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

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 489)

2016 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Dongfeng Motor Group Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group" or the "Dongfeng Motor Group") for the six months ended 30 June 2016 together with the comparative figures of the corresponding period of 2015. The interim financial information for the six months ended 30 June 2016 has been reviewed by the Company's audit and risk management committee and the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

In this announcement, unless otherwise specified, all references to business, including manufacture, research and development, outputs and sales volume, market share, investment, sales network, employee, motivation, social responsibility, corporate governance includes all relating to the Dongfeng Motor Group, subsidiaries, joint ventures and associates (including subsidiaries, joint ventures and associates of the Company in which the members of the Group have direct or indirect equity interests).

Interim Condensed Consolidated Statement of Profit or Loss
For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 RMB million (Unaudited)	2015 RMB million (Unaudited)
Revenue	2	57,133	65,853
Cost of sales		(49,357)	(57,427)
Gross profit		7,776	8,426
Other income	3	937	844
Selling and distribution costs		(3,202)	(3,581)
Administrative expenses		(1,671)	(1,601)
Other expenses, net		(2,541)	(2,283)
Finance (costs)/income	5	(359)	357
Share of profits and losses of:			
Joint ventures		5,516	5,181
Associates		1,443	685
PROFIT BEFORE TAX	4	7,899	8,028
Income tax expense	6	(680)	(709)
PROFIT FOR THE PERIOD		7,219	7,319
Profit attributable to:			
Owners of the company		6,759	6,885
Non-controlling interests		460	434
		7,219	7,319
Earnings per share attributable to ordinary equity holders of the Company:	8		
Basic and diluted for the period		78.45cents	79.91cents

Interim Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB million	RMB million
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	7,219	7,319
OTHER COMPREHENSIVE INCOME		
Item that will not be reclassified subsequently to profit or loss		
Share of other comprehensive (expense)/income of investments accounted for using the equity method	(53)	156
Items that may be reclassified to profit or loss		
Currency translation differences	356	(604)
Share of other comprehensive (expense)/income of investments accounted for using the equity method	(40)	233
	316	(371)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	263	(215)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,482	7,104
Total comprehensive income attributable to:		
Equity holders of the Company	7,022	6,670
Non-controlling interests	460	434
	7,482	7,104

Interim Condensed Consolidated Statement of Financial Position
For the six months ended 30 June 2016

	Notes	30 June 2016 RMB million (Unaudited)	31 December 2015 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	9	13,317	12,929
Lease prepayments		1,208	936
Intangible assets		3,256	2,798
Goodwill		1,792	1,792
Investments in joint ventures		41,663	39,166
Investments in associates		12,196	10,525
Available-for-sale financial assets		189	190
Other non-current assets		10,063	8,908
Deferred tax assets		1,754	1,803
Total non-current assets		85,438	79,047
Current assets			
Inventories		8,515	8,665
Trade receivables	10	4,976	3,664
Bills receivable		10,928	13,015
Prepayments, deposits and other receivables		17,141	14,756
Due from joint ventures		6,121	6,073
Pledged bank balances and time deposits	11	4,849	3,760
Cash and cash equivalents	11	31,669	31,806
Financial assets at fair value through profit or loss		18	-
Total current assets		84,217	81,739
TOTAL ASSETS		169,655	160,786
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital		8,616	8,616
Reserves		12,116	10,569
Retained profits		69,202	65,465
Non-controlling interests		6,295	6,834
Total equity		96,229	91,484

Interim Condensed Consolidated Statement of Financial Position
For the six months ended 30 June 2016

	Notes	30 June 2016 RMB million (Unaudited)	31 December 2015 RMB million
Non-current liabilities			
Interest-bearing borrowings	13	7,307	7,559
Other non-current liabilities		1,205	954
Government grants		882	543
Deferred tax liabilities		1,239	1,032
Reserves		637	578
Total non-current liabilities		11,270	10,666
Current liabilities			
Trade payables	12	18,643	17,170
Bills payable		12,087	10,980
Other payables and accruals		13,651	13,981
Due to joint ventures		7,372	8,066
Interest-bearing borrowings	13	9,180	6,950
Income tax payables		293	541
Provisions		930	948
Total current liabilities		62,156	58,636
TOTAL LIABILITIES		73,426	69,302
TOTAL EQUITY AND LIABILITIES		169,655	160,786

Interim Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2016

	Attributable to owners of the company					Non-controlling interests	Total equity
	Issued capital RMB million (Unaudited)	Capital reserves RMB million (Unaudited)	Statutory reserves RMB million (Unaudited)	Retained profits RMB million (Unaudited)	Total RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Unaudited)
As at 1 January 2016	8,616	2,378	8,191	65,465	84,650	6,834	91,484
2015 final dividend declared	-	-	-	(1,723)	(1,723)	-	(1,723)
Total comprehensive income for the period	-	263	-	6,759	7,022	460	7,482
Transfer to reserves	-	-	1,299	(1,299)	-	-	-
Contributions from non-controlling shareholders	-	-	-	-	-	92	92
Share of Associates' other equity changes	-	(15)	-	-	(15)	-	(15)
Dividends paid to non-controlling shareholders	-	-	-	-	-	(1,091)	(1,091)
As at 30 June 2016	8,616	2,626	9,490	69,202	89,934	6,295	96,229

Interim Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2016

	Attributable to owners of the company					Non-controlling interests	Total equity
	Issued capital RMB million (Unaudited)	Capital reserves RMB million (Unaudited)	Statutory reserves RMB million (Unaudited)	Retained profits RMB million (Unaudited)	Total RMB million (Unaudited)	RMB million (Unaudited)	RMB million (Unaudited)
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	-	427	8	(450)	(15)	(2)	(17)
As restated	8,616	1,368	7,845	55,985	73,814	1,621	75,435
2014 final dividend declared	-	-	-	(1,723)	(1,723)	-	(1,723)
Total comprehensive income for the period	-	(215)	-	6,885	6,670	434	7,104
Transfer to reserves	-	-	41	(41)	-	-	-
Changes in ownership interests in subsidiaries without change of control	-	1,278	-	-	1,278	4,238	5,516
Share of Associates' other equity changes	-	3	-	-	3	-	3
Business combination under common control	-	(127)	-	-	(127)	208	81
Dividends paid to non-controlling shareholders	-	-	-	-	-	(370)	(370)
As at 30 June 2015	8,616	2,307	7,886	61,106	79,915	6,131	86,046

