東風汽車集團股份有限公司

DONGFENG MOTOR GROUP COMPANY LIMITED*

Stock Code: 489

2016 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 and the parent of the Company, was established in September 1969.

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

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

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

As at 31 December 2016, the Company has 21 subsidiaries, joint ventures and other companies in which the Company has direct equity interests and 2 branches. 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 2016, the Dongfeng Motor Group commanded a market share of approximately 11.3% 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.

Dongfeng Motor Group Company Limited

- Dongfeng Research & Development Centre (Branch)
- Dongfeng Passenger Vehicle Company (Branch)
- Dongfeng Special Purpose Commercial Vehicle Co., Ltd.
- Dongfeng Electrical Vehicle Co., Ltd.
- Dongfeng Commercial Vehicle Co., Ltd.
- Dongfeng Peugeot Citroën Automobile Co., Ltd.
- Dongfeng Honda Automobile Co., Ltd.
- Dongfeng Honda Engine Co., Ltd.
- Dongfeng Honda Auto Parts Co., Ltd.
- Honda Motor (China) Investment Co.,Ltd.
- Dongvo (Hangzhou) Truck Co., Ltd.
- Dongfeng Liu Zhou Motor Co., Ltd.
- Dongfeng Renault Automobile Co., Ltd.
- Dongfeng Getrag Automobile Transmission Co., Ltd.
- Dongfeng Motor Finance Co.,Ltd.
- China Dongfeng Motor Industry Import & Export Co., Ltd.
- Dongfeng Nissan Auto Finance Co., Ltd.
- Dongfeng Motor Co., Ltd.
- Dongfeng Off-road Vehicle Co., Ltd.
- Dongfeng Motor Investment (Shanghai) Co., Ltd.
- Dongfeng (Wuhan) Engineering Consulting Co., Ltd.
- Dongfeng Peugeot Citroën Auto Finance Co., Ltd.
- Dongfeng Peugeot Citroën Sales Co., Ltd.

Chairman's Statement

Dear Shareholders,

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

In 2016, the transform and upgrade of Chinese economy, the changes in government policies and regulations on automobile industry and the high-profile cross boundary entry by intelligent network alliance have imposed significant impact on the industry. In particular, the development in new policies and regulations, new technologies, new ideas, new commercial activities and new business models, including the change in the policy of 50% reduction on purchase tax for passenger vehicles with displacement of 1.6L and below, the strict enforcement of GB1589 on commercial vehicles, the details of credits policies on CAFC and NEV becoming clear, the change in subsidies policies on new energy vehicles, and the emerging of electric vehicles, intelligent networked vehicles, networked sharing vehicles and crossover vehicles have brought about far-reaching impact on the current and future development of the automobile industry.

In 2016, amidst the new economic situation and the implementation of new rules and regulations, the Chinese automobile market witnessed a record-high growth in sales volume of vehicles at 28,028,200 units, representing an increase of 13.7% as compared with the corresponding period last year. The increase rate was higher than expected at the beginning of 2016.

In 2016, the Chinese automobile market had the following characteristics:

1. Market concentration rate continued to decline. The top 10 players accounted for 88.3% of the sales volume in China, 1.2% lower than the corresponding period last year. The market concentration rate followed the downtrend since 2015.

2. The commercial vehicle market was recovering, while the market share of passenger vehicles in the whole market reached a new high. The sales volume of commercial vehicles for the year was 3,651,300 units, representing an increase of 5.8% as compared with the corresponding period last year, which indicated a recovery from weakness scene in recent years; and the sales volume of passenger vehicles reached 24,376,900 units, representing an increase of 14.9% as compared with the corresponding period last year, with the market share at an all-time high of 87.0%.

3. SUVs, MPVs and small-displacement vehicles became the drivers behind the rapid growth in the passenger vehicle market. Driven by the automobile consumption policies and consumer preferences, each sub-sector of SUVs, MPVs and small-displacement vehicles experienced a high sales volume growth, with growth rate at 44.6%, 18.4% and 19.9% respectively.

4. Self-owned brands rose sharply, and the market share of joint-venture brands continued to decline. The sales volume of passenger vehicles under self-owned brands was 10,528,600 units, registering a record-high market share of 43.2%.

5. The new energy vehicle sector was on a more sustainable track. With the modification by Chinese authorities in subsidies policies on new energy vehicles, the growth in the sales of new energy vehicles slowed down. However, the sales volume of new energy vehicles throughout the year still reached 507 thousand units, representing an increase of 53.0% as compared with the corresponding period last year. The modification of policies is expected to set the sector on a more regulated and sustainable path.

6. The automobile market was facing an ever-changing competitive landscape. With the development of pilotless automobile and smart internet, the entry into the industry by dot-com companies and emerging commercial activities, the automobile industry was and will continue to be facing an ever-changing competitive landscape.

In 2016, the sales volume of vehicles of Dongfeng Motor Group exceeded 3 million units due to our efforts on market research, focusing on customer values, targeted marketing and enhancing sales network, which marked a good start for the 13th Five-Year Period. In 2016, Dongfeng Motor Group witnessed a sales volume of approximately 3,156,800 units vehicles, representing an increase of 10.1% as compared with the corresponding period last year, with a market share of 11.3%; among which, the sales volume of passenger vehicles was approximately 2,787,700 units, representing an increase of approximately 10.6% as compared with the corresponding period last year; and the sales volume of commercial vehicles reached approximately 369,100 units, representing an increase of approximately 6.9% as compared with the corresponding period last year.

In 2016, the Group recorded sales revenue of approximately RMB122,422 million, representing a decrease of approximately 3.3% as compared with the corresponding period last year. The profit attributable to shareholders was approximately RMB13,355 million, representing an increase of approximately 15.6% compared with the corresponding period last year.

In 2016, the operation of Dongfeng Motor Group had the following characteristics:

1. The production and sales of vehicle rose to a new high of 3 million units. The passenger vehicles and commercial vehicles maintained rapid growth momentum throughout the year, jointly pushing the sales volume of the Company to the new high of 3 million units for the first time, making the sales volume of the Company elevate to a new level.

2. The operation quality was further promoted. Retail volume was higher than wholesale volume, inventory quantity and structure were optimized and sales network risks were effectively resolved.

3. New development was marked in new energy vehicles and exports overseas. The sales volume of pure electric vehicles amounted to approximately 24 thousand units, representing an increase of 60.9% as compared with the corresponding period last year. Breakthrough was made in the transformation of overseas business of the Company. The export of self-owned brand passenger vehicles of Dongfeng has realized KD model. 32 thousand units of vehicles of Dongfeng Motor Group were exported overseas, representing an increase of 26.8% as compared with the corresponding period last year.

4. Self-owned brands and joint-venture brands grew hand in hand. The sales volume of Dongfeng Passenger Vehicle Company reached over 150 thousand units, representing an increase of 50.5% as compared with the corresponding period last year; the sales volume of Dongfeng Commercial Vehicle Co., Ltd. reached over 133,200 units, representing an increase of 12.3% as compared with the corresponding period last year; the sales volume of Dongfeng Liuzhou Motor Co., Ltd. was 302,900 units, with the sales volume of commercial vehicles increased significantly; the sales volume of Dongfeng Nissan Passenger Vehicle Company reached 1,117,900 units; the sales volume of Dongfeng Honda Automobile Co., Ltd. exceeded 570,100 units, representing an increase of 40.3% as compared with the corresponding period last year.

2017 marks a crucial year for implementing the 13th Five Year Plan and also a year for deepening structural reform on the supply side, in which challenges and opportunities coexist. On the one hand, China is confronted with an array of factors such as slowdown of GDP growth, intensifying market competition, rising price of bulk and raw materials, exchange rate fluctuation, change in travel modes, less favorable tax preference on passenger vehicle purchasing, stricter emission laws and regulations on commercial vehicle, which brought uncertainties to the operation of the Company. On the other hand, driven by such favorable factors as the accelerated progress of urbanization, rapid expansion of middle class, the 80's and 90's generations dominating the consumption group, the rising proportion of second-time automobile buyer, increasing demand of vehicle replacement and the tendency of intelligent network alliance, the automobile market will maintain the momentum of stable growth.

Faced with new challenges and opportunities, Dongfeng Motor Group will strive to fulfill the following tasks:

1. Accelerate the development of strategic layout. Dongfeng Motor Group will build an automobile service platform of network alliance to provide users with all-round automobile products and services of fine quality; actively develop auto financing business to promote its contribution to sales and accelerate the development of the layout for other parallel business to create new profit points; focus on the development of power batteries, electric engine, electronic control system of the new energy technology, intelligent network alliance and other business; and promptly unfold the layout of intelligent network alliance business.

2. Focus on customer value and strengthening commodity force and marketing upgrade. Dongfeng Motor Group will focus on customer value and engrave customer awareness, commodity force awareness and cost awareness in mind as a value guide; strength commodity force by intensifying market research, improving insight into consumers and focusing concern on new urban citizens, quasi-two-children families, middle-class females and the 90's generation, etc. who are quickly emerging as new consumption group, to have full understanding of consumption habits, automobile using preference and regional distribution of customers; set up the Group's appraisal system of marketing capability and formulate marketing capability improvement scheme.

