-up Registered capital	Percentage of equity interest attributable to the Company	Principal activities
Dongfeng Motor Co., Ltd. ("DFL")	PRC	RMB16,700,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Peugeot Citroën Automobile Company Ltd. ("DPCA")	PRC	RMB7,000,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Automobile Co., Ltd. ("DHAC")	PRC	USD560,000,000	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Engine Co., Ltd.	PRC	USD121,583,517	50.00	Manufacture and sale of automotive parts and components
Dongfeng Honda Auto Parts Co., Ltd.	PRC	USD37,500,000	44.00	Manufacture and sale of automotive parts and components
Dongvo (Hangzhou) Truck Co., Ltd.	PRC	RMB289,900,700	50.00	Manufacture and sale of automotive parts and components
Dongfeng Renault Automotive Co., Ltd.	PRC	RMB4,706,303,466	50.00	Manufacture and sale of automotive parts and components
Dongfeng Peugeot Citroën Finance Co., Ltd.	PRC	RMB1,000,000,000	50.00	Provision of Finance services

Notes to Financial Statements (Continued)

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17. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The financial information of material joint ventures

The following tables illustrate the financial information of the material joint ventures including DFL, DPCA and DHAC, adjusted for differences in accounting policies between the Group and the joint ventures, and before equity method was applied to account for the Group's share of those amounts.

(i) Statement of financial position of material joint ventures

	DFL		DPCA		DHAC	
	2015	2014	2015	2014	2015	2014
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Cash and cash equivalents	16,244	15,156	13,254	12,793	7,356	6,583
Other current assets (excluding cash)	59,223	48,591	5,864	9,986	17,542	13,637
Total current assets	75,467	63,747	19,118	22,779	24,898	20,220
Non-current assets	41,841	40,661	22,196	19,285	8,782	7,884
Total assets	117,308	104,408	41,314	42,064	33,680	28,104
Current financial liabilities (excluding account payable)	(608)	(448)	(325)	(2,220)	-	-
Other current liabilities (including account payable)	(62,440)	(52,401)	(25,662)	(23,283)	(21,835)	(13,899)
Total current liabilities	(63,048)	(52,849)	(25,987)	(25,503)	(21,835)	(13,899)
Non-current financial liabilities (excluding account payable)	(71)	(1,091)	(491)	(1,620)	-	-
Other non-current liabilities (including account payable)	(3,783)	(2,090)	(860)	-	(1,304)	(737)
Total non-current liabilities	(3,854)	(3,181)	(1,351)	(1,620)	(1,304)	(737)
Total liabilities	(66,902)	(56,030)	(27,338)	(27,123)	(23,139)	(14,636)
Non-controlling interests	(8,274)	(7,835)	-	-	-	-
Net assets	42,132	40,543	13,976	14,941	10,541	13,468

Notes to Financial Statements (Continued)

31 December 2015

17. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The financial information of material joint ventures (Continued)

(ii) Statement of comprehensive income of material joint ventures

	DFL		DPCA		DHAC	
	2015 RMB million	2014 RMB million	2015 RMB million	2014 RMB million	2015 RMB million	2014 RMB million
Revenue	131,980	128,296	56,713	64,657	53,086	41,087
Depreciation and amortisation	(4,176)	(3,669)	(1,876)	(2,413)	(937)	(947)
Interest income	694	485	610	741	123	181
Interest expenses	33	(62)	(61)	(82)	-	-
Profit before tax	17,345	18,004	3,828	4,460	6,252	5,763
Income tax expenses	(4,187)	(4,318)	(914)	(1,131)	(1,568)	(1,531)
Profit after tax	13,158	13,686	2,914	3,329	4,684	4,232
Non-controlling interests	(1,548)	(1,330)	-	-	-	-
Other comprehensive income	3	(40)	-	-	-	-
Total comprehensive income	11,613	12,316	2,914	3,329	4,684	4,232
Dividend received	5,012	5,177	1,940	1,039	3,806	527

Notes to Financial Statements (Continued)

31 December 2015

17. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Reconciliation of financial information

The following table illustrates the reconciliation of share of net assets to carrying amounts of material joint ventures:

	DFL		DPCA		DHAC	
	2015 <i>RMB million</i>	2014 <i>RMB million</i>	2015 <i>RMB million</i>	2014 <i>RMB million</i>	2015 <i>RMB million</i>	2014 <i>RMB million</i>
Opening net assets at 1 January	40,543	38,581	14,941	13,690	13,468	10,289
Profit after tax	13,158	13,686	2,914	3,329	4,684	4,232
Other comprehensive income	3	(40)	-	-	-	-
Dividend received	(10,024)	(10,353)	(3,879)	(2,078)	(7,611)	(1,053)
Non-controlling interests	(1,548)	(1,330)	-	-	-	-
Other charges in equity	-	(1)	-	-	-	-
Closing net assets at 31 December	42,132	40,543	13,976	14,941	10,541	13,468
Interest in joint ventures (50%)	21,066	20,272	6,988	7,471	5,271	6,734
Goodwill	-	-	277	277	-	-
Carrying amount of investments in material joint ventures	<u>21,066</u>	<u>20,272</u>	<u>7,265</u>	<u>7,748</u>	<u>5,271</u>	<u>6,734</u>

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

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Share of joint ventures' results		
Profit after tax	828	849
Other comprehensive income	(10)	(2)
Total comprehensive income	<u>818</u>	<u>847</u>
Aggregate carrying amount of the Group's investments in the joint ventures	<u>5,564</u>	<u>5,392</u>

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18. INVESTMENTS IN ASSOCIATES

The amounts recognised in the consolidated statement of financial position are as follows:

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Associates, at carrying value	<u>10,525</u>	<u>9,360</u>

Particulars of the principal associates as at 31 December 2015 were as follows:

Name	Place of establishment and business	Percentage of ownership interest attributable to the Group	Principal activities
Dongfeng Nissan Auto Finance Co., Ltd.#	PRC	35%	Provision of finance services
Shenzhen DFS Industrial Group Co., Ltd.#	PRC	47.5%	Sale of automobiles
Wuhan Lear-DFM Auto Electric Co. Ltd.#	PRC	25%	Manufacture and sale of automotive parts and components
PSA Peugeot Citroën Group ("PSA")	France	13.7%	Manufacture and sale of automotive parts and components

Sino-foreign equity joint venture

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

The amounts recognised in the consolidated income statement are as follows:

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Associates – Share of profits	<u>1,297</u>	<u>2,089</u>

Notes to Financial Statements (Continued)

31 December 2015

18. INVESTMENTS IN ASSOCIATES (CONTINUED)

The movements in investments in associates are as follows:

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
1 January	9,360	1,362
New investments	–	6,801
Share of profits	1,297	2,089
Other comprehensive income	159	194
Other changes in equity	(88)	51
Dividend received	(57)	(39)
Translation reserve	(146)	(1,098)
	<u>10,525</u>	<u>9,360</u>
31 December	<u>10,525</u>	<u>9,360</u>

The Group acquired of the equity interests in the PSA Peugeot Citroën Group (“PSA”), a company listed on the Paris Bourse Stocks Exchange, for a consideration of EUR 800 million (approximately RMB6,801 million) in 2014. The investment in PSA is accounted for as an investment in associates using equity method since the Group has significant influence over PSA as the Group has the power to participate in the financial and operating policy decisions of PSA mainly by virtue of the fact that the Group is one of the three equal largest shareholders of PSA and the Group has certain representation on the governing body.