Interim Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2016

	Note	Six months ended 30 June 2016 RMB million (Unaudited)	2015 RMB million (Unaudited)
Cash flows from operating activities			
Cash flows generated from operating activities		251	5,292
Income tax paid		(673)	(1,508)
Cash flows (used in)/ generated from operating activities – net		(422)	3,784
Cash flows from investing activities			
Investments in associates, joint ventures and acquisition of control in subsidiaries		(1,233)	(1,309)
Dividends from joint ventures and associates		5,003	5,900
Other investing cash flow – net		(2,745)	(975)
Cash flows generated from investing activities – net		1,025	3,616
Cash flows from financing activities			
Proceeds from changes in ownership interests in subsidiaries without change of control		-	5,506
Proceeds from borrowings and bonds		3,725	2,606
Repayments of borrowings and bonds		(3,583)	(6,401)
Dividends paid to minority shareholders		(1,098)	(370)
Other finance cash flows – net		92	10
Cash flows (used in)/ generated from financing activities – net		(864)	1,351
Net (decrease)/ increase in cash and cash equivalents		(261)	8,751
Cash and cash equivalents at the beginning of the period		28,732	23,233
Cash and cash equivalents at end of the period	11	28,471	31,984

1.1 CORPORATE INFORMATION

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

During the period, the Company and its subsidiaries (collectively referred to as the "Group") were 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.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

1.2 BASIS OF PRESENTATION

The unaudited interim condensed consolidated financial information has been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting.

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial information, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

1.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial information of the Group for the year ended 31 December 2015, as described in those annual financial information except for the adoption of amendments to IFRSs effective for the financial year ending 31 December 2016.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) The new standards, amendments and interpretations to existing standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2016：

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) The new standards, amendments and interpretations to existing standards adopted by the Group (continued)

- IFRS 14 'Regulatory Deferral Accounts' describes regulatory deferral account balances as amounts of expense or income that would not be recognized as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services.

- Amendment to IFRS 11 "Accounting for acquisitions of interests in joint operations" requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'.

- Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortization' clarify when a method of depreciation or amortization based on revenue may be appropriate.

- Amendment to IAS 27 "Equity method in separate financial statements" allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception' clarify the application of the consolidation exception for investment entities and their subsidiaries.

- Amendment to IAS 1 'Disclosure Initiative' clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, and the structure of financial statements and the disclosure of accounting policies.

- Annual improvements 2014 include changes from the 2012-2014 cycle of the annual improvements project, that affect 5 standards, only the below are effective for relevant transactions on or after 1 January 2016.

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) The new standards, amendments and interpretations to existing standards adopted by the Group (continued)

Amendment to IFRS 5, 'Non-current assets held for sale and discontinued operations' clarifies when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution' simply because the manner of disposal has changed. It also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not classified as 'held for sale'.

Amendments to IFRS 7 'Financial instruments: Disclosures' clarifies that if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. It provides guidance about what is meant by continuing involvement. It clarifies the additional disclosure required by the amendments to IFRS 7, 'Disclosure – offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.

Amendments to IFRS 19, 'Employee benefits' clarifies when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

Amendments to IAS 34 'Interim financial reporting' clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. It also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.

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

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted:

- Amendments to IAS 12, ‘Income taxes’, effective for annual periods beginning on or after 1 January 2017.
- Amendments to IAS 7, ‘Statement of cash flows’, effective for annual periods beginning on or after 1 January 2017.
- IFRS 15 ‘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.
- IFRS 16 ‘Leases’, effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting IFRS 15 ‘Revenue from Contracts with Customers’ at the same time.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1.4 ESTIMATIONS

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

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

2. REVENUE AND SEGMENT INFORMATION

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

-The commercial vehicles segment mainly manufactures and sales of commercial vehicles, and its related engines and other automotive parts;
-The passenger vehicles segment mainly manufactures and sales of passenger vehicles, and its related engines and other automotive parts;
-The financing service segment mainly provides financing services to external customers and companies within the Group; and
-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 information. However, Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

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

During the six months ended 30 June 2015 and 2016, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2016

	Commercial vehicles RMB million (Unaudited)	Passenger vehicles RMB million (Unaudited)	Financing service RMB million (Unaudited)	Corporate and others RMB million (Unaudited)	Elimination RMB million (Unaudited)	Total RMB million (Unaudited)
Revenue						
Sales to external customers	20,116	35,777	1,078	162	-	57,133
Inter segment revenue	19	13	16	-	(48)	-
	20,135	35,790	1,094	162	(48)	57,133
Results						
Segment results	307	290	628	(548)	286	963
Interest income	146	180	-	366	(356)	336
Finance costs						(359)
Share of profit and losses of:						
Associates	-	1,234	195	14	-	1,443
Joint ventures	118	6,066	106	(774)	-	5,516
Profit before tax						7,899
Income tax expense						(680)
Profit for the period						7,219

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2015

	Commercial vehicles RMB million (Unaudited)	Passenger vehicles RMB million (Unaudited)	Financing service RMB million (Unaudited)	Corporate and others RMB million (Unaudited)	Elimination RMB million (Unaudited)	Total RMB million (Unaudited)
Revenue						
Sales to external customers	20,347	44,360	944	202	-	65,853
Inter segment revenue	3	11	20	1	(35)	-
	20,350	44,371	964	203	(35)	65,853
Results						
Segment results	84	911	511	(388)	269	1,387
Interest income	135	104	-	473	(294)	418
Finance income						357
Share of profit and losses of:						
Associates	-	529	137	19	-	685
Joint ventures	268	5,854	49	(990)	-	5,181
Profit before tax						8,028
Income tax expense						(709)
Profit for the period						7,319

3. OTHER INCOME

	Six months ended 30 June 2016 RMB million (Unaudited)	2015 RMB million (Unaudited)
Government grants and subsidies	146	69
Interest income	336	418
Rendering of other services	33	41
Management dispatch fees received from joint ventures	237	186
Others	185	130
	937	844

4. PROFIT BEFORE TAX

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

	Six months ended 30 June 2016 RMB million (Unaudited)	2015 RMB million (Unaudited)
Cost of inventories recognized as expense	49,289	57,354
Interest expense for financing services (included in cost of sales)	68	73
Write-down of inventories to net realizable value	(60)	66
Amortization of intangible assets	131	101
Depreciation of property, plant and equipment	756	668
Amortization of lease prepayment	29	54
Impairment of trade and other receivables	135	9

5. FINANCE COSTS/ (INCOME)

	Six months ended 30 June 2016 RMB million (Unaudited)	2015 RMB million (Unaudited)
Interest on bank loans and other borrowings	75	72
Interest on short term notes and discounted bills	22	56
Exchange losses/ (gains) from financing activities, net	262	(485)
Total finance costs/ (income)	359	(357)

6. INCOME TAX

	Six months ended 30 June 2016 RMB million (Unaudited)	2015 RMB million (Unaudited)
Current income tax	424	434
Deferred income tax	256	275
Income tax charge for the period	680	709

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2016 and 2015.