Chairman's Statement (Continued)

3. Promote the independent innovation and the development of self-owned brands. Dongfeng Motor Group will strengthen international cooperation in innovation and actively integrate into global innovation network; accelerate the rebuilding of the leading advantages of commercial automobiles; act in quick response to new changes in market segment and constantly improve the product orientation to lightness, greenness and intelligence; devote great efforts to elevate the core capability of self-owned brand passenger vehicles, and constantly improve the quality of the same; accelerate the brand upward development and create strategic model and star products by diversifying the turbocharged models, with a view to boost the competitiveness of our vehicle model.

4. Promote the healthy and rapid development of new energy vehicle business. Dongfeng Motor Group will cement the strategic cooperation with advanced enterprises at home and abroad and actively push forward eCMP plan; perfect commodity strategy of new-energy-driven vehicles and exert great efforts to the upgrading development of pure electric vehicles; set up the Group's CAFC and NEV credit management system, strengthen its commodity portfolio and improve the CAFC Conforming Commodities Plan as set out in the 13th Five Year Plan.

Confronted by the complex industry situation, Dongfeng Motor Group will further enhance the sense of mission and responsibility and continue to push forward the development of various businesses, unswervingly creating maximum return for our shareholders.

Zhu Yanfeng
Chairman

28 March 2017

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 2016, 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., Ltd.)), 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. (through Dongfeng Nissan Passenger Vehicle Company, Dongfeng Infiniti Motor Co., Ltd. and Dongfeng Venucia Motor Co., Ltd. (東風啟辰汽車公司)), Dongfeng Peugeot Citroën Automobile Co., Ltd. (a joint venture between the Company and the PSA Peugeot Citroën Group), Dongfeng Honda Automobile Co., Ltd. (a joint venture between the Company and Honda Motor Co., Ltd.), Dongfeng Renault Automobile Co., Ltd. (a joint venture between the Company and Renault S.A.) and Dongfeng Liuzhou Motor Co., Ltd..

The passenger vehicle engines and auto parts business of the Dongfeng Motor Group is principally operated by the Company (through Dongfeng Passenger Vehicle Company), Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroën Automobile Co., Ltd., Dongfeng Honda Engine Co., Ltd., Dongfeng Honda Auto Parts Co., Ltd., Dongfeng Honda Automobile Co., Ltd., Dongfeng Renault Automobile Co., Ltd., Dongfeng Liuzhou Motor Co., Ltd. and Dongfeng GETRAG Automobile Transmission 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., Dongfeng Motor Co., Ltd. and Dongfeng Special Commercial Vehicle Co., Ltd. (東風特種商用車有限公司). 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., 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 Netherlands Finance Co., Ltd. and Dongfeng Peugeot Citroën Automobiles Co., Ltd.).

1. ***Commercial vehicles***

As at 31 December 2016, 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 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 2016, the members of the Dongfeng Motor Group produced 63 series of passenger vehicles, including 34 series of sedans, 7 series of MPVs, 19 series of SUVs and 3 new energy products. 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) and its subsidiaries of Dongfeng.

The passenger vehicle engines manufactured by Dongfeng Motor Group (through Dongfeng Passenger Vehicle Company), Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroën Automobile Co., Ltd., Dongfeng Honda Automobile Co., Ltd., Dongfeng Renault Automobile Co., Ltd. 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.

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 distributors financing, sales credit and buyer credit for products of members and the loans to other companies in the industry. The Dongfeng Motor Finance Co., Ltd. also provides the financial business of collective fund management of Dongfeng Motor Group, deposits from the Group and Parent Group, loans and entrusted loans for members, acceptance and discounting of bills for members, and settlement between 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, welding line 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 volumes and market share for whole vehicles of the Dongfeng Motor Group in 2016*

As at 31 December 2016, the production and sales volumes for whole vehicles of the Dongfeng Motor Group were 3,149,906 units and 3,156,810 units respectively. According to statistics published by the China Association of Automobile Manufacturers, the Dongfeng Motor Group had a market share of approximately 11.3% in terms of sales volume of commercial and passenger vehicles made by domestic manufacturers in 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 2016:

	No. of units produced *(units)*	**No. of units sold** *(units)*	**Market share in terms of sales volume** *(%)*[1]
Commercial Vehicles	**372,695**	**369,054**	**10.1**
Trucks	330,587	327,300	10.5
Buses	42,108	41,754	7.7
Passenger Vehicles	**2,777,211**	**2,787,756**	**11.4**
Basic passenger cars	1,374,361	1,387,480	11.4
MPVs	239,037	245,416	9.8
SUVs	1,163,813	1,154,860	12.8
Cross type	0	0	0
Total	**3,149,906**	**3,156,810**	**11.3**

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 2016*

	No. of units sold by Dongfeng Motor Group *(units)*	Ranking in Domestic market[2]
Heavy truck	142,640	2
Medium truck	56,503	2
Light truck	127,472	4
Basic passenger car	1,387,480	3
MPV	245,416	4
SUV	1,154,860	2

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

3. *The Dongfeng Motor Group sales revenue in 2016*

The sales revenue of the Group for the year ended 31 December 2016:

Business	Sales revenue *(RMB millions)*	Contribution to the Group's sales revenue *(%)*
Passenger vehicles	76,656	62.6
Commercial vehicles	43,298	35.4
Finance	2,338	1.9
Others	238	0.2
Elimination	(108)	(0.1)
Total	122,422	100.0

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 2016, Dongfeng Motor Group further strengthened and improved the sales capacity of the networks. On the one hand, Dongfeng Motor Group continually adjusted and optimized the network layout to cope with the changing automobile market. On the other hand, it reconstructed and developed the vehicle sales networks subject to the changes of the businesses.

As at the end of 2016, 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 4 major sales and service networks.

	Brand names	**No. of sales outlets**	**No. of after-sales service outlets**	**No. of provinces covered**
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	Dongfeng (high-end light truck, light truck, mini truck, pickup)	1,965	1,769	31
Dongfeng Liuzhou Motor Co., Ltd.	Chenglong (heavy and medium truck)	388	761	31
Dongfeng Commercial Vehicle Co., Ltd.	Dongfeng (heavy and medium truck)	862	3,544	31
Dongfeng Special Commercial Vehicle Company	Dongfeng	3,215	6,074	31

Sales and after-sales service of passenger vehicles are mainly provided through 10 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 Co., Ltd.	Dongfeng Citroën	428	630	31
Dongfeng Peugeot Citroën Automobile Co., Ltd.	Dongfeng Peugeot	494	641	31
Dongfeng Motor Co., Ltd				
(Dongfeng Nissan Passenger Vehicle Company)	Dongfeng Nissan	721	721	31
(Dongfeng Venucia Vehicle Company)	Venucia	237	204	31
Dongfeng Infiniti Motor Co., Ltd.	Dongfeng Infiniti	105	105	30
Dongfeng Liuzhou Motor Co., Ltd.	Dongfeng Future	492	487	31
Dongfeng Honda Automobile Co., Ltd.	Dongfeng Honda	445	445	31
Dongfeng Renault Automobile Co., Ltd.	Dongfeng Renault	150	142	30
Zhengzhou Nissan Automobile Co., Ltd.	Zhengzhou Nissan	704	529	31
Dongfeng Passenger Vehicle Company	Dongfeng Fengshen	293	400	31

5. *Production capacity, production capacity distribution and future expansion plans*

As at 31 December 2016, the total whole vehicle production capacity of the Dongfeng Motor Group was approximately 3,670,000 units. The total production capacity of engines was approximately 3,540,000 units, among which the production capacities of commercial vehicles and commercial vehicle engines were approximately 640,000 units and 370,000 units respectively; the production capacities of passenger vehicles and passenger vehicle engines were approximately 3,030,000 units and approximately 3,170,000 units respectively.

The following table shows the production capacity distribution of vehicles and engines of the Dongfeng Motor Group as at 31 December 2016.

(1) Production capacity of commercial vehicles

(1.1) Whole vehicle

Company	**Production capacity** *(0'000 units)*
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	8.8

Note: The production capacity of special commercial vehicle decreased by 10,000 units due to the consolidation of production.

(1.2) Engines

Company	**Production capacity** *(0'000 units)*
Dongfeng Motor Co., Ltd. (Dongfeng Automobile Co., Ltd.)	28
Dongfeng Commercial Vehicle Co., Ltd.	9

(2) Production capacity of passenger vehicles

(2.1) Whole vehicle

Company	Production capacity *(0'000 units)*
Dongfeng Motor Co., Ltd.	127
Dongfeng Liuzhou Motor Co., Ltd.	24
Dongfeng Peugeot Citroën Automobile Co., Ltd.	75
Dongfeng Honda Automobile Co., Ltd.	48
Dongfeng Passenger Vehicle Company	18
Dongfeng Renault Automobile Co., Ltd.	11

(2.2) Engines

Company	Production Capacity *(0'000 units)*
Dongfeng Motor Co., Ltd.	104
Dongfeng Peugeot Citroën Automobiles Co., Ltd.	84
Dongfeng Honda Automobile Co., Ltd.	49
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 2017, the production capacity of whole vehicles is expected to reach approximately 3,850,000 units.

6. *Capital expenditure*

In 2016, 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 RMB13,053 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, explore the service of vehicle travel and horizontal business, to introduce new models and new products rationally, to upgrade intelligent manufacturing technology and to optimize its investment structure. The total investment of the Dongfeng Motor Group is expected to be approximately RMB16,500 million (including all members of Dongfeng Motor Group) in 2017 and 2018 respectively.