19. OTHER NON-CURRENT ASSETS

	Note	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Loans and receivables from financing services	23(ii)	6,939	5,054
Mandatory reserve deposits with the People’s Bank of China (the “PBOC”)*		1,806	3,232
Others		163	92
		<u>8,908</u>	<u>8,378</u>

* The Group’s subsidiary, DFF, involved in the provision of financing services is required to place mandatory reserve deposits with the PBOC. Mandatory reserve deposits with the PBOC are not available for use in the Group’s daily operations.

Notes to Financial Statements (Continued)

31 December 2015

20. INVENTORIES

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Raw materials	1,319	1,314
Work in progress	420	725
Finished goods	6,926	7,835
	8,665	9,874

21. TRADE RECEIVABLES

Sales of the Group's commercial and passenger vehicles are normally settled on an advance receipt basis, whereby the dealers are required to pay in advance either in cash or by bank acceptance drafts. However, in the case of long-standing customers with bulk purchases and a good repayment history, the Group may offer these customers credit terms that are generally between 30 and 180 days. For sales of engines and other automotive parts, the Group generally offers its customers credit terms that are generally between 30 and 180 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Within three months	2,661	2,826
More than three months but within one year	813	892
More than one year	190	165
	3,664	3,883

Notes to Financial Statements (Continued)

31 December 2015

21. TRADE RECEIVABLES (CONTINUED)

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

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
At 1 January	203	186
Net impairment loss recognised	46	47
Amount written off as uncollectible	(20)	(30)
	<hr/>	<hr/>
At 31 December	229	203
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2015, trade receivables of the Group with an aggregate nominal value of RMB41 million (2014: RMB31 million) were impaired and fully provided for. The remaining individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Neither past due nor impaired	2,661	2,826
Less than three months past due	271	297
	<hr/>	<hr/>
	2,932	3,123
	<hr/> <hr/>	<hr/> <hr/>

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

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

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
DMC, its subsidiaries and associates	645	237
Non-controlling shareholders of a subsidiary and their subsidiaries	21	26
Associates	19	18
	<hr/>	<hr/>
	685	281
	<hr/> <hr/>	<hr/> <hr/>

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

Notes to Financial Statements (Continued)

31 December 2015

22. BILLS RECEIVABLE

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

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Within one year	<u>13,015</u>	<u>12,273</u>

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Notes</i>	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Prepayments		2,172	1,781
Deposits and other receivables	(i)	98	584
Loans and receivables from financing services	(ii)	<u>12,486</u>	<u>10,224</u>
		<u>14,756</u>	<u>12,589</u>

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

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
At 1 January	52	42
Net impairment loss recognised	17	26
Amount written off as uncollectible	<u>(6)</u>	<u>(16)</u>
At 31 December	<u>63</u>	<u>52</u>

(ii) Loans and receivables from financing services represented loans granted by DFF, which is involved in the provision of financing services, to individuals and entities when they purchased commercial and passenger vehicles from dealers at an interest rate of 4.32%–15.00% per annum. These loans and receivables from financing services were secured by the vehicle licenses together with guarantees provided by these dealers.

Notes to Financial Statements (Continued)

31 December 2015

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

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

	Note	2015 RMB million	2014 RMB million (Restated)
Gross loans and receivables from financing services		19,685	15,536
Less: impairment allowances		(260)	(258)
		<u>19,425</u>	<u>15,278</u>
Less: current portion		(12,486)	(10,224)
Non-current portion	19	<u>6,939</u>	<u>5,054</u>

Movements of impairment allowances are as follows:

	2015 RMB million	2014 RMB million (Restated)
At 1 January	258	181
Impairment allowances charged	56	100
Amount written off as uncollectible	(54)	(23)
At 31 December	<u>260</u>	<u>258</u>

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

	2015 RMB million	2014 RMB million (Restated)
DMC, its subsidiaries and associates	144	35
Non-controlling shareholders of a subsidiary and their subsidiaries	3	–
Associates	12	27
	<u>159</u>	<u>62</u>

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

Notes to Financial Statements (Continued)

31 December 2015

24. BALANCES WITH JOINT VENTURES

	Notes	2015 RMB million	2014 RMB million (Restated)
Due from joint ventures, amount			
Interest-bearing loans to joint ventures		235	–
Dividends receivable from joint ventures		2,606	554
Others	(a)	3,232	1,909
		<u>6,073</u>	<u>2,463</u>
Less: current portion		<u>(6,073)</u>	<u>(2,463)</u>
Non-current portion		<u>–</u>	<u>–</u>
Due to joint ventures			
Cash deposits in DFF	(b)	2,164	2,201
Arising from acquisition of CV businesses	(c)	1,233	2,606
Others	(a)	4,669	2,935
		<u>8,066</u>	<u>7,742</u>
Less: current portion		<u>(8,066)</u>	<u>(6,477)</u>
Non-current portion		<u>–</u>	<u>1,265</u>

Notes:

- (a) Others due from/to joint ventures are unsecured, interest-free and have no fixed terms of repayment.
- (b) Cash deposits placed by joint ventures in DFF, a subsidiary of the Company involved in the provision of financing services, bear interest at the prevailing savings interest rate published by the PBOC.
- (c) The amount due to joint ventures arising from the acquisition of the CV businesses is unsecured, and bears interest at 1.5%–2.2% per annum.

Notes to Financial Statements (Continued)

31 December 2015

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Unlisted investments at cost less impairment:		
Non-current	<u>190</u>	<u>191</u>

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

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

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Cash and bank balances	26,395	15,027
Time deposits*	<u>9,171</u>	<u>13,831</u>
	35,566	28,858
Less: Pledged bank balances and time deposits for securing general banking facilities	<u>(3,760)</u>	<u>(3,625)</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	31,806	25,233
Less: Non-pledged time deposits with original maturity of three months or more when acquired	<u>(3,074)</u>	<u>(2,000)</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows	<u>28,732</u>	<u>23,233</u>

* Time deposits included RMB2,000 million (2014: RMB2,000 million) placed by the Company in an associate which is involved in the provision of financing services.