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

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

7. DIVIDEND

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

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

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2016 RMB million (Unaudited)	2015 RMB million (Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the Company	6,759	6,885
	RMB million	RMB million
Shares:		
Weighted average number of ordinary shares in issue during the period	8,616	8,616

Diluted earnings per share equals basic earnings per share as the Company has no dilutive potential ordinary shares for the six months ended 30 June 2016 and 30 June 2015.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment in an aggregate amount of approximately RMB 1,174 million (six months ended 30 June 2015: RMB 1,201 million) and disposed of property, plant and equipment with an aggregate net book value of approximately RMB 27 million (six months ended 30 June 2015: RMB 45 million), resulting in a net loss on disposal of approximately RMB 5 million (six months ended 30 June 2015: a net gain 37 million). Depreciation is approximately RMB 756 million (six months ended 30 June 2015: RMB 668 million). Impairment is approximately RMB 3 million (six months ended 30 June 2015: nil).

10. TRADE RECEIVABLES

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

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

	30 June 2016 RMB million (Unaudited)	31 December 2015 RMB million
Within three months	2,966	2,661
More than three months but within one year	1,822	813
More than one year	188	190
	4,976	3,664

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

	30 June 2016 RMB million (Unaudited)	31 December 2015 RMB million
Cash and bank balances	21,880	26,395
Time deposits	14,638	9,171
	36,518	35,566
Less: Pledged bank balances and time deposits for securing general banking facilities	(4,849)	(3,760)
Cash and cash equivalents in the interim condensed consolidated statement of financial position	31,669	31,806
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(3,198)	(3,074)
Cash and cash equivalents in the interim condensed consolidated cash flow statement	28,471	28,732

12. TRADE PAYABLES

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

	30 June 2016 RMB million (Unaudited)	31 December 2015 RMB million
Within three months	16,287	15,425
More than three months but within one year	1,874	1,197
More than one year	482	548
	18,643	17,170

13. INTEREST-BEARING BORROWINGS

Interest expense on borrowings and loans for the six months ended 30 June 2016 is RMB 97 million (30 June 2015: RMB 128 million).

The 1.60% guaranteed notes due 2018 (the "Notes") were issued in the aggregate principal amount of EUR 500,000,000 on 28 October 2015 and were registered in the denomination of EUR 100,000 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 arrears 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.

14. COMMITMENTS

(a) Operating lease commitments as lessee

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

	30 June 2016 RMB million (Unaudited)	31 December 2015 RMB million
Within one year	201	179
After one year but not more than five years	742	722
More than five years	5,636	5,706
	6,579	6,607

(b) Commitments

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

	30 June 2016 RMB million (Unaudited)	31 December 2015 RMB million
Contracted, but not provided for:		
Property, plant and equipment	3,277	1,882

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the interim report of the Company for 2016 for your review.

The macro-economy of China has entered new ordinary state and has demonstrated three characteristics, namely fast changes, optimized structure and alternating momentum, which formed an "L" shape trend for economic growth. For the first half of 2016, the local economy continued to maintain a stable development with moderate improvement in overall and recorded an increase of 6.7% in GDP as compared with the corresponding period last year, with major indicators in line with the pattern of new normal in economic development.

As there had been a slowdown in the acceleration of economic development together with new consumption demand, the changes in regulatory environment and consumption concept on automobiles, the automobile industry was facing a more complicated business environment and the automobile market entered a new era of diversified structure with a slight increase in total volume. Stimulated by the policy of 50 percent tax reduction in buying vehicles of 1,600 cc, recovery of growth in sales and the resumption of momentum were seen in the Chinese automobile market for the fourth quarter of last year and the first half of this year. In the first half of the year, the Chinese automobile market realized sales volume of approximately 12,829,800units, representing an increase of approximately 8.1% as compared with corresponding period last year and demonstrating a slight growth in general.

For the first half of the year, Dongfeng Motor Group maintained a stable operation through product restructuring and the enhancement of quality and efficiency. During the same period, the Company recorded an accumulated sales volume of approximately 1,421,900 units, representing an increase of approximately 6.1% as compared with the corresponding period last year and market share of approximately 11.1%. For the first half of the year, the Group realized sales revenue of approximately RMB 57,133 million, representing a decrease of approximately 13.2% as compared to the corresponding period last year. Profits attributable to shareholders amounted to approximately RMB 6,759 million, representing a decrease of approximately 1.8%.

For the first half of the year, the main characteristics of the operation of Dongfeng Motor Group are set out as follows:

1. Promoting growth in sales volume by the optimization of product structure. Since the second half of last year, Dongfeng Motor Group launched 14 new models of passenger vehicles successively, of which some of the models, including Dongfeng Fengshen AX3, Dongfeng Nissan New Qashqai and Dongfeng Honda New CIVIC, achieved outstanding performance in the market with high-standing growth in SUV. In the first half of the year, Dongfeng Motor Group recorded a sales proportion of SUV of 42.3% which was 7.5% higher than the average level in the industry;

2. Achieving stable performance in passenger vehicle market through double drivers of proprietary brands and joint venture brands. By launching new models, continuous growth was recorded for the sales volume of proprietary brands, of which Dongfeng Passenger Vehicle Company recorded an increase of approximately 32.4% year-on-year; Japanese

vehicles (eg. Dongfeng Nissan and Dongfeng Honda) recorded a recovery of sales, which was best reflected in the rapid growth in the sales volume of Dongfeng Honda with strong support of SUV, representing an increase of approximately 47.8% year-on-year, which perfectly supplemented the weak performance of DPCA;

3. Capturing opportunities arising from the implementation of various policies to achieve the rapid growth for new energy vehicles. For the first half of the year, a year-on-year increase of approximately 189.2% was recorded for the sales of new energy vehicles which was higher than the overall level in the industry;

4. Enhancing the management of full value chain and harvesting fruitful results from destocking. On top of the growth in sales volume, recorded a slight decrease in total inventory, in particular inventory of distributors, through the strengthening of the management of sales and production, as compared with the corresponding period last year.