III. Major Operating Results during the Year of 2016

1. *The Sales Volume Elevated to a New Level with Operation Foundation Further Consolidated*

In 2016, the sales volume of Dongfeng Motor Group was approximately 3,156,800 units, making its sales volume elevate to a new level, representing an increase of 10.1% as compared with the corresponding period last year. Its market share ranked second in the industry for seventh consecutive years. Among which, the sales volume of passenger vehicle amounted to approximately 2,787,700 units, representing an increase of 10.6% as compared with the corresponding period last year and the sales volume of commercial vehicle amounted to approximately 369,100 units, representing an increase of 6.9% as compared with the corresponding period last year.

2. *The Vehicle Business Achieved Balanced Development and Self-Owned Brands and Joint-Venture Brands Grew Hand in Hand*

In 2016, Dongfeng Motor Group realized the sales volume of self-owned brands 907,500 units, representing an increase of approximately 9.5% as compared with the corresponding period last year, among which the sales volume of Dongfeng Passenger Vehicle Company reached over 150 thousand units, representing an increase of approximately 50.5% as compared with the corresponding period last year; the sales volume of Dongfeng Commercial Vehicle Co., Ltd. reached 133,200 units, representing an increase of approximately 12.3% as compared with the corresponding period last year. Meanwhile, the sales volume of joint venture brand Dongfeng Nissan Passenger Vehicle Company reached over 110 thousand units and the sales volume of Dongfeng Honda Automobile Co., Ltd. rose to a new high of 570,100 units, representing an increase of approximately 40.3% as compared with the corresponding period last year. The self-owned brands and joint-venture brands grew hand in hand, strongly supporting the achievement of company operation goal.

3. *Enhanced Adjustment of Product Structure and Quickened Transformation and Upgrade of Industry*

In 2016, Dongfeng Motor Group enhanced product structure adjustment. The commercial vehicle product initially realized comprehensive emission upgrade to satisfy the requirements of new rules including GB1589. To cope with the market consumption trend and customer needs hotspot, the Company launched 13 new types of passenger vehicle including Dongfeng Fengshen A9, AX5, Dongfeng Peugeot 4008 and Dongfeng Renault Koleos, which enriched the product series of company passenger vehicles and optimized the product structure of company passenger ones.

To cope with the new pattern of consistent emerging of new motor technology and business, the Company put efforts on industry transformation and upgrade and developed researches related to fields including trans-boundary fusion between motor and internet, motor electrical business, big data, internet of vehicle, intelligence and pilotless automobile. The Company quickened the foundation of new business mode and actively developed horizontal businesses including second-hand car, motor finance and motor rental.

4. *Grasped the Policy Opportunity and Quickened the Industrialization of New-Energy-Driven Vehicle*

In 2016, the Company had accumulated 103 motorcycle types entering the recommended motorcycle type catalogue of new-energy-driven vehicle popularization. The sales volume of new-energy-driven vehicle reached 24,000 units, representing an increase of 60.9% as compared with the corresponding period last year and above the industry growth rate (53.0%).

In 2016, the Company set up "13th Five Year Plan" new-energy-driven vehicle developing plan, improved processing system of new energy business, clarified main body and responsibility in further and clarified "583" plan of new-energy-driven vehicle including core resource controlling plan of five aspects, key technology developing plan of eight aspects and business mode innovative plan of three aspects. Based on this, the entire vehicle product with core competition was formed through series of resource safeguards to seize the "commanding height" of new-energy-driven vehicle.

5. *Deepened International Cooperation and Enhanced International Operation*

Dongfeng Motor Group consistently enhanced the cooperation with international cooperative partners on the aspects of new product and technology importing, joint development, talent cultivation as well as overseas development. The CMP platform jointly developing with PSA and eCMP project was steadily pushed forward. Benefited from the breakthrough of the transformation of overseas business, the export of self-owned brand passenger vehicles of Dongfeng has realized KD model. 17,000 units of passenger vehicles were exported overseas, representing an increase of 2.6 times as compared with the corresponding period last year. The Group carried out the strategic talent cultivating project, promoted secondments in Renault and Nissan, exchanged staffs between Dongfeng and PSA and accelerated bringing in high-level talents from home and abroad.

IV. Business Outlook

It is estimated that the industrial overall growth rate will be at approximately 5% in 2017. In the next five years, the annual average growth of industry is expected 3.5%, among which the annual average growth of passenger vehicle reaches 3.9% and the annual average growth of commercial vehicle reaches 0.8%.

According to the judge of motor market developing trend and new pattern of motor industry in future, Dongfeng Motor Group has set up detailed "13th Five-Year Plan" developing strategic plan to maintain stable pace of development in multilateral market environment and fierce market competition.

First, accelerate the development of strategic layout and promptly unfold action plan. The Group promptly unfolds horizontal business, auto parts business and intelligent network alliance business layout, enhances brand strategic management, strengthens initiative and dominance and deepens joint-venture cooperation.

Second, focus on customer value and strengthening commodity force and marketing upgrade. Oriented by customer value, the Group strengthens market research, clearly defines product, founds evaluating system of Group marketing capacity and provides users with all-round automobile products and services of fine quality.

Third, ride the tide and promote double breakthroughs of independent innovation and development of self-owned brands. On one hand, act in quick response to new changes in market segment and constantly improve the product orientation to lightness, greenness and intelligence; consistently promote strategic product project to accelerate the rebuilding of the leading advantages of commercial automobiles. On the other hand, focus on customer value, carefully polish each product, consolidate the ever-improving superiority of existing product lines of independent brands and devote great efforts to elevate the core capability of self-owned brand passenger vehicles.

Fourth, adhere to strategic guidance and promote the healthy and rapid development of new energy business. Dongfeng Motor Group will improve product strategy of new-energy-driven vehicles; quicken the demonstration and popularization of new-energy-driven ones through strengthening core technology accumulation and control to promote healthy development of new-energy-driven vehicle business.

Fifth, break strategic market and promote new process of overseas business. Dongfeng Motor Group will promote the new breakthrough of overseas business through enhancing overseas product planning, enriching overseas product lines, developing key strategic markets and enhancing product earnings management.

Confronted by the complex industry situation, Dongfeng Motor Group will further enhance the sense of mission and responsibility, and strive to focus on the new characteristic of customer value, strengthen commodity force and marketing force and promote the new breakthrough of company operation in accordance with the Company's "13th Five-Year Plan".

Report of Directors (Continued)

SIGNIFICANT EVENTS

Results and dividends

The Group's results for the year ended 31 December 2016 and the financial position of the Company and the Group as at that date are set out in the audited financial statements on pages 91 to 188 in this annual report.

The Board of Directors recommends the dividend distribution of RMB0.23 per share in respect of 2016 results, subject to consideration and approval at the annual general meeting to be held on 16 June 2017.

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 China (Shanghai) Free Trade Zone with Dongfeng Motor (Hong Kong) International Co., Ltd., a wholly-owned subsidiary of the Company, at a shareholding ratio of 70:30.

On 6 January 2017, the Company jointly established Chuangge Financial Leasing Company in the China (Shanghai) Free Trade Zone with Dongfeng Motor (Hong Kong) International Co., Ltd.. The registered capital is RMB300 million.

Material legal proceedings

As at 31 December 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 Dongfeng Motor Group was aware.

Dividend distribution by the Company's jointly controlled entities

In 2016, the Company's JCEs, in total, declared and distributed aggregate dividends of approximately RMB11,823 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 2016 is set out on pages 189 to 190 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 2016 are set out in note 7 to the audited financial statements.

Property, plant and equipment

Changes in the Group's property, plant and equipment for the year ended 31 December 2016 are set out in note 13 to the audited financial statements.

Designated deposits and overdue term deposits

As at 31 December 2016, the Group had no designated deposits and overdue term deposits in any financial or other authorities.

Reserves

Details of movements in reserves of the Company and the Group for the year ended 31 December 2016 are set out in note 39 to the audited financial statements and the consolidated statement of changes in equity on pages 95 to 96, 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 16 June 2017.

Donations

The Group has made total donations of approximately RMB2 million for the year ended 31 December 2016.

Major customers and suppliers

During the year ended 31 December 2016, 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 2016, the purchases (other than those of a capital nature) from the five largest suppliers accounted for no more than 30% of the Group's total purchase for the year.

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

As at 31 December 2016, 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.

Share capital

As at 31 December 2016, the aggregate share capital of the Company was RMB 8,616,120,000, divided into 8,616,120,000 ordinary shares with a nominal value of RMB 1 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 2016, 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. (For more details, please refer to the 2012 Interim Report).

The third round of the share appreciation rights plan of the Company 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. The Company granted the third round of share appreciation rights on 16 July 2013. There is a minimum vesting period of two years from the date of grant before the share appreciation rights can be exercised. The share appreciation rights shall become exercisable in three tranches in the third, fourth and fifth year following the date of grant. In December 2016, the management assessed previous years' operating results of the Group and concluded the ROE (Rate of Return on Common Stockholders' Equity) of the period from year 2014 to year 2016 did not meet the non-market performance vesting conditions of the SAR. As a result, the relevant stock appreciation rights has been cancelled.

Pre-emptive rights

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

Purchase, sale or redemption of securities

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

Dongfeng Asset Management Co., Ltd.* (東風資產管理有限公司), the wholly-owned subsidiary of Dongfeng Motor Corporation* (東風汽車公司), the controlling shareholder of the Company acquired a total of 100,000,000 H shares of the Company through Southbound Trading Link (港股通) during the period of the report (the "Acquisition"). After the Acquisition, the total interest of the controlling shareholder of the Company has increased both directly and indirectly to 5,860,388,000 shares, representing approximately 68.0% of the total issued share capital of the Company.