Notes to Financial Statements (Continued)

31 December 2015

26. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES AND TIME DEPOSITS (CONTINUED)

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

27. SHARE CAPITAL

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Registered, issued and fully paid:		
– 5,760,388,000 (2014: 5,760,388,000) Domestic Shares of RMB1.00 each	5,760	5,760
– 2,855,732,000 (2014: 2,855,732,000) H shares of RMB1.00 each	2,856	2,856
	<u>8,616</u>	<u>8,616</u>

28. INTEREST-BEARING BORROWINGS

	2015			2014		
	Effective interest rate (%)	Maturity	<i>RMB million</i>	Effective interest rate (%)	Maturity	<i>RMB million</i> (Restate)
Current						
Bank loans – unsecured	0.87–5.35	2016	1,833	0.59–8	2015	8,198
Short term notes – unsecured			–	4.88	2015	4,111
Other loans – unsecured *			5,117			5,045
			<u>6,950</u>			<u>17,354</u>
Non-Current						
Bank loans – secured	1.6–4.61	2017–2022	3,548			–
Bank loans – unsecured	2.9	2018	477	2.19–3.9	2017	350
The 1.60 per cent. guaranteed notes due 2018	1.6	2018	3,534			–
			<u>7,559</u>			<u>350</u>
			<u>14,509</u>			<u>17,704</u>

* Other loans represented cash deposits placed by DMC, its joint venture and subsidiaries amounting to RMB2,552 million (2014: 2,422 million) and other unrelated third parties with a subsidiary of the Group which is involved in the provision of financing services. These loans bear interest at the prevailing savings interest rate published by the PBOC.

Notes to Financial Statements (Continued)

31 December 2015

28. INTEREST-BEARING BORROWINGS (CONTINUED)

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

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Time deposits and bank balances	<u>1,770</u>	<u>2,387</u>

The 1.60% guaranteed notes due 2018 (the "Notes") were issued in the aggregate principal amount of EUR500,000,000 on 28 October 2015 and were registered in the denomination of EUR100,000 each. The Notes bear interest from 28 October 2015 at the rate of 1.60% per annum. Interest on the Notes is payable annually in arrear on 28 October in each year, commencing with the first interest payment date falling on 28 October 2016. The Notes have been listed on the Irish Stock Exchange.

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

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Bank loan repayable:		
Within one year or on demand	1,833	8,198
One year to two years	94	20
Two years to three years	383	330
More than five years	3,548	–
	<u>5,858</u>	<u>8,548</u>
Notes repayable:		
Within one year	–	4,111
Three years to five years	3,534	–
	<u>3,534</u>	<u>–</u>
Other loans repayable:		
Within one year	5,117	5,045
	<u>5,117</u>	<u>5,045</u>
	<u>14,509</u>	<u>17,704</u>

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

Notes to Financial Statements (Continued)

31 December 2015

28. INTEREST-BEARING BORROWINGS (CONTINUED)

The carrying amounts of the group's borrowings are denominated in the following currencies:

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
RMB	7,197	11,445
Euro dollar	7,247	6,222
US dollar	65	37
	14,509	17,704

29. PROVISIONS

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Non-current	578	489
Current	948	768
	1,526	1,257

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

	Environmental restoration costs <i>RMB million</i>	Warranty expenses <i>RMB million</i>	Total <i>RMB million</i>
At 1 January 2014	84	930	1,014
Provision during the year	30	764	794
Utilised	-	(551)	(551)
At 31 December 2014	114	1,143	1,257
Provision during the year	-	1,371	1,371
Utilised	(1)	(1,101)	(1,102)
At 31 December 2015	113	1,413	1,526

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

Notes to Financial Statements (Continued)

31 December 2015

29. PROVISIONS (CONTINUED)

(a) Environmental restoration costs

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

(b) Warranty expenses

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

30. GOVERNMENT GRANTS

The movements of the government grants are analysed as follows:

	<i>RMB million</i>
At 1 January 2014	124
Received during the year	482
Recognised as other income during the year (note 5)	<u>(345)</u>
At 31 December 2014 and 1 January 2015	<u>261</u>
Received during the year	398
Recognised as other income during the year (note 5)	<u>(116)</u>
At 31 December 2015	<u><u>543</u></u>

Notes to Financial Statements (Continued)

31 December 2015

31. TRADE PAYABLES

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

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Within three months	15,425	14,607
More than three months but within one year	1,197	1,414
More than one year	548	258
	17,170	16,279

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

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
DMC, its subsidiaries and associates	260	209
Non-controlling shareholders of a subsidiary and their subsidiaries	55	–
Associates	27	76
	342	285

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

32. BILLS PAYABLE

The maturity profile of the bills payable is as follows:

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Within one year	10,980	12,821

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31 December 2015

33. OTHER PAYABLES AND ACCRUALS

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Advances from customers	4,381	4,379
Accrued salaries, wages and benefits	1,443	1,553
Other payables	8,157	6,708
	13,981	12,640

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

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
DMC, its subsidiaries and associates	195	154
Non-controlling shareholders of a subsidiary and their subsidiaries	23	44
	218	198

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

34. COMMITMENTS

(a) Operating lease commitments as lessee

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

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Within one year	179	122
After one year but not more than five years	722	585
More than five years	5,706	5,000
	6,607	5,707

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34. COMMITMENTS (CONTINUED)

(b) Capital commitments

In addition to the operating lease commitments detailed in note 34(a) above, the Group had the following capital commitments at the end of the reporting period:

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Contracted, but not provided for:		
– Property, plant and equipment	1,882	838
Authorised, but not contracted for:		
– Property, plant and equipment	<u>–</u>	<u>433</u>
	<u>1,882</u>	<u>1,271</u>

35. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Disposal of interest in a subsidiary without loss of control

In January 2015, the Company disposed of 45% of interest in Dongfeng Commercial Vehicles Co., Ltd. at a consideration of RMB5,448 million. Dongfeng Commercial Vehicles Co., Ltd. was a wholly-owned subsidiary of the Company on the date of disposal. The Group recognised an increase in non-controlling interests of RMB4,236 million and an increase in equity attributable to owners of the Company of RMB1,212 million. The effect of changes in the ownership interest in Dongfeng Commercial Vehicles Co., Ltd. on the equity attributable to owners of the Company during the year is summarised as follows:

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Carrying amount of non-controlling interests disposed of	(4,236)	–
Consideration received from non-controlling interests	<u>5,448</u>	<u>–</u>
Gain on disposal within equity	<u>1,212</u>	<u>–</u>

Notes to Financial Statements (Continued)

31 December 2015

36. RELATED PARTY TRANSACTIONS

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

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

	Note	2015 RMB million	2014 RMB million (Restated)
Purchases of automotive parts/raw materials from and payment of royalty fee:			
	(i)		
– DMC, its subsidiaries and associates		590	638
– Joint ventures		12,421	18,384
– Associates		99	128
– Subsidiaries' joint ventures		2,024	3,082
– Non-controlling shareholders of a subsidiary and their subsidiaries		6	–
		<u>15,140</u>	<u>22,232</u>
Purchases of automobiles from:			
	(i)		
– Joint ventures		56,962	10,943
		<u>56,962</u>	<u>10,943</u>
Purchases of water, steam and electricity from DMC	(i)	494	552