For the second half of the year, the automobile industry will continue to maintain a slight increase in sales volume with the rapid growth in SUV and MPV while recording a prominently lower level of industrial efficiency than sales growth. Dongfeng Motor Group will still be encountering enormous pressure on operation amid challenges brought by the downward trend of macro-economy, intensified market competition and other factors.

In light of the above, Dongfeng Motor Group will focus on the following areas during the second half of the year: 1. optimizing structure, exploring new markets and strengthening and improving marketing capability; 2. further optimizing the system and mechanism for proprietary business development and boosting the brand power and marketing capability of proprietary brands; 3. having precise positioning based on market demand, speeding up the progress of product restructuring for commercial vehicles and leveraging on the market competitiveness of the replacement, new generation and rescaling of commercial vehicles; 4. accelerating the development of new energy vehicles and paying greater efforts in the collection of and synergy between core technologies of new energy vehicles; 5. proactively exploring in strategic markets abroad so as to lay a solid foundation for the Company in developing overseas businesses; 6. promoting thorough reformation and optimization of management and control works in order to solidify the foundation for management and facilitate the upgrading of management level; 7. attaching great importance to safety production and energy conservation and emission reduction with an aim to perform social responsibility.

In response to such pressure and challenges, Dongfeng Motor Group will adopt innovative business models and marketing approaches, enhance risk management and cost control, strictly monitor inventory, optimize sales network and greatly promote the synchronic development of joint venture brands and proprietary brands, which will allow the steady progress and implementation of all business affairs as scheduled and ensure the achievement of our operation objectives for the year. Last but not least, the above measures will lay a sound foundation for the sustainable development of Dongfeng Motor Group in this new era in the long run.

Zhu Yanfeng
Chairman

Wuhan, the PRC
26 August 2016

BUSINESS OVERVIEW

(I) Major Businesses

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

1. Commercial vehicles

The commercial vehicles of the Dongfeng Motor Group are mainly manufactured by Dongfeng Commercial Vehicles Co., Ltd., Dongfeng Automobile Co., Ltd., Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng Special Commercial Vehicle Co., Ltd. The major products are heavy, medium and light trucks, buses series, special purpose vehicles, special vehicles and military vehicles.

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

2. Passenger vehicles

Dongfeng Motor Group's passenger vehicle business is principally operated by the Company (through Dongfeng Passenger Vehicle Company), the subsidiary Dongfeng Peugeot Citroën Automobiles Sales Company Ltd., Dongfeng Liuzhou Motor Co., Ltd. and the following joint ventures: Dongfeng Motor Co., Ltd. (including Dongfeng Infiniti), Dongfeng Peugeot Citroën Automobiles Co., Ltd. (a joint venture of the Company and PSA Peugeot Citroën Group), Dongfeng Honda Automobile Co., Ltd. (a joint venture of the Company and Honda Motor Co., Ltd., partly through Honda Motor (China) Investment Co., Ltd.) and Dongfeng Renault Automobile Co., Ltd. (a joint venture of the Company and Renault Automobile Co., Ltd.). The engines and auto parts of passenger vehicles businesses are mainly operated by the Company (through Dongfeng Passenger Vehicles Company), Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroën Automobiles Company Ltd., Dongfeng Honda Engine Co., Ltd., Dongfeng Honda Auto Parts Co., Ltd. and Dongfeng Honda Automobile Co., Ltd.

3. Auto parts and equipment

In addition to engines and gear box, the Dongfeng Motor Group also manufactures a range of auto parts for commercial and passenger vehicles, including power transmission systems, vehicle bodies, chassis, electronic components and other parts.

Dongfeng Motor Group's auto parts and equipment business is primarily centred on Dongfeng Auto Parts and Equipment (Group) Co., Ltd. which specializes in research and development, manufacture and sales of auto parts and equipment. It mainly manufactures a range of auto parts and equipment for commercial vehicles and passenger vehicles. In addition to ancillary manufacture of auto parts for automobile companies of the Group, it also provides the manufacture of auto parts for other automobile companies in society.

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, stamping and forging moulds, and measuring and cutting tools. In addition, Dongfeng Motor Co., Ltd also provides various equipment maintenance services.

The engines of passenger vehicles produced by Dongfeng Honda Engine Co., Ltd. are mainly for external sales. The auto parts produced by Dongfeng Honda Auto Parts Co., Ltd. are for the sales of Honda series vehicles. Dongfeng GETRAG Transmission Co., Ltd. manufactures automatic gear boxes which are not only for internal use of the Group, but are also supplied to the external market.

4. Finance Business

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

(II) Principal Business Operations during the First Half of 2016

As at 30 June 2016, the production and sales volumes for whole vehicles of the Dongfeng Motor Group were 1,432,128 units and 1,421,926 units respectively. According to statistics published by the China Association of Automobile Manufacturers, the Dongfeng Motor Group had a market share of approximately 11.1% in terms of sales volume of commercial and passenger vehicles made by domestic manufacturers in the first half of 2016. The following table sets out the production and sales volumes of commercial and passenger vehicles of the Dongfeng Motor Group as well as their respective market shares in terms of sales volume in the first half of 2016:

	Production Volumes (units)	Sales Volumes (units)	Market share (%)[1]
Commercial Vehicles	180,182	176,132	9.9
Trucks	159,876	156,268	10.2
Buses	20,306	19,864	7.8

	Production Volumes (units)	Sales Volumes (units)	Market share (%)[1]
Passenger Vehicles	1,251,946	1,245,794	11.3
Basic passenger cars	601,693	593,694	10.7
MPVs	121,179	124,757	10.4
SUVs	529,074	527,343	13.7
Total	1,432,128	1,421,926	11.1

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

Revenue of the Group for the six months ended 30 June 2016:

Business	**Sales revenue (RMB million)**	**Contribution to the Group's sales revenue (%)**
Passenger vehicles	35,790	62.7
Commercial vehicles	20,135	35.2
Finance	1,094	1.9
Others	162	0.3
Elimination	(48)	(0.1)
Total	**57,133**	**100**

(III) Principal Business Achievements during the First Half of 2016

1. Overall operation remained stable and sound

The total sales of the Dongfeng Motor Group for the first half of the year were approximately 1,421,900 vehicles, representing an increase of approximately 6.1% over the corresponding period of last year, and the market share was approximately 11.1%, representing a decrease of 0.2 percentage point over the corresponding period of last year. Sales of passenger vehicles were approximately 1,245,800 units, representing an increase of approximately 7.3% over the corresponding period of last year. Sales of commercial vehicles were approximately 176,100 units, representing a decrease of approximately 1.7% over the corresponding period of last year.