Interests of substantial shareholders

As at 31 December 2016, 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)	100.00	66.86
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
Prudential plc	H Shares	227,758,000 (L)	7.97 (L)	2.64
BlackRock, Inc.	H Shares	172,701,121 (L)	6.05 (L)	2.00 (L)
		126,000 (S)	0.00 (S)	0.00 (S)
Edinburgh Partners Limited	H Shares	153,514,000 (L)	5.38 (L)	1.78

Directors, supervisors and senior management of the Company

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

Directors

Zhu Yanfeng	Executive Director and Chairman
Li Shaozhu	Executive Director and President
Zhu Fushou	Executive Director and President (removed on 17 June 2016)
Liu Weidong	Executive Director (re-designated as Executive Director on 28 March 2017)
Tong Dongcheng	Non-executive Director
Ouyang Jie	Non-executive Director
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

Chen Daoran	Vice President
Cai Wei	Vice President
Qiao Yang	Vice President
Lei Ping	Vice President
Yang Qing	Vice President
Qiu Xiandong	Vice President (ceased to be the Vice President of the Company due to change of post since 6 April 2017)
Lu Feng	Secretary of the Board Directors

Brief biographies of each of the directors and senior management are set out on pages 51 to 56 in this annual report.

Supervisors

Ma Liangjie	Chairman of the Supervisory Committee
Zhao Jun	Independent Supervisor
Zhong Bing	Staff Supervisor (removed on 7 January 2017)

Brief biographies of each supervisor are set out on page 57 in this annual report.

Report of Directors (Continued)

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

As at 31 December 2016, 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 2016, the Company did not grant to any director, supervisor and senior management 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 2016, 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 2016.

Remunerations of directors and supervisors

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

Five highest-paid individuals

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

Employees

As at 31 December 2016, the Dongfeng Motor Group had a total of 149,092 full-time employees. The number of employees in various divisions and their percentage of the total number of employees are as follows:

Division	Employees	Percentage of total
	(number)	*(%)*
Manufacturing workers	100,366	67.4
Engineering and technology	19,370	13.0
Management	28,044	18.8
Services	1,312	0.8
Total	149,092	100.0

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.

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.

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 2016.

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 2016, it had complied with Non-competition Agreement signed with the Company.

Public float

As at the date of this report, 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 2016, 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:	Dongfeng Motor Group 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

Consideration:	**The government prescribed prices**
Annual cap of water supply for the year ended 31 December 2016:	RMB200 million
Annual cap of steam supply for the year ended 31 December 2016:	RMB380 million
Annual cap of electricity supply for the year ended 31 December 2016:	RMB2,600 million
Annual actual consideration of water supply for the year ended 31 December 2016:	RMB48 million
Annual actual consideration of steam supply for the year ended 31 December 2016:	RMB114 million
Annual actual consideration of electricity supply for the year ended 31 December 2016:	RMB784 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:	Dongfeng Motor Group Dongfeng Motor Corporation
Term:	Ten years from 7 December 2005 to 6 December 2015 (the agreement has been automatically renewed 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 2016, 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").

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 2016 is RMB800 million. As at 31 December 2016, the outstanding loans (excluding entrust loans) to be provided by Dongfeng Motor Finance Co., Ltd. to the Parent Group was approximately RMB612 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
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 2016, the total consideration paid by Dongfeng Motor Group to Dongfeng Hongtai for purchases of vehicle and auto parts from Dongfeng Hongtai was RMB2,832 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 RMB4,299 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) at 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.

The proposed annual caps for Dongfeng Motor Trade Corporation's purchase of commodity vehicles from Dongfeng Motor Group for the year 2016 is approximately RMB2,300 million. For the year ended 31 December 2016, the annual actual amount for Dongfeng Motor Trade Corporation's purchase of commodity vehicles from Dongfeng Motor Group was approximately RMB1,655 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) at 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 2016 is approximately RMB2,400 million. For the year ended 31 December 2016, the annual actual amount for Logistics Service provided by Dongfeng Motor City Logistics Co., Ltd. to Dongfeng Motor Group was approximately RMB1,014 million.

8. T Engineering AB provides 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

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

(a) at 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. Donfeng 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 Motor Corporation ("Dongfeng Motors"), a controlling shareholder of the Company. Therefore, the Framework Agreement was entered into between the Company and T Company, and 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 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 approximately RMB300 million, for the year ended 31 December 2016. For the year ended 31 December 2016, the annual actual amount for technical services provided by T Company to Dongfeng Motor Group was approximately RMB59 million.

9. **Dongfeng Motor Group places deposits with Dongfeng Nissan Auto Finance Co., Ltd.**

Date:	26 November 2013
Parties:	Dongfeng Motor Group Dongfeng Nissan Auto Finance Co., Ltd.
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 prices are available (b) price determined on an arm's length and reasonable basis

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 2016. As at 31 December 2016, the outstanding amount of the deposits placed by the Company with Dongfeng Nissan Auto Finance Co., Ltd. was approximately RMB2,200 million.

10. For the year ended 31 December 2016, 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 joint ventures (including subsidiaries, joint ventures and associates of the Company) from their joint venture partners (including their subsidiaries and associates)

During the year ended 31 December 2016, 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., and Dongfeng Renault Automobile Company, (including each of these companies' subsidiaries, joint ventures 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 foreign 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 venture 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.

In respect of such transactions, it will be in the interest of the Company and the joint ventures if there is any alternative that 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; (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 of the Company) from their joint venture partners (including their subsidiary 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 2016, 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 RMB52,173 million.

(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 subsidiaries of Honda Motor Co., Ltd.. The sales of auto parts by Dongfeng Honda Auto Parts Co., Ltd. to Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd. constitute continuing connected transactions. One of the primary reasons for the formation of Dongfeng Honda Auto Parts Co., Ltd. was to manufacture auto parts for sales within the PRC and for export to the companies of Honda group overseas, with the corresponding benefits to such companies due to the economies of scale.

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

Dongfeng Honda Auto Parts Co., Ltd. continued to sell auto parts to Honda Trading (China) Co., Ltd. and Honda Motor (China) Co., Ltd. for the year ended 31 December 2016.

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 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 venture in the PRC. Dongfeng Motor Corporation's interests in Dongfeng Honda Engine were subsequently transferred to the Company.

Pursuant to the arrangements among Dongfeng Motor Corporation, Honda Motor Co., Ltd. and Guangzhou Automobile Group Co., Ltd., Guangzhou Honda Automobile Co., Ltd. would only purchase from Dongfeng Honda Engine 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.

For the year ended 31 December 2016, 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 terms. 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 constitute a continuing connected transaction.

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 licence 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.

For the year ended 31 December 2016, the total consideration paid by the joint ventures in respect of purchases of technology license and technical assistance stated above was RMB6,248 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.

(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 107 parcels of land with an aggregate area of approximately 3,166,023 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 RMB73 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 2016, 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.

For the year ended 31 December 2016, the total leasehold payment payable by Dongfeng Motor Co., Ltd. to Dongfeng Motor Corporation was RMB73 million and the actual payment amounted to RMB78 million. The outstanding amount for the year amounted to RMB0 million and the total outstanding amount was RMB3 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

Under the lease, Dongfeng Commercial Vehicle Co., Ltd leased from Dongfeng Motor Corporation a total of 125 parcels of land with an aggregate area of approximately 6,264,596 sq.m. for industrial use which was supplemented with industrial infrastructure.

The Lessees shall pay a total leasehold payment of approximately RMB121 million to Dongfeng Motor Corporation in 2016.

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.

For the year ended 31 December 2016, 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 RMB85 million and the outstanding amount for the year amounted to approximately RMB36 million and the total outstanding amount was approximately RMB87 million.

Management Discussion and Analysis

I. MAIN BUSINESS ANALYSIS

1. Revenue

The automobile industry and market was significantly affected by the transformation and upgraded development of China's economy and society, the profound changes in automobile industry policies and industry laws and regulations and the high-profile trans-industry development of intelligent connected vehicles in 2016, resulting in a steady growth of automobile production and sales. Production and sales volume registered approximately 28,118.8 thousand units and 28,028.2 thousand units respectively, up by a year-on-year growth of 14.5% and 13.7%.

With respect to the passenger vehicle market, an accumulative sales volume of approximately 24,376.9 thousand units was achieved, representing a year-on-year increase of 14.9% and an increase of 7.6% from 7.3% of the same period of last year. Among which, the global definition of passenger vehicles recorded a year-on-year increase of 18.2%. Sedan recorded a year-on-year increase of 3.4%. The MPV grew 18.4%, while the growth rate increased by 8.3 percentage points from 10.1% of last year; and SUV increased year-on-year by 44.6%, a continuation of rapid growth momentum; the cross passenger vehicle fell by a year-on-year decrease of 37.8%, representing continued market shrinkage.

As for the commercial vehicle market, the sales volume accumulated to approximately 3,651.3 thousand units in 2016, representing a year-on-year increase of 5.8%. Among which, heavy-duty trucks increased by 33.1% year-on-year; medium-duty trucks increased by 14.3% year-on-year; light-duty trucks decreased by 1.2% year-on-year; mini trucks increased by 11.0% year-on-year; and buses decreased by 8.7% year-on-year, with medium-duty buses registered a significant increase while light-duty buses registered a sharp decrease.