Notes to Financial Statements (Continued)

31 December 2015

36. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2015 RMB million	2014 RMB million (Restated)
Purchases of items of property, plant and equipment from:			
– DMC, its subsidiaries and associates	(i)	103	191
– Joint ventures		85	158
		<u>188</u>	<u>349</u>
Rental expenses to DMC		<u>164</u>	<u>164</u>
Purchases of services from:			
– DMC, its subsidiaries and associates	(i)	459	293
– Joint ventures		149	115
– Non-controlling shareholders of a subsidiary and their subsidiaries		78	47
		<u>686</u>	<u>455</u>
Payments of royalty fee and other expenses to:			
– DMC's subsidiaries	(i)	48	10
– Non-controlling shareholders of a subsidiary and their subsidiaries		77	–
		<u>125</u>	<u>10</u>

Notes to Financial Statements (Continued)

31 December 2015

36. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2015 RMB million	2014 RMB million (Restated)
Sales of automotive parts/raw materials to:	(i)		
– DMC, its subsidiaries and associates		258	155
– Joint ventures		2,454	3,307
– Subsidiaries' joint ventures		103	149
– Non-controlling shareholders of a subsidiary and their subsidiaries		4	–
		<u>2,819</u>	<u>3,611</u>
Sales of automobiles to:	(i)		
– DMC, its subsidiaries and associates		4,679	2,695
– Joint ventures		692	420
– Subsidiaries' joint ventures		9	6
– Non-controlling shareholders of a subsidiary and their subsidiaries		656	564
		<u>6,036</u>	<u>3,685</u>
Provisions of services to:	(i)		
– Joint ventures		114	62
– Subsidiaries' joint ventures		3	4
		<u>117</u>	<u>66</u>
Interest expense paid to:	(i)		
– DMC, its subsidiaries and associates		50	45
– Joint ventures		27	103
		<u>77</u>	<u>148</u>
Interest incomes from:	(i)		
– DMC, its subsidiaries and associates		10	14
– Joint ventures		22	15
		<u>32</u>	<u>29</u>

Notes to Financial Statements (Continued)

31 December 2015

36. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2015 RMB million	2014 RMB million (Restated)
Fee and commission incomes from:	(i)		
– DMC, its subsidiaries and joint ventures		–	2
– Joint ventures		9	13
		<u>9</u>	<u>15</u>
Rental income from:	(i)		
– DMC's subsidiaries		–	12
		<u>–</u>	<u>12</u>

Note:

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

(b) Outstanding balances with related parties:

- (i) Details of the Group's balances with its related parties as at the end of the reporting period are disclosed in notes 21, 23, 26, 28, 31 and 33 to the financial statements.
- (ii) Details of the Group's balances with joint ventures as at the end of the reporting period are disclosed in note 24 to the financial statements.

Notes to Financial Statements (Continued)

31 December 2015

36. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> (Restated)
Short term employee benefits	6,658	12,937
Post-employment benefits	504	659
Stock appreciation right expenses recognised in the income statement	<u>243</u>	<u>3,184</u>
Total compensation paid to key management personnel	<u><u>7,405</u></u>	<u><u>16,780</u></u>

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

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

2015

Financial assets

	Loans and receivables <i>RMB million</i>	Available-for-sale financial assets <i>RMB million</i>	Total <i>RMB million</i>
Available-for-sale financial assets	–	190	190
Trade receivables	3,664	–	3,664
Bills receivable	13,015	–	13,015
Financial assets included in prepayments, deposits and other receivables	12,584	–	12,584
Due from joint ventures	6,073	–	6,073
Pledged bank balances and time deposits	3,760	–	3,760
Cash and cash equivalents	<u>31,806</u>	<u>–</u>	<u>31,806</u>
	<u><u>70,902</u></u>	<u><u>190</u></u>	<u><u>71,092</u></u>

Notes to Financial Statements (Continued)

31 December 2015

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2015 (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB million
Trade payables	17,170
Bills payable	10,980
Financial liabilities included in other payables and accruals	8,157
Due to joint ventures	8,066
Interest-bearing borrowings	14,509
	<hr/>
	58,882

2014

Financial assets

	Loans and receivables RMB million (Restated)	Available-for-sale financial assets RMB million (Restated)	Total RMB million (Restated)
Available-for-sale financial assets	–	191	191
Trade receivables	3,883	–	3,883
Bills receivable	12,273	–	12,273
Financial assets included in prepayments, deposits and other receivables	10,808	–	10,808
Due from joint ventures	2,463	–	2,463
Pledged bank balances and time deposits	3,625	–	3,625
Cash and cash equivalents	25,233	–	25,233
	<hr/>	<hr/>	<hr/>
	58,285	191	58,476

Notes to Financial Statements (Continued)

31 December 2015

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2014 (Continued)

Financial liabilities

	Financial liabilities at amortised cost <i>RMB million</i> (Restated)
Trade payables	16,279
Bills payable	12,821
Financial liabilities included in other payables and accruals	6,708
Due to joint ventures	7,742
Interest-bearing borrowings	17,704
	<hr/>
	61,254
	<hr/> <hr/>

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, other interest-bearing loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. The directors review and agree policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its non-current interest-bearing borrowings with the floating interest rates. The Group does not use derivative financial instruments to hedge its interest rate risk.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate borrowings.

As at 31 December 2015, all the Group's interest-bearing borrowings bear fixed interest rate and not subject to interest rate risk.

Notes to Financial Statements (Continued)

31 December 2015

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(CONTINUED)

(b) Foreign currency risk

The businesses of the Group are principally located in the PRC. While most of the sales of the Group are conducted in RMB, certain of the Group's borrowings were denominated in other currency such as euro dollars (EUR).

As at 31 December 2015 and 2014, the carrying amounts in RMB equivalent of the Group's liabilities denominated in foreign currencies are summarised below:

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Interest-bearing borrowings	<u>7,247</u>	<u>6,222</u>

Fluctuations in the exchange rates of RMB against these foreign currency can affect the Group's results of operations.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the euro dollars (EUR), exchange rates, with all other variables held constant, of the Group's post tax profit (due to changes in the fair values of monetary liabilities).

	<u>Increase/(decrease) in post tax profit</u>	
	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
If RMB strengthens against EUR by 5%	272	233
If RMB weakens against EUR by 5%	<u>(272)</u>	<u>(233)</u>

Notes to Financial Statements (Continued)

31 December 2015

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(CONTINUED)

(c) Credit risk

The cash and bank balances and time deposits of the Group are mainly deposited with state-owned banks in the PRC, such as Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation.

The Group has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not have a significant exposure to any individual customer.