The sales revenue of the Group was approximately RMB 57,133 million, representing a decrease of approximately 13.2% as compared with the corresponding period of last year. Profit attributable to shareholders was approximately RMB 6,759 million, representing a decrease of approximately 1.8% as compared with the corresponding period of last year. Despite of the decrease in overall sales volume and operation efficiency, the performance of indicators was reasonable.

2. Structural optimization of products facilitated the growth of sales volume

Since the second half of last year, the Company successively launched 14 new products for passenger vehicles, providing solid support to the growth in the sales of the Company. With regard to SUVs, vehicle models such as Dongfeng Nissan New Qashqai (東風日産新逍客) and Dongfeng Fengshen AX3 were favored by users with flourishing sales and production; for sedans, the markets of vehicle models such as Dongfeng Honda New CIVIC (東風本田新思域) and Dongfeng Nissan New Sylphy (東風日産新軒逸) achieved outstanding performance with sales volumes surpassing the previous generation; regarding MPVs, the markets of vehicle models such as Dongfeng Liuzhou Motor S500 achieved another breakthrough. The structural adjustment of products has improved the market competitiveness.

3. With the tremendous effort from both proprietary brands and joint venture brands, passenger vehicle market achieved stable performance

In the first half of the year, Dongfeng Motor Group sold approximately 1,245,800 units passenger vehicles, representing a year-on-year increase of 7.3%. The market performance was stable. In terms of the structure, the sales volume of standard sedan declined, while the sales volume of SUV rose rapidly. Under the driving forces of new products, the sales volume of Dongfeng Passenger Vehicle Company achieved a year-on-year increase of 32.4% with a relatively rapid growth speed while the markets of vehicle models such as new A60 and AX3 achieved a sound performance; and the sales volume of Japan-series vehicle of Dongfeng Nissan and Dongfeng Honda bounced back. Particularly, as vigorously driven by SUVs, the sales volume of Dongfeng Honda increased rapidly.

4. Inventory was controlled at a reasonable level

In face of the market downturn, through strengthening the management level of production and sales, the Company's capability of satisfying the market demand was augmented in an on-going fashion. As the sales volume was constantly increasing, the total inventory decreased slightly compared with the same period of last year and the structure became more reasonable. The total inventory coefficient of the whole vehicles of the Company and Dealers was 2.08 ,which was controlled within target range. The reasonable inventory control ensured the steady and sound growth of the Company.

5. The overall operation of production safety, energy conservation and emission reduction was stable

In the first half of 2016, Dongfeng Motor Group formulated new concepts and new methods as its efforts in energy conservation and environmental protection to develop a new layout concentrating upon achieving new targets. Under the guidance of business plans and adherence to target control, it systematically pushed forward certain major tasks, such as evaluation of energy conservation and environmental protection level, specialized treatment of hazardous waste, centralized wastewater treatment in Shiyan base and the preparation of the plan on "Green Dongfeng 2020", which set ground for performing the tasks in energy conservation and environmental protection under the "Thirteenth Five-Year Plan", and outstanding results have been achieved. As compared with the same period in 2015: the comprehensive energy consumption for production value of every RMB 10,000 decreased by 9.2% while COD and SO_2 emission decreased by 8.5% and 2.7% respectively.

6. "Nurturing" Plan was implemented to fulfil social responsibilities

In the first half of 2016, the social responsibilities of Dongfeng Motor Group was fulfilled under the concept of "responsibility integration and harmonious sharing" based on four specific tasks, namely, responsibility research, responsibility fulfilment, responsibility management and responsibility communication. Such act constantly solidified the leading position of the Company in terms of its brand identity in social responsibility, constantly elevating its brand identity in this aspect.

(IV) Business Outlook

In the first half of 2016, the automobile market in the PRC exceeded expectation in terms of demand. In the second half of 2016, Dongfeng Motor Group will still face a rather complex operating environment.

From the macroeconomic perspective, the expected rise of interest rates in US dollar, the Brexit and geopolitical conditions had exerted impacts on various aspects of the global economy. Hence, numerous developed and developing countries lowered their expectation of development. The economy of the PRC is in the critical stage of structural adjustment and transitional development while "phasing out excess capacity and destocking" has imposed certain restraints on the growth of economy. Still, the economic development of the PRC in the meantime is still firmly supported by the following: firstly, as the urbanization and industrialization in the PRC will still continue, the economy will still remain at the stage of rapid changes and development; secondly, the structural adjustment and consumption upgrade in the PRC is accelerating with a great potential of growth in the tertiary industry; thirdly, along with the structural reformation of the supply side and reformation of "policies streamlining, authority delegation, supervision enhancing and service optimizing" for administration system, as well as the in-depth facilitation of the reform of "deleveraging and rectifying weak spots", benefits from reform will continue to be released. The Company estimated that the growth of GDP for the entire year to be around 6.7%.

Judging from the state of the automobile industry, it remained in a period full of strategic development opportunities in general and the sales volume of new vehicles in the PRC is estimated to still present a trend of growth with a medium-low speed. In terms of the operation of the Company, the operation of the Company in the first half of the year was generally stable. Dongfeng Motor Group adopts a prudent and optimistic attitude towards the state of the industry in the second half of the year. The Group will promote the major business units to respond to the changes in the market proactively. With its firm confidence and proactive behaviour, it will endeavour to consolidate the growth and go to extraordinary lengths to realize annual targets.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Analysis of the Major Businesses

1. Revenue

In the first half of 2016, affected by the consumption trend driven by replacement demand and the implementation of policy in respect of a 50 percent tax reduction in buying passenger vehicles which are less than 1,600 cc, the production and sales of vehicles increased steadily. The production and sales of vehicles were approximately 12,892,200 units and 12,829,800 units respectively, representing an increase of 6.5% and 8.1% over the corresponding period of last year respectively. There was a rebound in the entire vehicle market.