In 2016, Dongfeng 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 3,156.8 thousand units, representing an increase of approximately 10.1% over last year. Sales of passenger vehicles were approximately 2,787.7 thousand units, representing an increase of approximately 10.6% over last year. Sales of commercial vehicles were approximately 369 thousand units, representing an increase of approximately 6.9% over last year. The domestic market share of the Group in terms of sales volume was approximately 11.3%, representing a decrease of approximately 0.4 percentage point over last year. The market share of its passenger vehicles was approximately 11.4%, representing a decrease of approximately 0.5 percentage point over the corresponding period last year. The market share of its commercial vehicles was 10.1%, representing an increase of approximately 0.1 percentage points over last year.

The revenue of the Group was approximately RMB122,422 million, representing a decrease of approximately RMB4,144 million, or 3.3%, as compared with approximately RMB126,566 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 Co., Ltd. in the period.

	2016 Sales revenue *RMB million*	2015 Sales revenue *RMB million*
Passenger vehicles	**76,656**	88,226
Commercial vehicles	**43,298**	36,389
Finance	**2,338**	1,911
Others	**238**	140
Elimination	**(108)**	(100)
Total	**122,422**	126,566

1.1 Passenger Vehicle Business

The sales revenue of passenger vehicles of the Group decreased by approximately RMB11,570 million, or 13.1%, to approximately RMB76,656 million from approximately RMB88,226 million of last year. The decrease in revenue was mainly due to the decrease in sales revenue from Dongfeng Peugeot Citroën Automobiles Sales Co., Ltd. in the period.

1.2 Commercial Vehicle Business

The sales revenue of commercial vehicles of the Group increased by approximately RMB6,909 million, or 19.0%, to approximately RMB43,298 million from approximately RMB36,389 million of last year. The increase in revenue was mainly due to the growth in the business of Dongfeng Commercial Vehicles Co., Ltd. and Dongfeng Liuzhou Motor Co., Ltd..

1.3 Financial Business

The revenue of financial business of the Group increased by approximately RMB427 million, or 22.3%, to approximately RMB2,338 million from approximately RMB1,911 million of last year. The financial business of the Group maintained its rapid growth.

2. **Cost of Sales and Gross Profit**

The total cost of sales of the Group for 2016 was approximately RMB104,905 million, representing a decrease of approximately RMB4,732 million, or 4.3%, as compared with approximately RMB109,637 million of last year. The total gross profit was approximately RMB17,517 million, representing an increase of approximately RMB588 million, or 3.5%, as compared with approximately RMB16,929 million of last year. The comprehensive gross margin increased by 0.9 percentage point to approximately 14.3% from approximately 13.4% of last year.

3. **Other Incomes**

The total other incomes of the Group for 2016 amounted to approximately RMB2,186 million, representing an increase of approximately RMB289 million as compared with approximately RMB1,897 million of last year.

The increase in other incomes 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 for 2016 increased by approximately RMB485 million to approximately RMB7,629 million from approximately RMB7,144 million of last year.

The increase in selling and distribution costs was mainly due to the increase in the maintenance fee of distributors and service providers and market development expenses.

5. **Administrative Expenses**

The administrative expenses of the Group for 2016 increased by approximately RMB63 million to approximately RMB3,754 million from approximately RMB3,691 million of last year.

6. **Other Expenses, Net**

The net other expenses of the Group for 2016 amounted to approximately RMB5,698 million, representing an decrease of approximately RMB136 million as compared with approximately RMB5,834 million of last year.

The decrease in other expenses was mainly attributable to decrease of royalty fee of Dongfeng Peugeot Citroën Automobiles Sales Co., Ltd..

7. Staff Costs

The staff costs of the Group for 2016 amounted to approximately RMB6,184 million, representing an increase of approximately RMB541 million as compared with approximately RMB5,643 million of last year.

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

8. Finance (Expenses)/Income – Net

The net finance costs of the Group for 2016 amounted to approximately RMB445 million, representing an increase of approximately RMB634 million as compared with net finance income of approximately RMB189 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 for 2016 amounted to approximately RMB11,665 million, representing an increase of approximately RMB1,243 million as compared with that of approximately RMB10,422 million of the corresponding period of last year, mainly due to the facts that (1) the profit attributable to the shareholders of Dongfeng Motor Co., Ltd. increased by approximately RMB951 million mainly due to the increase of sales volume and improved sales structure of models of high-revenue vehicles such as Teana, Qijun, Loulan and Qashqai, and cost reduction through the on-going improvement of full value chain; (2) the profit attributable to shareholders of Dongfeng Honda Automobile Co., Ltd. increased by approximately RMB2,546 million mainly due to significant increase of sales volume, improvement of sales structure of models of high-revenue vehicles such as CRV, XRV, CIVIC and ELYSION, enhancement of competitiveness of model of vehicles, steady sales price, contraction of business policy on new model of vehicles and cost reduction through the on-going improvement of full value chain; (3) the profit attributable to shareholders of Dongfeng Peugeot Citroën Automobiles Co., Ltd. decreased by approximately RMB1,087 million, mainly due to the decrease of sales volume of models of high-revenue vehicles such as C5, C4L, 508, 408, 3008 and increase of expenses of business policy.

10. Share of Profits and Losses of Associates

Share of profits and losses of associates of the Group for 2016 amounted to approximately RMB1,897 million, representing an increase of approximately RMB600 million as compared with that of approximately RMB1,297 million of the corresponding period of last year, mainly due to the increase in investment gain of approximately RMB502 million generated from the investment in PSA.

11. Income Tax

The income tax expense of the Group for 2016 amounted to approximately RMB1,274 million, representing a decrease of approximately RMB79 million as compared with approximately RMB1,353 million of the corresponding period of last year. The effective tax rate for the year was approximately 8.1%, representing a decrease of approximately 1.5 percentage points as compared with approximately 9.6% of last year.

12. Profit for the Year

As a result of the above, the profit attributable to shareholders of the Group for 2016 was approximately RMB13,355 million, representing an increase of approximately RMB1,805 million, or 15.6% as compared with that of approximately RMB11,550 million for the corresponding period of last year. The net profit margin (a percentage of profit attributable to shareholders to total revenue) was approximately 10.9%, representing an increase of approximately 1.8 percentage points as compared with approximately 9.1% of the corresponding period of last year. The return on net assets (a percentage of profit attributable to shareholders to average net assets) was approximately 14.7%, representing an increase of approximately 0.1 percentage points as compared with approximately 14.6% of the corresponding period of last year.

13. Total Assets

Total assets of the Group for the year amounted to approximately RMB184,959 million, representing an increase of approximately RMB24,173 million as compared with approximately RMB160,786 million of last year. The increase was mainly due to the increase in trade receivables, bills receivable, property, plant and equipment and investments in associates.

14. Total Liabilities

Total liabilities of the Group for the period amounted to approximately RMB81,401 million, representing an increase of approximately RMB12,099 million as compared with approximately RMB69,302 million of last year. The increase was mainly due to the increase in trade payables and bills payable, among which trade payables increased approximately RMB4,349 million and bills payable increased approximately RMB3,887 million.

15. Total Equity

Total equity of the Group for the period amounted to approximately RMB103,558 million, representing an increase of approximately RMB12,074 million as compared with approximately RMB91,484 million at the end of last year. Equity attributable to equity holders of the parent amounted to approximately RMB96,650 million, representing an increase of approximately RMB12,000 million as compared with approximately RMB84,650 million at the end of last year.

16. Liquidity and Sources of Capital

	Twelve month ended 31 December 2016 *(RMB million)*	Twelve month ended 31 December 2015 *(RMB million)*
Net cash flows generated from operating activities	**3,598**	558
Net cash flows generated from investing activities	**1,387**	4,246
Net cash flows (used in)/from financing activities	**(4,116)**	695
Net increase in cash and cash equivalents	**869**	5,499

Net cash outflows from operating activities of the Group amounted to approximately RMB3,598 million, reflecting mainly: (1) profit before taxation of approximately RMB4,100 million, net of depreciation, impairment and other non-cash items; (2) increase of approximately RMB10,533 million of trading payable, bills payable and other payables and accrued liabilities; (3) increase of approximately RMB3,711 million in trading receivables, bills receivable, prepayments, deposits and other receivables; (4) loans and receivables generated from financial business increased by approximately RMB7,309 million; (5) deposits of financial business increased by approximately RMB1,103 million; and (6) income tax payment of approximately RMB1,182 million.

Net cash inflows from investing activities of the Group amounted to approximately RMB1,387 million, mainly reflecting: (1) spending approximately RMB3,520 million on property, plant and equipment and intangible assets to increase productivity and develop new products; (2) payment of consideration of approximately RMB1,233 million in cash for the acquisition of equity interest in subsidiary; (3) increase in pledged bank balances and time deposits, representing a decrease of approximately RMB2,885 million; and (4) receipt of dividend from joint ventures and associated companies, representing an increase of approximately RMB9,192 million.

Net cash outflows used in financing activities of the Group amounted to approximately RMB4,116 million, mainly reflecting (1) proceeds from bank borrowings approximately RMB4,939 million; (2) repayment of bank borrowings approximately RMB6,314 million; and (3) approximately RMB2,839 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 RMB29,601 million as at 31 December 2016, representing an increase of approximately RMB869 million as compared with approximately RMB28,732 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 RMB37,373 million, representing an increase of approximately RMB1,807 million as compared with approximately RMB35,566 million as at 31 December 2015. Net cash (cash and bank balances less borrowings) of the Group amounted to approximately RMB22,984 million, representing an increase of approximately RMB1,927 million when compared with approximately RMB21,057 million as at 31 December 2015.