The Group's financing services are primarily focused on supporting the sale of the commercial and passenger vehicles of the Group. As a consequence of these activities, the Group is exposed to credit risk, which is monitored and managed based on defined standards, guidelines and procedures. The Group mitigates credit risk by credit protection provided by guarantors and by loan collateral such as vehicle licences. Scoring systems are applied for the assessment of the default risk of individual customers. All loans and receivables from financing services are reviewed for objective evidence of impairment and classified based on a ten-tier classification system. Customers' loans that are classified as substandard, doubtful or loss are assessed individually for impairment.

The carrying amount of each financial asset included in these financial statements represents the maximum exposure of the Group to credit risk in relation to its financial assets. In addition, the guarantees given by the Group to banks in favour of banking facilities granted to the Group's joint ventures represent the Group's other exposure to credit risk. The Group has no other financial assets carrying significant exposure to credit risk and has no significant concentration of credit risk.



Notes to Financial Statements (Continued)

31 December 2015

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(CONTINUED)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, and other available sources of financing.

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

	2015				
	Within one year or on demand RMB million	In the second year RMB million	In the third to fifth years RMB million	Beyond five years RMB million	Total RMB million
Interest-bearing borrowings	6,950	-	4,011	3,548	14,509
Trade payables	17,170	-	-	-	17,170
Bills payable	10,980	-	-	-	10,980
Other payables	8,191	7	26	514	8,738
Due to joint ventures	8,066	-	-	-	8,066
Guarantees given to banks in connection with facilities granted to joint ventures	7	-	-	-	7
	51,364	7	4,037	4,062	59,470
	2014				
	Within one year or on demand RMB million (Restated)	In the second year RMB million (Restated)	In the third to fifth years RMB million (Restated)	Beyond five years RMB million (Restated)	Total RMB million (Restated)
Interest-bearing borrowings	17,354	20	330	-	17,704
Trade payables	16,279	-	-	-	16,279
Bills payable	12,821	-	-	-	12,821
Other payables	6,456	1	32	-	6,489
Due to joint ventures	6,477	1,265	-	-	7,742
Guarantees given to banks in connection with facilities granted to joint ventures	117	-	-	-	117
	59,504	1,286	362	-	61,152

Notes to Financial Statements (Continued)

31 December 2015

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(CONTINUED)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

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

	2015 <i>RMB million</i>	2014 <i>RMB million</i> (Restated)
Interest-bearing borrowings	14,509	17,704
Less: Cash and cash equivalents	(31,806)	(25,233)
Net debt	(17,297)	(7,529)
Equity attributable to equity holders of parent	84,650	73,815
Net debt to equity ratio	-20.43%	-10.20%

39. EVENTS AFTER THE REPORTING PERIOD

A final dividend in respect of the year ended 31 December 2015 of RMB0.20 per share, amounting to a total dividend of RMB1,723 million, was proposed by the Board of Directors at a meeting held on 29 March 2016, subject to the final approval by the shareholders of the Company at the Annual General Meeting. These financial statements do not reflect this dividend payable.

Notes to Financial Statements (Continued)

31 December 2015

40. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Year ended 31 December	
	2015 <i>RMB million</i>	2014 <i>RMB million</i>
ASSETS		
Non-current assets		
Property, plant and equipment	3,222	3,364
Lease prepayments	302	309
Intangible assets	781	869
Investments in subsidiaries	12,288	15,939
Investments in joint ventures	14,991	15,141
Investments in associates	595	595
Available-for-sale financial assets	68	68
Total non-current assets	32,247	36,285
Current assets		
Inventories	1,126	677
Trade receivables	555	807
Bills receivable	1,634	934
Prepayments, deposits and other receivables	1,765	620
Due from joint ventures	2,647	554
Pledged bank balances	2,079	1,177
Cash and cash equivalents	22,846	18,527
Total current assets	32,652	23,296
TOTAL ASSETS	64,899	59,581

Notes to Financial Statements (Continued)

31 December 2015

40. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (Continued)

	Year ended 31 December	
	2015 RMB million	2014 RMB million
EQUITY AND LIABILITIES		
Equity		
Issued capital	8,616	8,616
Reserves	8,339	8,339
Retained profits	37,309	26,576
Total equity	54,264	43,531
Non-current liabilities		
Interest-bearing borrowings	270	280
Other non-current liabilities	57	57
Provisions	176	–
Government grants	59	30
Due to joint ventures	–	1,265
Total non-current liabilities	562	1,632
Current liabilities		
Trade payables	3,530	3,559
Bills payable	714	523
Other payables and accruals	2,788	2,381
Due to joint ventures	1,743	1,341
Interest-bearing borrowings	1,000	6,201
Income tax payable	211	211
Provisions	87	202
Total current liabilities	10,073	14,418
TOTAL LIABILITIES	10,635	16,050
TOTAL EQUITY AND LIABILITIES	64,899	59,581

The balance sheet of the Company was approved by the Board of Directors on 29 March 2016 and was signed on its behalf.

Zhu Yanfeng
Director

Ouyang Jie
Director

Notes to Financial Statements (Continued)

31 December 2015

40. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company

	*Capital reserve <i>RMB million</i>	*Statutory reserves <i>RMB million</i>	Retained profits <i>RMB million</i>	Total <i>RMB million</i>
At 1 January 2014	1,363	6,114	24,254	31,731
Final 2013 dividend declared	–	–	(1,551)	(1,551)
Total comprehensive income for the year	–	–	4,735	4,735
Transfer to reserves	–	862	(862)	–
At 31 December 2014 and 1 January 2015	1,363	6,976	26,576	34,915
Final 2014 dividend declared	–	–	(1,723)	(1,723)
Total comprehensive income for the year	–	–	12,456	12,456
At 31 December 2015	1,363	6,976	37,309	45,648

(a) Statutory reserves

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

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

Notes to Financial Statements (Continued)

31 December 2015

40. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company (CONTINUED)

(b) Distributable reserves

As set out in note 11, for dividend distribution purposes, the Company's distributable profit is based on the lower of the net profit after tax as determined under PRC GAAP and IFRSs following its restructuring into a joint stock limited liability company on 12 October 2004. The amounts that the Company's subsidiaries and joint ventures can legally distribute by way of dividend are determined by reference to their profits as reflected in their financial statements prepared in accordance with PRC GAAP. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

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

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

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2016.