For the passenger vehicle market, in the first half of the year, sales of passenger vehicles were approximately 11,042,300 units, representing an increase of approximately 9.2% over the corresponding period of last year. Sales of passenger vehicles maintained a stable growth with significant increase in growth rate over the corresponding period of last year. The policy in respect of a 50 percent tax reduction in purchasing passenger vehicles was favourable to the sales of passenger market as well as the development of vehicle market. In the first half of the year, sales of self-owned brand passenger vehicles were 4,734,500 units, representing an increase of 12.8%. Its sales accounted for 42.9% of total sales volume of passenger vehicles, representing an increase of 1.4% over the corresponding period of last year, with its market share remaining the first. The sales of Germany-series, Japan-series, America-series, Korea-series and France-series passenger vehicles in the first half of the year were 2,156,800 units, 1,700,000 units, 1,304,800 units, 808,400 units and 302,400 units respectively, representing 19.5%, 15.4%, 11.8%, 7.3% and 2.7% of total sales volume of passenger vehicles. Market share of Japan-series increased over the corresponding period of last year while other series of foreign brands decreased.

For the commercial vehicle market, sales of commercial vehicle experienced its low point in 2015 with only sales volumes in June and October throughout the year were higher than the corresponding period of 2014. Since February 2016, sales of commercial vehicles have rebounded with sales growth for three consecutive months over the corresponding period of last year. Sales volume decreased again in June over the corresponding period of last year, representing a decrease of 1.7%. However, in the first half of 2016, total number of commercial vehicles produced and sold nationwide recorded a growth, of which 1,792,700 units were produced and 1,787,400 were sold, representing an accumulated increase of 1.5% and 1.9% over the corresponding period of last year respectively.

In the first half of 2016, the Group managed to overcome various risks and challenges and achieved steady growth. The total sales of the Group for the period were approximately 1,421,900 units, representing an increase of approximately 6.1% over the corresponding period last year. Sales of passenger vehicles were approximately 1,245,800 units, representing an increase of approximately 7.3% over the corresponding period last year. Sales of commercial vehicles were approximately 176,100 units, representing a decrease of approximately 1.7% over the corresponding period last year. The Group had a domestic market share of approximately 11.1% in terms of sales volume, representing a decrease of 0.2 percentage point over the corresponding period last year. The market share of its passenger vehicles was approximately 11.3%, representing a decrease of approximately 0.2 percentage point over the corresponding period last year. The market share of its commercial vehicles was 9.9%, representing a decrease of approximately 0.4 percentage point over the corresponding period last year.

The revenue of the Group was approximately RMB 57,133 million, representing a decrease of approximately RMB 8,720 million, or 13.2%, as compared with approximately RMB 65,853 million of the corresponding period of last year. The decrease in revenue was mainly due to the decrease in sales revenue from Dongfeng Peugeot Citroën Automobiles Sales Company Ltd. in the period.

	The first half of 2016 Sales revenue	**The first half of 2015 Sales revenue**
	RMB million	**RMB million**
Passenger vehicles	35,790	44,371
Commercial vehicles	20,135	20,350
Finance	1,094	964
Others	162	203
Elimination	(48)	(35)
Total	57,133	65,853

1.1 Passenger vehicle

Sales revenue of passenger vehicles of the Group decreased by approximately RMB 8,581 million, or 19.3%, to approximately RMB 35,790 million from approximately RMB 44,371 million of last year. The decrease in revenue was mainly due to the decrease in sales revenue from Dongfeng Peugeot Citroën Automobiles Sales Company Ltd. in the period.

1.2 Commercial Vehicle Business

The sales revenue of commercial vehicles of the Group decreased by approximately RMB 215 million, or 1.1%, to approximately RMB 20,135 million from approximately RMB 20,350 million of last year. The decrease in revenue was mainly due to the decline in the business of special vehicles.

1.3 Financial Business

The revenue of financial business of the Group increased by approximately RMB 130 million, or 13.5%, to approximately RMB 1,094 million from RMB 964 million of last year. The financial business of the Group maintained its rapid growth.

2. Cost of sales and gross profit

The total gross profit of the Group in the first half of 2016 was approximately RMB 7,776 million, representing a decrease of approximately RMB 650 million, or 7.7%, as compared with approximately RMB 8,426 million of last year. The comprehensive gross margin increased by 0.8 percentage point to approximately 13.6% from approximately 12.8% of last year.

3. Other Income

The total other income of the Group in the first half of 2016 amounted to approximately RMB 937 million, representing an increase of approximately RMB 93 million as compared with approximately RMB 844 million of last year.

The increase in other income was mainly due to the increase in income from government's subsidies.

4. Selling and Distribution Costs

The selling and distribution costs of the Group in the first half of 2016 decreased by approximately RMB 379 million to approximately RMB 3,202 million from approximately RMB 3,581 million of last year.

The decrease in selling and distribution costs was mainly due to the decrease in advertisement expenses and transportation costs of market expansion.

5. Administrative Expenses

The administrative expenses of the Group in the first half of 2016 increased by approximately RMB 70 million to approximately RMB 1,671 million from approximately RMB 1,601 million of last year.

6. Other expenses, net

The other net expenses of the Group in the first half of 2016 amounted to approximately RMB 2,541 million, representing an increase of approximately RMB 258 million as compared with approximately RMB 2,283 million of the corresponding period of last year.
The increase of other net expenses was mainly attributable to the increase in technology investment by the Company.

7. Staff costs

The staff costs of the Group in the first half of 2016 amounted to approximately RMB 2,759 million, representing an increase of approximately RMB 38 million as compared with approximately RMB 2,721 million of the corresponding period of last year.

The increase was mainly attributable to additional salaries and benefits as a result of a higher demand of labour in line with the increases in production and sales of vehicles. The increase in labour cost was also due to the regular wages adjustment.

8. Finance income/ (costs), net

The net finance costs of the Group in the first half of 2016 amounted to approximately RMB 359 million, representing an increase of approximately RMB 716 million as compared with net finance income of approximately RMB 357 million of the corresponding period of last year.

The increase in net finance costs was mainly due to the exchange loss from Euro-denominated borrowings of the Group.