As at 31 December 2016, the Group's equity ratio, as a percentage of total borrowings to total shareholders' equity, was approximately 14.9%, representing a decrease of approximately 2.2 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 1 day to approximately 30 days as at 31 December 2016, from approximately 29 days as at 31 December 2015. The Group's turnover days of receivables (including bills receivable) increased by approximately 10 days to approximately 58 days as at 31 December 2016, from approximately 48 days as at 31 December 2015. The turnover days of receivables (excluding bills receivable) increased by approximately 1 day to approximately 12 days from approximately 11 days as at 31 December 2015. The turnover days of bills receivable increased by approximately 9 days to approximately 46 days from 37 days as at 31 December 2015. 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.

17. Major Financial Figures Based on Proportionate Consolidation

Based on proportionate consolidation, the revenue of the Group for 2016 was approximately RMB245,443 million, representing an increase of approximately RMB18,580 million, or 8.2%, as compared with approximately RMB226,863 million of last year. Profit before income tax for 2016 was approximately RMB20,859 million, representing an increase of approximately RMB2,376 million, or 12.9%, as compared with approximately RMB18,483 million of last year. Total assets for 2016 was RMB261,743 million, representing an increase of approximately RMB34,652 million, or 15.3%, as compared with approximately RMB227,091 million of last year.

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. 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. At present, it maintains a leading position in China in terms of the system and capacity of research and development, auto parts, production system and sale services. The sound development of commercial vehicle business of Dongfeng lays a good foundation for the stable development of the business of Dongfeng Motor Group as a whole.

2. Well-known brand in China

The 13th World Brand Summit sponsored by the World Brand Lab in 2016 issued the analysis report on the China's 500 Most Valuable Brands, according to which "Dongfeng" was ranked 36th with a brand value of RMB98,678 million. With over 40 years of development by Dongfeng Motor Corporation, the parent of the Company, Dongfeng brand has become a famous brand of the Company representing the intelligence and dedication of all members of Dongfeng. It brought value to consumers by providing them with well-received products with reliable quality and comprehensive and meticulous services.

Dongfeng brand has gained the trust of consumers by providing quality products and services, and is the market base for the development of the business of Dongfeng. The good brand image of Dongfeng will help to expand its market coverage and product line.

3. Business network centering on market demand

Dongfeng Motor Group has the most comprehensive business network in the domestic whole vehicles market with business lines in each major segment, and thus has a relative balanced deployment of business units. With the business network centering on market demand, 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.

4. **Global vision and management philosophy**

Dongfeng Motor Group adopts strategy to explore business cooperation 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.

5. **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 are providing more support to the joint ventures. With the continuous development of the joint ventures, 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.

6. **Continuous development and expanding of self-owned brand vehicle business**

Over the years, our leading commercial vehicle business in China has been the most stable business line of the self-owned brand vehicle business of Dongfeng. In 2016, the sales volume of Dongfeng Passenger Vehicle Company, Dongfeng Liuzhou Motor and Dongfeng Venucia exceeded 150 thousand units, 300 thousand units and 110 thousand units, respectively, reflecting the self-owned brand passenger vehicle business has become a new growth point for the self-owned brand vehicle business of Dongfeng.

Profiles of Directors, Supervisors and Senior Management

CHAIRMAN

Mr. Zhu Yanfeng, aged 55, was appointed as an Executive Director on 19 June 2015. He is the Chairman and Party Secretary of the Company. Mr. Zhu graduated from Zhejiang University with a Bachelor's degree in Engineering specializing in Chemical Automation and Instruments in 1983 and graduated from Harbin Institute of Technology with a Master's degree in Engineering specializing in Control Engineering in 2002. He is a senior postgraduate engineer. He started his career in 1983 at FAW (First Automobile Works) manufacturing plant. He was the vice general manager of FAW Group Corporation from March 1997 to November 1998 and concurrently served as the general manager and party secretary of FAW Car Co., Ltd. (一汽轎車股份有限公司) from April 1997 to November 1998. Mr. Zhu served as the executive deputy general manager and committee member of the communist party of FAW Group Corporation from November 1998 to February 1999, and served as the general manager and committee member of the communist party of FAW Group Corporation from February 1999 to August 2000. He became the general manager and deputy party secretary of FAW Group Corporation from August 2000 to November 2007, and served as the committee member of the provincial party committee of Jilin Province from November 2007 to December 2007. He was a standing committee member of the provincial party committee and standing deputy governor of Jilin Province from December 2007 to May 2012. He was a deputy party secretary of the provincial party committee of Jilin Province from May 2012 to May 2015. He has been the chairman and party secretary of Dongfeng Motor Corporation since May 2015. He was appointed as the chairman and party secretary of Dongfeng Motor Group Company Limited in May 2015, the chairman and party secretary of Dongfeng Motor Co., Ltd. in May 2015 and November 2015 respectively, the vice chairman of the supervisory committee of Peugeot Citroën in May 2015, and the chairman of the commitment of Global Strategic Alliance of DFG-PSA in May 2015. Mr. Zhu has more than 30 years of business and management experience in the automotive industry.

EXECUTIVE DIRECTOR

Mr. Li Shaozhu, aged 56, was appointed as an Executive Director on 5 August 2005. He is an Executive Director and President 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 graduated from Zhongnan University of Finance and Economics with a Master's degree in Business Administration in 1996. He is a senior postgraduate engineer. Mr. Li joined Dongfeng Motor Corporation in 1983. Mr. Li served as a deputy general manager of Dongfeng Motor Corporation from July 1997 to June 2016, and the general manager of Dongfeng Automobile Co., Ltd. from July 1999 to November 2001 and was appointed as a committee member of the communist party of Dongfeng Motor Corporation from July 2001 to June 2016. He was the vice president of Dongfeng Motor Co., Ltd. from July 2003 to September 2005. Mr. Li was the general manager of Dongfeng Passenger Vehicle Company from July 2007 to July 2011. He was the party secretary of Dongfeng Design Institute Co., Ltd. from August 2011 to September 2016. He has been a director, the general manager and deputy party secretary of Dongfeng Motor Corporation since June 2016 as well as the president of Dongfeng Motor Group Company Limited since August 2016. He was appointed as a committee member of the communist party and a director of Dongfeng Motor Co., Ltd. in August 2003 and August 2016, respectively, the chairman of Dongfeng Commercial Vehicle Co., Ltd. in August 2016, the chairman of Dongfeng Renault Automobile Company Limited in August 2016, and the chairman of Dongfeng Infiniti Motor Company Limited in August 2016. Mr. Li has more than 30 years of business and management experience in the automotive industry.

Mr. Liu Weidong, aged 50, was appointed as a Non-executive Director on 9 October 2004 and re-designated as an Executive Director on 28 March 2017. He is an Executive Director of the Company. Mr. Liu graduated in 1988 from Wuhan Technical Institute with a Bachelor's Degree in Engineering, specializing in the automotive industry. He studied Management Science and Engineering and received a Master's degree in Management from Wuhan Polytechnic University in 2003. Mr. Liu is a senior postgraduate engineer. He joined Dongfeng Motor Corporation in 1988 and worked as the general manager of Dongfeng Peugeot Citroën Automobile Company Ltd. from April 2001 to January 2011 and has been the deputy general manager of Dongfeng Motor Corporation since July 2001. Mr. Liu has served as a standing committee member of the communist party of Dongfeng Motor Corporation since March 2009. He served as the deputy secretary of the community party committee of the Dongfeng Peugeot Citroën Automobile Company Ltd. from February 2004 to December 2005 and 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. He also served as the director of China Automobile (Beijing) Automobile Lightweight Technology Research Institute Company Limited in March 2012, the chairman of the board of directors of Dongfeng GETRAG Transmission Co., Ltd. in November 2012, the director of Dongfeng Motor (Hong Kong) International Co., Limited in February 2014, the executive director and general manager of Dongfeng Motor Investment (Shanghai) Co., Ltd. in February 2014, the supervisor of PSA Peugeot Citroën and chairman of the Asia Business Development Committee in April 2014, the chairman of the board of directors of Xiangyang Daan Vehicle Inspection Centre in September 2014, the chairman of the board of directors of Dongfeng Peugeot Citroën Automobile Technical Centre Co., Ltd. in August 2015, the chairman of the board of directors of Dongfeng Peugeot Citroën Automobile Company Ltd. in August 2016 and the chairman of the board of directors of Dongfeng Peugeot Citroën Automobile Sales Co., Ltd. in August 2016. Mr. Liu has nearly 30 years of business and management experience in the automotive industry in the PRC.

NON-EXECUTIVE DIRECTOR

Mr. Tong Dongcheng, aged 61, was appointed as a Non-executive Director of the Company on 9 October 2004. Mr. Tong graduated from the Central Party School in 1996, majoring in Economics and Management. He is a senior economist. He joined Dongfeng Motor Corporation in 1971, and has been the deputy general manager of Dongfeng Motor Corporation since July 1997, a standing committee member of the communist party of Dongfeng Motor Corporation since July 2001 and general manager of Dongfeng Trucks Co., Ltd.* (東風載重車公司) from June 1999 to November 2001. He was also the general manager of the Commercial Vehicle Company of Dongfeng Motor Co., Ltd. from July 2003 to December 2009. From July 2003 to January 2014, Mr. Tong served as the vice president of Dongfeng Motor Co., Ltd., and served as the standing committee member of the communist party of Dongfeng Motor Co., Ltd. from August 2003 to August 2016, the chairman of the board of directors of Dongfeng Motor Parts and Components Group Co., Ltd. from September 2011 to August 2016, the executive vice president of Dongfeng Motor Co., Ltd. from January 2014 to August 2016 and the chairman of the board of directors of 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.