Five Year Financial Summary

For the year ended 31 December 2015

A summary of published results and the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

	Year ended 31 December				
	2015 <i>RMB million</i>	2014 <i>RMB million</i>	2013 <i>RMB million</i>	2012 <i>RMB million</i>	2011 <i>RMB million</i>
RESULTS					
Revenue	126,566	83,114	37,263	6,090	4,642
Cost of sales	(109,637)	(72,297)	(32,582)	(5,736)	(4,560)
Gross profit	16,929	10,817	4,681	354	82
Other income	1,897	1,565	1,281	1,123	656
Selling and distribution expenses	(7,144)	(4,168)	(2,268)	(812)	(517)
Administrative expenses	(3,691)	(3,359)	(2,179)	(706)	(507)
Other expenses	(5,834)	(3,490)	(2,062)	(693)	(502)
Finance income/(costs)	189	503	(170)	(178)	(205)
Share of profits and losses of:					
Joint ventures	10,442	10,664	11,176	9,873	11,391
Associates	1,297	2,089	253	191	115
PROFIT BEFORE TAX	14,065	14,621	10,712	9,152	10,513
Income tax expense	(1,353)	(1,364)	(109)	(45)	(25)
PROFIT FOR THE YEAR	12,712	13,257	10,603	9,107	10,488
Profit attributable to:					
Equity holders of the parent	11,550	12,797	10,528	9,092	10,481
Non-controlling interests	1,162	460	75	15	7
	12,712	13,257	10,603	9,107	10,488

Five Year Financial Summary (Continued)

For the year ended 31 December 2015

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB million	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	160,786	146,977	115,998	62,366	56,511
Total liabilities	(69,302)	(71,541)	(51,964)	(8,363)	(10,084)
Non-controlling interests	(6,834)	(1,621)	(899)	(85)	(33)
	84,650	73,815	63,135	53,918	46,394

Note: In 2015, the Group acquired certain business from DMC and its subsidiaries. For the business combination under common control, the comparative figures for year 2014 have been restated. In addition, the financial figures for year 2011, 2012 and 2013 were extracted from the accountant's report of the Company which have been announced to the public in previous years. No retrospective adjustments for the business combination under common control were made on the financial figures for these three years.



Corporate Information

REGISTERED NAME

Dongfeng Motor Group Company Limited

REGISTERED ADDRESS

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre,
183 Queen's Road East, Hong Kong,
Hong Kong SAR

COMPANY WEBSITE

www.dfmfg.com.cn

COMPANY SECRETARIES

Lu Feng
Lo Yee Har Susan (FCS, FCIS)

AUDITOR

PricewaterhouseCoopers

HONG KONG H SHARE REGISTRAR

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

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

00489



Notice of Annual General Meeting and Relating Information

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR 2015

NOTICE IS HEREBY GIVEN that an Annual General Meeting (hereinafter referred to as the “AGM”) of Dongfeng Motor Group Company Limited (hereinafter referred to as the “Company”) for the year 2015 will be held at 9:00 a.m. on Friday, 17 June 2016 at Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei 430056, the People’s Republic of China (hereinafter referred to as the “PRC”) for the purposes of considering and, if thought fit, passing with or without amendments, the following resolutions:

I. AS ORDINARY RESOLUTIONS:

1. To consider and approve the report of the board of directors for the year ended 31 December 2015.
2. To consider and approve the report of the supervisory committee for the year ended 31 December 2015.
3. To consider and approve the international auditors’ report and audited financial statements for the year ended 31 December 2015.
4. To consider and approve the profit distribution proposal of the Company for the year ended 31 December 2015, and authorize the Board to deal with all issues in relation to the Company’s distribution of final dividend for the year 2015.
5. To consider and approve the authorization to the Board to deal with all issues in relation to the Company’s distribution of interim dividend for the year 2016 at its absolute discretion (including, but not limited to determining whether to distribute interim dividend for the year 2016).
6. To consider and approve the appointments of PricewaterhouseCoopers as the international auditors of the Company, and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditors of the Company for the year 2016 to hold office until the conclusion of annual general meeting for the year 2016, and to authorize the Board to determine their remunerations.
7. To consider and approve the authorization of the Board to determine the remuneration of the directors and the supervisors of the Company determined by the Board for the year 2016.
8. To consider and approve the removal of Zhu Fushou as an Executive Director.



Notice of Annual General Meeting and Relating Information (Continued)

II. AS SPECIAL RESOLUTIONS:

9. To consider and approve the amendments to the rules of procedures of the Board meeting.
10. For the purpose of increasing the flexibility and efficiency of operation, to grant a general mandate to the Board to issue, allot and deal with additional Domestic Shares not exceeding 20 percent of total number of Domestic Shares in issue and additional H Shares not exceeding 20 percent of total number of H Shares in issue, and authorize the Board to make corresponding amendments to the Articles of Association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares.

“THAT

- (A) (a) subject to paragraph (c) and in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Articles of Association of the Company and the applicable laws and regulations of the PRC, the exercise by the Board during the Relevant Period of all the powers of the Company to allot, issue and deal with, either separately or concurrently, additional Domestic Shares and H shares and to make or grant offers, agreements, options and powers of exchange or conversion which might require the exercise of such powers be hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorize the Board during the Relevant Period to make or grant offers, agreements, options and powers of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;
- (c) each of the aggregate nominal amounts of Domestic Shares and H shares allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with (whether pursuant to an option or otherwise) by the Board pursuant to the approval granted in paragraph (a) shall not exceed 20 percent of each of the total number of Domestic Shares and H shares in issue as at the date of passing this resolution, otherwise than pursuant to (i) a Rights Issue or (ii) any scrip dividend or similar arrangement providing for allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company; and

Notice of Annual General Meeting and Relating Information (Continued)

(d) for the purposes of this resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of a period of 12 months from the date of passing of the special resolution granting the general mandate; or
- (iii) the date of revocation or variation of the authority given under this resolution by a special resolution of the Company in a general meeting.

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

(B) The Board shall be authorized to make corresponding amendments to the Articles of Association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares as provided in subparagraph (a) of paragraph (A) of this resolution.”

11. To grant a general mandate to the Board to approve the application for the debt financing limit of the Company for the year 2016 with an amount of RMB15 billion, mainly including RMB5 billion of bonds in inter-bank market (super short-term commercial paper or short-term commercial paper), and RMB10 billion of bonds in securities market (corporate bonds or convertible bonds), among which, the principle amount of convertible bonds shall not exceed USD1 billion or equivalent in Euros or RMB.

By order of the Board
Zhu Yanfeng
Chairman

Wuhan, the PRC, 28 April 2016

As at the date of this notice, Mr. Zhu Yanfeng and Mr. Li Shaozhu are the executive directors of the Company; Mr. Tong Dongcheng, Mr. Ouyang Jie and Mr. Liu Weidong are the non-executive directors of the Company and Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei are the independent non-executive directors of the Company.

Notice of Annual General Meeting and Relating Information (Continued)

Notes:

1. Eligibility for attending the general meeting and closure of register of members for H shares

In order to determine the shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from Wednesday, 18 May 2016 to Friday, 17 June 2016, both days inclusive, during which period no registration of shareholders and transfer of shares will be effected. In order to attend and vote at the AGM, holders of H shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on Tuesday, 17 May 2016.

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

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. If such proposed dividend distribution is approved by the shareholders, the final dividend will be distributed to those shareholders whose names appear on the register of members of the Company on Friday, 8 July 2016. The Register of Members will be closed from Thursday, 30 June 2016 to Friday, 8 July 2016 (both days inclusive). In order to be entitled to the final dividend, H shares shareholders who have not registered the transfer documents are required to deposit the documents together with the relevant share certificates at Computershare Hong Kong Investor Services Limited, at shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on Wednesday, 29 June 2016.