9. Share of profits and losses of joint ventures

Share of profits and losses of joint ventures of the Group in the first half of 2016 amounted to approximately RMB 5,516 million, representing an increase of approximately RMB 335 million as compared with that of approximately RMB 5,181 million of the corresponding period of last year, mainly due to the facts that (1) the launch of 4 new models of passenger vehicles by Dongfeng Motor Co., Ltd, resulted in the increase of approximately 10% in sales volume, while the significant effect of the reduction in costs promoted profit growth of approximately RMB 715 million; (2) sales volume of Dongfeng Peugeot Citroën Automobiles Co., Ltd. decreased by approximately 18.5%, the effect of which was larger than the profit increase generated from cost reduction. Meanwhile, the significant growth in vehicles of self-owned brands and Japan-series brands seized the market share of France-series vehicles, which resulted in profit decrease of approximately RMB 777 million over the corresponding period of last year; (3) sales volume of Dongfeng Honda Automobile Co., Ltd. increased by approximately 47.8% over the corresponding period of last year, while models of high-revenue vehicles increased by approximately 25.9%, representing an increase of profit approximately RMB 472 million over the corresponding period of last year.

10. Share of profits and losses of associates

Share of profits and losses of associates of the Group in the first half of 2016 amounted to approximately RMB 1,443 million, representing an increase of approximately RMB 758 million as compared with that of approximately RMB 685 million of the corresponding period of last year, mainly due to the increase in investment gain of approximately RMB 707 million generated from the investment in PSA.

11. Income tax

The income tax expenses of the Group in the first half of 2016 amounted to approximately RMB 680 million, representing a decrease of approximately RMB 29 million as compared with approximately RMB 709 million of the corresponding period of last year. The effective tax rate was approximately 8.6% for the period, a decrease of 0.2 percentage point as compared with that of approximately 8.8% of the corresponding period of last year.

12. Profit for the year

As a result of the above, the profit attributable to shareholders of the Group in the first half of 2016 was approximately RMB 6,759 million, representing a decrease of approximately RMB 126 million, or 1.8% as compared with that of approximately RMB 6,885 million for the corresponding period last year. The net profit margin (a percentage of profit attributable to shareholders to total revenue) was approximately 11.8%, representing an increase of approximately 1.3 percentage points as compared with approximately 10.5% of the corresponding period last year. The return on net assets (a percentage of profit attributable to shareholders to average net assets) was approximately 15.5%, representing a decrease of approximately 2.8 percentage points as compared with approximately 18.3% of the corresponding period last year.

13. Total assets

The total assets of the Group for the period amounted to approximately RMB 169,655 million, representing an increase of approximately RMB 8,869 million as compared with approximately RMB 160,786 million at the beginning of the year, mainly due to the increase in receivables, property, plant and equipment and the investment in associates.

14. Total liabilities

Total liabilities of the Group for the period amounted to approximately RMB 73,426 million, representing an increase of approximately RMB 4,124 million as compared with approximately RMB 69,302 million as at the end of the year, mainly due to the increase in borrowings, payables and notes payable, among which borrowings increased approximately RMB 1,978 million as a result of the increase in placement of deposits of Dongfeng Motor Finance Co., Ltd. and additional borrowings of Dongfeng Peugeot Citroën Automobiles Sales Company Ltd. Meanwhile, the repayment of the principal of EUR 105 million by the subsidiary by Dongfeng Motor (Hong Kong) International Co., Limited, equivalent to RMB 756 million, which was borrowed from the Export-Import Bank of China, with annualized interest rate of approximately 2%.

15. Total equity

Total equity of the Group for the period amounted to approximately RMB 96,229 million, representing an increase of approximately RMB 4,745 million as compared with approximately RMB 91,484 million at the end of last year. Equity attributable to equity holders of parent amounted to approximately RMB 89,934 million, representing an increase of approximately RMB 5,284 million as compared with approximately RMB 84,650 million at the end of last year.

16. Liquidity and Sources of Capital

	Six month ended 30 June 2016 (RMB million)	Six month ended 30 June 2015 (RMB million)
Net cash flows (used in)/ generated from operating activities	(422)	3,784
Net cash flows generated from investing activities	1,025	3,616
Net cash flows (used in)/ generated from financing activities	(864)	1,351
Net (decrease)/ increase in cash and cash equivalents	(261)	8,751

Net cash outflows from operating activities of the Group amounted to approximately RMB 422 million, reflecting mainly (1) profit before tax of approximately RMB 1,916 million, net of non-cash items of depreciation and impairment; (2) decrease of stock of approximately RMB 164 million; (3) increase in loans and receivables generated from financial business, representing a decrease of approximately RMB 3,582 million; (4) increase in placement of deposits from financial business of approximately RMB 1,577 million; (5) income tax paid of approximately RMB 673 million;

Net cash inflows from investing activities of the Group amounted to approximately RMB 1,025 million, mainly reflecting: (1) spending approximately RMB 2,065 million on property, plants and facilities to increase productivity and develop new products; (2) payment of consideration for the acquisition of equity interest in subsidiary, representing a decrease of approximately RMB 1,233 million; and (3) receipt of dividend from joint ventures and associated companies, representing an increase of approximately RMB 5,003 million;

Net cash outflows from financing activities of the Group amounted to approximately RMB 864 million, mainly reflecting (1) an increase in net bank borrowings of approximately RMB 3,725 million; (2) a decrease in repayment of net bank borrowings of approximately RMB 3,583; (3) approximately RMB 1,098 million dividend to shareholders.

As a result of the above, the Group's cash and cash equivalents (excluding time deposits with an original maturity of three months or more) amounted to approximately RMB 28,471 million as at 30 June 2016, representing a decrease of approximately RMB 261 million as compared with approximately RMB 28,732 million as at 31 December 2015. Cash and bank balances (including time deposits with an original maturity of three months or more) amounted to approximately RMB 31,669 million, representing a decrease of approximately RMB 137 million as compared with approximately RMB 31,806 million as at 31 December 2015. Net cash (cash and bank balances less borrowings) of the Group amounted to approximately RMB 20,031 million, representing a decrease of approximately RMB 1,026 million when compared with approximately RMB 21,057 million as at 31 December 2015.

As at 30 June 2016, the Group's equity ratio, as a percentage of total borrowings to total shareholders' equity, was approximately 18.3%, representing an increase of approximately 1.2 percentage points as compared with approximately 17.1% as at 31 December 2015. The Group's liquidity ratio was approximately 1.35 times, representing a decrease of approximately 0.04 times from approximately 1.39 times as at 31 December 2015. The Group's quick ratio was approximately 1.22 times, representing a decrease of 0.03 times from approximately 1.25 times as at 31 December 2015.