Mr. Ouyang Jie, aged 60, was appointed as a Non-executive Director of the Company on 9 October 2004. 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, majoring in corporate management. He is a senior postgraduate engineer. Mr. Ouyang joined Dongfeng Motor Corporation in 1982 and has served as the deputy general manager of Dongfeng Motor Corporation since July 1997. From August 2000 to November 2001, he served as the general manager and the secretary of the community party committee of the auto parts division of Dongfeng Motor Corporation. Mr. Ouyang served as the general manager of the auto parts division of Dongfeng Motor Co., Ltd. from July 2003 to December 2009, the Vice President of Dongfeng Motor Co., Ltd. from July 2003 to December 2016 and a standing committee member of the communist party of Dongfeng Motor Co., Ltd. from August 2003 to December 2016. He served as the director of Dongfeng Motor Co., Ltd. in May 2015. Mr. Ouyang has more than 30 years of business and management experience in the automotive industry in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Ma Zhigeng, aged 72, was appointed as an Independent Non-executive Director of the Company on 23 January 2013. He 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 and does not have any interests in shares as defined by Division XV of the Securities and Futures Ordinance.

Mr. Zhang Xiaotie, aged 64, was appointed as an Independent Non-executive Director of the Company on 10 October 2013. He 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 Communications 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 Group 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 Mobile Communications 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.

Mr. Cao Xinghe, aged 67, was appointed as an Independent Non-executive Director of the Company on 10 October 2013. He 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. Mr. Cao 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.

Mr. Chen Yunfei, aged 46, was appointed as an Independent Non-executive Director of the Company on 10 October 2013. He 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 took charge of 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.

SENIOR MANAGEMENT

Mr. Cheng Daoran, aged 56, is a Vice President of the Company. In 1982, Mr. Cheng graduated from Zhejiang University, majoring in combustion-engine power engineering, and obtained a Bachelor's degree in Engineering. He is a senior engineer at professor grade. He started working for Liuzhou Automobile Factory (柳州汽車廠) in 1982. Mr. Cheng was the general manager of Dongfeng Liuzhou Motor Co., Ltd. from January 2002 to September 2016, and also assumed the role of its party committee secretary from August 2005 to May 2007. He has been a vice president of Dongfeng Motor Group Company Limited since August 2016, and the deputy party committee secretary and deputy general manager of Dongfeng Motor Corporation since November 2016. In August 2016, Mr. Cheng worked as the chairman of the board of directors of Dongfeng Honda Automobile Co., Ltd., Dongfeng Honda Engine Co., Ltd., Dongfeng Honda Auto Parts Co., Ltd., Dongfeng Liuzhou Motor Co., Ltd., Dongfeng Xiaokang Motor Company Limited, and China Dongfeng Motor Industry Import and Export Co., Ltd., as well as a director of China Automotive Battery Research Institute Company Limited.

Mr. Cai Wei, aged 58, is the Vice President of the Company. Mr. Cai graduated from Hefei Industrial University in 1982 with a Bachelor's degree in Engineering Science, specializing in internal combustion engines. He is a senior postgraduate engineer. Mr. Cai joined Dongfeng Motor Corporation in 1982. He was the general manager and party secretary of the auto parts division of Dongfeng Motor Corporation from November 2001 to July 2003, and the head of the Planning Department of Dongfeng Motor Corporation from July 2003 to September 2005. He has been the vice president of Dongfeng Motor Group Company Limited since October 2004, and the assistant to the general manager of Dongfeng Motor Corporation since October 2006. Mr. Cai concurrently served as the secretary to the board of directors of Dongfeng Motor Group Company Limited from October 2004 to August 2016, the secretary to the party committee of Dongfeng Honda Automobile Co., Ltd. from December 2009 to June 2016, and the secretary to the board of directors of Dongfeng Motor Corporation from July 2011 to August 2016. Mr. Cai was appointed as a director of Dongfeng Honda Automobile Co., Ltd. in July 2003, the vice chairman of Dongfeng Peugeot Citroën Automobile Company Ltd. in August 2016, and a director of Dongfeng Peugeot Citroën Automobile Sales Co., Ltd. in August 2016.

Mr. Qiao Yang, aged 54, is a Vice President of the Company. Mr. Qiao graduated from Hubei Radio & TV University in 1986, specializing in Industrial Accounting. He is a senior accountant. In 1982, he started working for Dongfeng Motor Corporation. Mr. Qiao was the director general of the general office for finance and accounting of Dongfeng Motor Co., Ltd. from July 2003 to March 2015, and the party secretary of finance & accounting office of Dongfeng Motor Co., Ltd. from July 2006 to December 2009. He was the head of the finance planning department of Dongfeng Motor Corporation from December 2008 to July 2011. He has been the head of the department for finance and accounting of the same company since July 2011, the assistant to the general manager of Dongfeng Motor Corporation since December 2015, and a vice president of Dongfeng Motor Group Company Limited since August 2016. In addition, he was the deputy chief accountant of Dongfeng Motor Corporation in February 2002, a director of China Dongfeng Motor Industry Imp. & Exp. Co., Ltd. in March 2009, the chairman of the board of directors of Dongfeng Peugeot Citroën Auto Finance Co., Ltd. in October 2011, the chairman of the supervisory committee of Dongfeng Liuzhou Motor Co., Ltd. in February 2013, a director of Dongfeng Honda Engine Co., Ltd. in March 2013, a director of Dongfeng Renault Automobile Co., Ltd. in May 2013, a supervisor of Dongfeng Motor Investment (Shanghai) Co., Ltd. (東風汽車投資(上海)有限公司) in March 2014, a director of Dongfeng Commercial Vehicle Co., Ltd. in August 2014, a director of Dongfeng Motor (Hong Kong) International Co., Ltd. in March 2015, the chairman of Dongfeng Motor Finance Co., Ltd. in November 2015, the chairman of Dongfeng Nissan Auto Finance Co., Ltd. in November 2015, an executive director of Dongfeng Asset Management Co., Ltd. (東風資產管理有限公司) in November 2015, and the chairman of Dongfeng Motor City Logistics Co., Ltd. in August 2016.

Mr. Lei Ping, aged 52, is the Vice President of the Company. Mr. Lei graduated from Wuhan Technical Institute (武漢工學院) in 1984 with a Bachelor's degree in Engineering Science, majoring in Management engineering for the machinery industry and graduated from Tsinghua University in 1992 with a Master's degree in Engineering Science, majoring in Management Engineering. He is a senior economist. In 1984, he started working for Dongfeng Motor Corporation. From July 2003 to August 2016, Mr. Lei was the head of the general operation planning department of Dongfeng Motor Co., Ltd.. From July 2011 to June 2016, he was the head of the operational management department of Dongfeng Motor Corporation. Since August 2016, Mr. Lei has been the vice president of Dongfeng Motor Group Company Limited, and a director, executive vice president and standing committee member of the communist party of Dongfeng Motor Co., Ltd.. In addition, he was a director of Dongfeng Infiniti Motor Co., Ltd. in August 2016, the chairman of the board of directors of Dongfeng Automobile Co., Ltd. and Zhengzhou Nissan Automobile Co., Ltd. in December 2016, and of Dongfeng Motor Parts and Components Group Co., Ltd. in January 2017.

Mr. Yang Qing, aged 50, is the Vice President of the Company. Mr. Yang graduated from Wuhan Technical Institute in 1988 with a Bachelor's degree in Engineering Science, majoring in Internal Combustion Engines. He is a senior engineer. He started working for Dongfeng Motor Corporation in 1988. From November 2012 to June 2016, he was the general manager of Dongfeng Automobile Co., Ltd.. Mr. Yang has been the general manager of Dongfeng Commercial Vehicles Co., Ltd. since June 2016, and the vice president of Dongfeng Motor Group Company Limited since August 2016. He was a director of Dongfeng Commercial Vehicles Co., Ltd. in August 2016.

Mr. Qiu Xiandong, aged 47, was appointed as the Vice President of the Company in August 2016. He ceased to be the Vice President of the Company due to change of post since 6 April 2017. In 1993, Mr. Qiu graduated from Tsinghua University, majoring in Forging Technology and Equipment (with a Bachelor's degree in Engineering) and Corporate Management (with a Bachelor's degree in Economics). He is a senior accountant. He started working for Dongfeng Motor Corporation in the same year. From January 2011 to September 2012, Mr. Qiu was the executive deputy general manager, deputy party committee secretary and a member of the executive committee of Dongfeng Peugeot Citroën Automobile Co., Ltd. In the same company, he also served as its general manager, deputy party committee secretary and a member of the executive committee from September 2012 to June 2016. In the meantime, he was the general manager of Dongfeng Peugeot Citroën Automobiles Sales Co., Ltd. from June 2014 to June 2016. Mr. Qiu has been the head of the operational management department of Dongfeng Motor Corporation since June 2016. In addition, he was the chairman of the board of directors of Dongfeng Hongtai Holdings Group Limited and a director of Dongfeng Peugeot Citroën Automobile Co., Ltd. and Dongfeng Peugeot Citroën Automobiles Sales Co., Ltd. in August 2016.