3. Proxy

- (1) A shareholder entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on his behalf. A proxy needs not be a shareholder of the Company. Where a shareholder appoints more than one proxy, his proxies may vote in a poll.
- (2) The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorized in writing. If the shareholder is a corporation, that instrument must be either under its common seal or under the hand(s) of its director(s) or duly authorized attorney(s). If that instrument is signed by an attorney of the shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.
- (3) In order to be valid, the form of proxy together with the power of attorney or other authorization document (if any) must be deposited at the Secretariat of the Board at the Company's principal place of business in the PRC for holders of the Domestic Shares and at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, for holders of the H Shares not later than 9:00 a.m. on 16 June 2016.
- (4) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointer, or the revocation of the proxy or the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the AGM.

Notice of Annual General Meeting and Relating Information (Continued)

4. Registration for attending the AGM

- (1) A shareholder or his proxy shall produce proof of identity when attending the AGM. If a shareholder is a corporation, its legal representative or other person authorized by the board of directors or other competent body of such shareholder may attend the AGM by producing a copy of the resolution of the board of directors or other competent body of such shareholder appointing such person to attend the meeting.
- (2) In accordance with the Articles of Association of the Company, where two or more persons are registered as the joint holders of any share, only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting rights attached to such share at the AGM, and this notice shall be deemed to be given to all joint holders of such share.
- (3) For information purpose only, shareholders who intend to attend the AGM in person or by proxy shall return the reply slip to the Secretariat of the Board at the Company's principal place of business in the PRC for the holders of the Domestic Shares or to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, for the holders of the H Shares on or before Friday, 27 May 2016 by hand, by post or by fax.

5. Miscellaneous

- (1) The AGM is expected to be concluded within half a day. Shareholders (in person or by proxy) attending the AGM are responsible for their own transportation and accommodation expenses.
- (2) The address and contact details of the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, are as follows:

Address: shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2862 8628
Fax: (852) 2865 0990

- (3) The address and contact details of the Company's principle place of business in the PRC are as follows:

Address: Special No. 1 Dongfeng Road, Wuhan Economic and Technology Development Zone, Wuhan, Hubei 430056, the People's Republic of China
Tel: (8627) 8428 5274
Fax: (8627) 8428 5057



Notice of Annual General Meeting and Relating Information (Continued)

The 22nd Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited

Resolutions on the Issuance and Allotment of Shares

To: Annual General Meeting

According to the resolutions on the issuance and allotment of Shares passed by the 22nd Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors has decided to propose the following resolutions to the Annual General Meeting of the Company:

1. To approve and authorize the Board of Directors to issue, allot and deal with, either separately or concurrently, additional domestic shares not exceeding 20 per cent of the total number of domestic shares in issue and/or additional H shares not exceeding 20 per cent of total number of H shares in issue.
2. To approve and authorize the Board of Directors to make corresponding amendments to the Articles of Association of the Company to reflect the new capital structure upon the allotment, issue and dealing of the additional domestic shares and/or additional H shares and the increase of registered capital of the Company.

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

The Board of Directors
Dongfeng Motor Group Company Limited

29 March 2016

Notice of Annual General Meeting and Relating Information (Continued)

The 22nd Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited

Resolutions in relation to Annual Report

To: Annual General Meeting

The following resolutions in relation to annual report have been approved at the 22nd meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the "Company") and will be proposed at the annual general meeting of the Company for consideration:

1. To consider and approve the 2015 financial report audited by PricewaterhouseCoopers Zhong Tian LLP and the 2015 auditors' report audited by PricewaterhouseCoopers.
2. To consider and approve the report of the board of directors of the Company of 2015.
3. To approve the distribution of dividend payments of RMB1,723 million by the Company for the year 2015 to the shareholders, amounting to RMB0.20 per ordinary share.
4. To authorize the board of directors to deal with any matters in relation to the distribution of the interim dividends for 2016 as they think fit, including but not limited to the determination of distribution of interim dividends for 2016.
5. To approve the reappointments of PricewaterhouseCoopers as the international auditors of the Company and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditors of the Company for 2016 to hold office until the conclusion of Annual General Meeting for 2016, and to authorize the Board of Directors to determine their remunerations.

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

The Board of Directors
Dongfeng Motor Group Company Limited

29 March 2016



Notice of Annual General Meeting and Relating Information (Continued)

The 22nd Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited

Resolutions on the Remuneration of Directors and Supervisors

To: Annual General Meeting

According to the resolution on the remuneration of Directors and Supervisors of the Company for 2016 passed by the 22nd Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors has decided to propose the resolution on the remuneration of Directors and Supervisors for 2016 to the Annual General Meeting of the Company:

I. To consider and approve the proposed remuneration of Directors and Supervisors for 2016 as follows:

1. Annual Remuneration

Positions	Cash	Medium to Long Term Incentives
Executive Directors	Nil	Shares appreciation rights granted under the Share Appreciation Scheme of Dongfeng Motor Group Company Limited
Non-executive Directors	Nil	
Independent Non-executive Directors	Allowance of RMB120,000, net of tax	Nil
Supervisors	Nil	Nil
Independent Supervisors	Allowance of RMB40,000, net of tax	Nil

Notes:

- The Executive Directors and Non-executive Directors do not receive remuneration in their capacities of directors, while Executive Directors receive salaries in their capacities of employees of the Company and Non-executive Directors receive their relevant remuneration in the Company.
- Executive Directors and the Non-executive Directors participate in the Stock Appreciation Scheme in their capacities of directors.
- Independent Directors and Independent Supervisors are not entitled to participate in the Stock Appreciation Scheme according to the applicable regulations of the SASAC.
- Internal Supervisors receive salaries in their capacities of employees of the Company rather than supervisors.
- Internal Supervisors participate in the Stock Appreciation Scheme in their capacities of employees of the Company rather than supervisors.

Notice of Annual General Meeting and Relating Information (Continued)

2. Allowance of Meetings

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

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

The Board of Directors
Dongfeng Motor Group Company Limited

29 March 2016



Notice of Annual General Meeting and Relating Information (Continued)

The 22nd Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited

Resolutions on the Debt Financing Plan of the Company for 2016

To: Annual General Meeting

According to the resolution on the debt financing plan of the Company for 2016 passed by the 22nd Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the "Company"), the Board of Directors has decided to propose the following resolutions to the Annual General Meeting of the Company:

1. To approve the application for the amount of bond financing of the Company for 2016 of RMB15 billion (RMB15,000,000,000), which is primary including Inter-bank Market Bond (Ultra Short-term Commercial Paper or Short-term Commercial Paper) of RMB5 billion (RMB5,000,000,000), Securities Market Bond (Corporate Bond or Convertible Bond) of RMB10 billion (RMB10,000,000,000), among which the principal amount of Convertible Bond in issue shall not exceed USD1 billion (USD1,000,000,000) or the equivalent in EUR or RMB.
2. To authorize the management of the Company to apply for registration and issuance within the amount of bond financing in the inter-bank market and securities market in line with actual needs, and to sign relevant declaration, issuance document and agreement.