The inventory turnover days of the Group increased by approximately 2 days to approximately 31 days from approximately 29 days as at 31 December 2015. The Group's turnover days of receivables (including notes receivable) increased by approximately 3 days to approximately 51 days from approximately 48 days as at 31 December 2015. The turnover days of receivables (excluding notes receivable) increased by approximately 5 days to approximately 16 days from approximately 11 days as at 31 December 2015. The turnover days of notes receivable decreased by approximately 2 days to approximately 35 days from 37 days as at 31 December 2015. The Group adopts stringent polices for the management of notes receivable and only accepts applications by trustworthy banks and customers with financial strengths, while the credit risks related to bank promissory notes are assumed by the customers' banks.

(II) Analysis of Core Competitiveness

As a leading vehicle enterprise with sustainable growth in the vehicle industry of the PRC, Dongfeng Motor Group has maintained stable operation in general in the first half of 2016. Its core competitive edge is mainly reflected in the following aspects:

1. Strong support and protection ability by strategic resources

The parent of Dongfeng Motor Group is Dongfeng Motor Corporation. The Company is a platform for core assets and capital operation of Dongfeng Motor Corporation. Dongfeng Motor Corporation is a super large vehicle enterprise directly managed by the central government and was ranked the second in the industry in terms of production and sales of vehicle and ranked 81st in Fortune Global 500 in 2016 and the 4th among top 500 manufacturers in the PRC in 2015. Dongfeng has the business layout with the best and most complete products in the industry of the PRC and the comprehensive value chain system. It has established stable strategic relationship with the upstream and downstream suppliers, distributors and service providers. In view of importance of the vehicle industry in the economic and social development of the State and the leading position of Dongfeng as a state-owned enterprise, Dongfeng Motor Corporation has been strongly supported by the government and the society for its development. They provide Dongfeng Motor Group with important support of strategic resources and ensure the effective response of the Company to significant risks, aiming at achieving a sustainable and healthy development.

2. Experienced operation team and international management philosophy

The operation team of Dongfeng Motor Group has been engaged in the related business of vehicle industry for a long time and has profound understanding about the current development status and trend of the domestic and overseas vehicle industry. It has accumulated extensive experience in strategic planning, corporate management and marketing, and reached a win-win situation in terms of professionalism, ability and structure to promote development mutually. In the practice of cooperation and international operation, Dongfeng Group continues to improve business procedures, strengthens the memory of the organization and knowledge accumulation, and continuously raises the international management ability through abiding by world-class standards and learning and introducing advanced management experience, approach and philosophy with international vision and thought, thereby establishing management style with Dongfeng's characteristics.

3. Strengthening the system and ability of independent innovation continuously

The Company was recognized as an "Innovative Enterprise" by the State in 2011. It continues to optimize the establishment of self-innovative system and establishes complex R&D system comprehensively. R&D talents are recruited continuously, and the management of the whole vehicle platform and the development of key aggregate power are strengthened. The Group's technical centre was granted as "Innovative and Entrepreneurship Base of Overseas High-level Talents" by the State. The number of on-the-job professionals of "Thousand Persons Plan" reached 9 persons. The Company enhanced the construction of overseas R&D centre and acquired Swedish T Company. In selecting the technological improvement award of the vehicle industry in the PRC, the total number awarded by Dongfeng Motor Corporation ranked the first for ten consecutive years in the industry.

4. Healthy development of joint venture business and strategic alliance

Dongfeng has established long-term strategic cooperation relationship with the international vehicle companies including Nissan, Honda, PSA, Renault and Volvo, with increasing mutual trust strategically, enhancing cooperation level and deepening cooperation area. In the largest and sustainable development of the Chinese vehicle market, all shareholders have increased their support to joint ventures actively and endeavour to elevate the position of their China's businesses in the global layout. Dongfeng has established strategic alliance with tycoons of world-class commercial vehicle enterprises Volvo, hence the international competitiveness of medium and heavy commercial vehicles is further strengthened and raised. Besides, the Company has established the "Dongfeng-Renault-Nissan" alliance and achieved resources sharing and coordination of cross-brands. It purchased equity interests in French PSA Group strategically to further develop the coordination of the whole value chains. The healthy development of joint venture business and strategic alliance offers abundant resources to Dongfeng Group for the business development of self-owned brands.

5. Outstanding brand value and corporate reputation

The brand of "Dongfeng" was the first well-known trademark in the vehicle industry of the PRC. In 2011, "Tianlong", the trademark of heavy truck of Dongfeng, was accredited as well-known trademark in the PRC. In 2007, "Dongfeng" was accredited as "Well-known Brand in the PRC" by ASQIQ. Among the list of Top 500 Brands in the World announced by Brand Finance, among which, "Dongfeng" was the only Chinese auto brand. According to World Brand Lab, the brand value of "Dongfeng" amounted to approximately RMB 98,680 million among "Top 500 Most Valuable Brand in China" in 2016. Dongfeng Group has good reputation in the capital markets and achieved "Excellent Enterprise Management Award", golden medal of "Excellent Corporate Governance Award" and "Listed Company with the Best Investors' Relations" and so forth.

6. Corporate soft power with cooperation and coordination to achieve common goals

In the history of long-term reform and development, Dongfeng has cared everyone and every car, created the harmony among human being, vehicles, nature and the society, and cultivated peaceful culture with the characteristics of Dongfeng under the outstanding cultural background based on the mission of "Realize our Dreams with Vehicles" with the inclusive mind of achieving a sustainable and healthy development. Dongfeng has advocated and practised the value of modern commercial ethics, stuck to compliance management and actively fulfilled the obligations of stakeholders in order to achieve win-win situation and joint development.

DIVIDENDS

The Board of Directors resolved not to distribute any dividends for the earnings of the Company for the first half of 2016.

MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

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

SHARE APPRECIATION RIGHTS

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

The first and second rounds of share appreciation rights were fully expired, including those being exercised, waived and lapsed.

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

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

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

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

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

MATERIAL LEGAL PROCEEDINGS

As at 30 June 2016, the Dongfeng Motor Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Dongfeng Motor Group as far as the Group was aware.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company has fully complied with the requirements of the Code Provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the period.

REVIEW OF THE ACCOUNTS

The audit and risk management committee has reviewed the unaudited financial statements of the Group for the six months ended 30 June 2016.

BOARD OF DIRECTORS

As at the date of this announcement, 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.

On behalf of the Board of Directors

ZHU YANFENG
Chairman

Wuhan, the PRC
26 August 2016

** For identification only*