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

The Board of Directors
Dongfeng Motor Group Company Limited

29 March 2016



Notice of Annual General Meeting and Relating Information (Continued)

The 22nd Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited

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

To: General Meeting of the Company

According to the resolution on the amendments to the rules of procedures for general meeting and meeting of the board of directors considered and passed by the 22nd Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited (the “Company”), the Board of Directors has decided to propose the resolution on amendments to the rules of procedures for meeting of the board of directors (see attachment) to the general meeting of the Company:

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

The Board of Directors
Dongfeng Motor Group Company Limited

29 March 2016



Notice of Annual General Meeting and Relating Information (Continued)

Proposed amendments to the rules for procedures of the meeting of the Board of Directors

No.	Articles	Original	Amendment	Reasons of amendment
1	Article 11 of Chapter 3	The board of directors of the Company has a nomination committee, an audit committee and a remuneration committee.	The board of directors of the Company has a nomination committee, an <u>audit and risk management</u> committee and a remuneration committee.	Revised requirement of the Code of Corporate Governance
2	Article 13 of Chapter 3	<p>The audit committee shall be comprised of three to five directors, a majority of whom shall be independent non-executive directors, and at least one of the independent non-executive directors shall possess the relevant professional qualifications in the field of finance and accounting. The primary duties of the audit committee are:</p> <p>(1) to advise the Board of Directors on the appointment or replacement of intermediary firms such as auditor and their remuneration;</p> <p>(2) reviewing the financial reports of the Company, accounting policy of the Company and its changes, and other financial documents that required approval of the Board of Directors, and making suggestions to the Board of Directors;</p> <p>(3) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;</p>	<p>The <u>audit and risk management</u> committee shall be comprised of three to five directors, a majority of whom shall be independent non-executive directors, and at least one of the independent non-executive directors shall possess the relevant professional qualifications in the field of finance and accounting. The primary duties of the <u>audit and risk management</u> committee are:</p> <p>(1) to advise the Board of Directors on the appointment or replacement of intermediary firms such as auditor and their remuneration;</p> <p>(2) reviewing the financial reports of the Company, accounting policy of the Company and its changes, and other financial documents that required approval of the Board of Directors, and making suggestions to the Board of Directors;</p> <p>(3) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;</p>	In accordance with the revised requirement of the Code of Corporate Governance to modify expression

Notice of Annual General Meeting and Relating Information (Continued)

No.	Articles	Original	Amendment	Reasons of amendment
		<p>(4) meeting with the auditor at least once a year without the presence of the management to discuss about the auditing fee, issues arising from the auditing work and other matters suggested by the auditor;</p> <p>(5) reviewing the systems for financial control, internal control and risk management of the Company, and discussing the internal control system with the management to ensure the management has performed their duties to establish an effective internal control system;</p>	<p>(4) meeting with the auditor at least once a year without the presence of the management to discuss about the auditing fee, issues arising from the auditing work and other matters suggested by the auditor;</p> <p>(5) <u>Evaluating and determining the nature and degree of risk that the Company is willing to accept when achieving its strategic objectives, and reporting and making suggestions to the Board of Directors;</u></p> <p>(5) reviewing the systems for financial control, <u>risk management and internal control</u>internal control and risk management of the Company, and discussing the <u>risk management and internal control</u> system with the management to ensure the management has performed their duties to establish an <u>effective</u>effective internal control system;</p> <p>(7) <u>Considering the annual report of risk management and internal control assessment of the Company, and making suggestions to the Board of Directors;</u></p> <p>(8) <u>taking the initiative or responding to the appointment of the Board of Directors to conduct a research in relation to the important investigation result of risk management and internal control and the response to the investigation result from the management;</u></p>	

Notice of Annual General Meeting and Relating Information (Continued)

No.	Articles	Original	Amendment	Reasons of amendment
		<p>(6) coordinating the communication and work of internal and external auditors;</p> <p>(7) ensuring sufficient resources provided to and appropriate standing for the internal auditing department within the Company, and reviewing and monitoring the efficiency of the internal auditing department;</p> <p>(8) to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that the Company has appropriate ways to carry out fair and independent investigation and appropriate follow-up action in relation to such matters;</p> <p>(9) to comply with any new requirements on the duties and authorities of the Committee under the listing rules of the places where the Company is located and where the shares of the Company are listed;</p> <p>(10) other duties authorized by the Board of Directors.</p>	<p>(6) coordinating the communication and work of internal and external auditors;</p> <p>(7) ensuring sufficient resources provided to and appropriate standing for the internal auditing department within the Company, and reviewing and monitoring the efficiency of the internal auditing department;</p> <p>(8) to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The <u>audit and risk management</u> committee shall ensure that the Company has appropriate ways to carry out fair and independent investigation and appropriate follow-up action in relation to such matters;</p> <p>(9) to comply with any new requirements on the duties and authorities of the Committee under the listing rules of the places where the Company is located and where the shares of the Company are listed;</p> <p>(10) other duties authorized by the Board of Directors.</p>	

Notice of Annual General Meeting and Relating Information (Continued)

The 22nd Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited

Resolution on the Removal of Zhu Fushou from his Directorship

To: Annual General Meeting

Dongfeng Motor Group Company Limited (the "Company") has received the Letter in Respect of the Removal of Zhu Fushou from Dongfeng Motor Corporation, the shareholder of the Company, which recommended the Company to remove him from his directorship in accordance with the relevant procedures. Therefore, the Company has proposed the removal of Zhu Fushou from his directorship to the Annual General Meeting of the Company for consideration and approval.

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

The Board of Directors
Dongfeng Motor Group Company Limited

29 March 2016



Definitions

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

“Company”	東風汽車集團股份有限公司(Dongfeng Motor Group Company Limited), a joint stock limited company registered in the PRC on 12 October 2004 in accordance with the laws of the PRC or where the context refers to any time prior to the date of incorporation, those entities and businesses which were contributed to and conducted by the Company upon its establishment
“Dongfeng Joint Venture Companies”	Jointly-controlled Entities in which the Company, its subsidiaries or Jointly-controlled Entities (including their respective subsidiaries and Jointly-controlled Entities) have equity interests as at 31 December 2015
“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
“Dongfeng Motor Group” or “Group”	the Company and its subsidiaries, the Dongfeng Joint Venture Companies and their respective subsidiaries and associates
“Hongkong” or “HK”	the Hongkong Special Administrative Region of the PRC
“Joint Venture Company”	A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Parent Group”	Dongfeng Motor Corporation and its subsidiaries (excluding the Group)
“PRC” or “China”	the People’s Republic of China. Except where the context requires, geographical references in this annual report to the PRC or China exclude Hong Kong, Macau or Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time