SUPERVISORS

Mr. Ma Liangjie, aged 60, is a senior postgraduate engineer and the Chairman of the Supervisory Committee of the Company. Mr. Ma graduated from Jilin University of Technology in 1982 with a Bachelor's degree in Engineering Science, specializing in Design and Manufacturing of Internal Combustion Engines. 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 of the Company for a term of three years commencing from 10 October 2013.

Mr. Zhao Jun, aged 58, graduated from Jilin University with a Bachelor's degree majoring 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 International 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.

JOINT COMPANY SECRETARY

Lu Feng, aged 49, is 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 58, 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.

HEADS OF DEPARTMENTS

The head of the Office of the Company (Party Committee Office) is Wang Binbin.

The head of the Strategy & Planning Department of the Company is Huang Gang.

The head of the Operation Management Department of the Company is Qiu Xiandong.

The head of the Personnel Department of the Company is Wen Liang.

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

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

The head of the International Business Department of the Company is Li Junzhi.

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

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

The head of the Legal & Securities Affairs Department of the Company (The Secretary of the Board of Directors) is Lu Feng.

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

The head of the Employee Welfare and Insurance Department of the Company: None.

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

The head of the Supervisory Department of the Company: None.

The head of the Staff Relation Department of the Company: None.

The Secretary for the Communist Youth League of the Company is Shi Jianxing.

The head of the New Energy Vehicle Business of the Company is Liu Guoyuan.

The head of the Military Vehicle Business of the Company is Xu Tiansheng.

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

Report of the Supervisory Committee

Dear shareholders,

In 2016, 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 2016, the Supervisory Committee held two meetings and the number of attended supervisors formed quorums of the meetings as stipulated by the Company Law.

In 2016, the Supervisory Committee has reviewed and approved: the 2015 report of the Supervisory Committee of the Company; the 2015 financial report, which was audited by PricewaterhouseCoopers Zhong Tian LLP; the 2015 consolidated financial statements, which was audited by PricewaterhouseCoopers and reviewed and approved by the Audit and Risk Management Committee; the 2015 annual report and preliminary results announcement; the 2015 profit distribution and payment of dividend proposal; the 2016 interim report and results announcement and the payment of 2016 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 the 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 2016. 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.

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 and Risk Management Committee under the Board during the reporting period, examined the financial system, financial position and internal audit of the Company and reviewed the 2015 annual report and 2016 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 2016 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 2016 to its satisfaction. In 2017, 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
28 March 2017

1. OVERVIEW OF CORPORATE GOVERNANCE

The Company has been in compliance with the Company Law of the People's Republic of China (the "Company Law"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), 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 2016, the Company fully complied with the code provisions as set out in the Corporate Governance Code (Appendix 14 to the Listing Rules) except for Code Provisions A.2.1 and A.4.2.

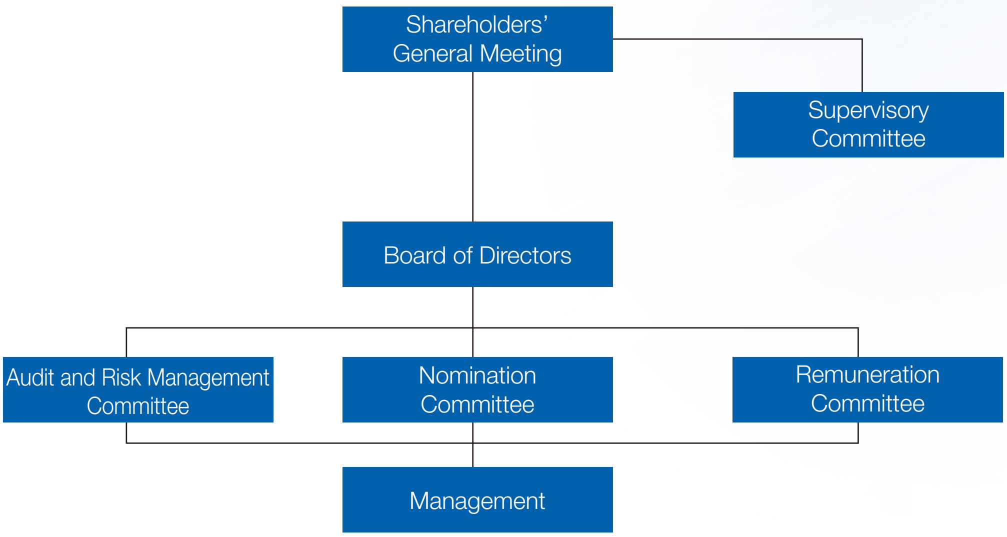
According to Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhu Fushou, the former President of the Company, was removed as the President of the Company due to disciplinary offence on 25 November 2015, while Mr. Zhu Yanfeng, the Chairman, is acting as a temporary replacement to perform relevant duties until the appointment of Mr. Li Shaozhu as the President of the Company on 26 August 2016.

The current session of the Board of Directors was appointed on 10 October 2013. According to Code Provision A.4.2, every director should be subject to retirement by rotation at least once every three years. The term of office of the current session of the Board of Directors (including Mr. Zhu Yanfeng who was appointed on 19 June 2015) should end on 9 October 2016 and the directors should be subject to retirement by rotation. As this process includes the entire Board such that many factors have to be considered in ensuring the smooth continuation of the senior management of the Company, the Company has not yet completed the above process with regard to the Board. Currently, the Board is undertaking the procedure of electing the new session and will be submitted to the general meeting for approval in due course.

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 and Risk Management Committee (Formerly "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.



2. Shareholders and Shareholders' General Meeting

(1) Shareholders

As at 31 December 2016, Dongfeng Motor Corporation, controlling shareholder of the Company, held approximately 68.0% equity interest in the Company both directly and indirectly, with a market value of RMB39,682.84 million. The remaining approximately 32.0% equity interest in the Company was held by public shareholders, with a market value of RMB18,660.06 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 22 in 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 2016, 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;

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, supervisors 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.

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, of which:

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 17 June 2016 (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 voters 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 (the "Board") of the Company for the year ended 31 December 2015.	7,386,343,153	99.996	274,000	0.004
2.	To consider and approve the report of the Supervisory Committee of the Company for the year ended 31 December 2015.	7,386,343,153	99.996	274,000	0.004
3.	To consider and approve the international auditors' report and audited financial statements of the Company for the year ended 31 December 2015.	7,386,343,153	99.996	274,000	0.004
4.	To consider and approve the profit distribution proposal of the Company for the year ended 31 December 2015, and to authorize the Board to deal with all issues in relation to the Company's distribution of final dividend for the year 2015.	7,387,035,153	99.996	274,000	0.004
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 in its absolute discretion (including, but not limited to, determining whether to distribute interim dividend for the year 2016).	7,387,035,153	99.996	274,000	0.004
6.	To consider and approve the appointments of PricewaterhouseCoopers as the international auditor of the Company and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor of the Company for the year 2016 to hold office until the conclusion of the next annual general meeting for the year 2016, and to authorize the Board to determine their remunerations.	7,240,584,060	98.014	146,725,093	1.986
7.	To consider and approve the authorization to the Board to determine the remuneration of the directors and the supervisors of the Company for the year 2016.	7,373,558,026	99.814	13,751,127	0.186
8.	To consider and approve the removal of Mr. Zhu Fushou as an Executive Director.	7,386,011,153	99.996	274,000	0.004

Resolutions	For	%	Against	%
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 resolutions, the resolutions were duly passed as special resolutions:				
9. To consider and approve the amendments to the rules of procedures of the Board Meeting.	7,386,011,153	99.982	1,298,000	0.018
10. To grant a general mandate to the Board to issue, allot and deal with additional Domestic Shares not exceeding 20% of the total number of Domestic Shares/H Shares in issue and additional H shares not exceeding 20% of total number of H Shares in issue, and to 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.	5,978,560,714	80.933	1,408,474,439	19.067
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.	6,169,643,753	84.237	1,154,517,400	15.763

All the resolutions proposed at the 2015 annual general meeting were approved. There was no restriction on shareholders to cast votes on the resolutions proposed at the 2015 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 2015 annual general meeting. Poll results were announced at the meeting and on the websites of the Company and the Hong Kong Stock Exchange on the day of the meeting.

(5) Shareholders' Calendar

The following table sets out the tentative key dates for shareholders for the financial year ending 31 December 2017. The dates are subject to changes in situation. Shareholders should refer to our announcements issued from time to time.

2017 Shareholders' Calendar

28 March	Announcement of final results and final dividends for the year ended 31 December 2016
Late April	Upload of the 2016 annual report on the websites of the Company and the Hong Kong Stock Exchange
Late April	Dispatch of the 2016 annual report to shareholders
16 June	2016 annual general meeting
Mid August	Payment of final dividends for the year ended 31 December 2016
30 August	Announcement of interim results and interim dividends for the six months ending 30 June 2017, if any
Mid September	Payment of interim dividends for the six months ending 30 June 2017, 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 (including non-executive 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 nine directors, including Mr. Zhu Yanfeng, Mr. Li Shaozhu and Mr. Liu Weidong (re-designated as executive director on 28 March 2017) as executive directors, Mr. Tong Dongcheng and Mr. Ouyang Jie as non-executive directors, and Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei as independent non-executive directors. At the 2015 annual general meeting held on 17 June 2016, the removal of Mr. Zhu Fushou, the former executive director, from his directorship was approved. The term of office of all current directors (including non-executive directors) has expired on 9 October 2016. Prior to the re-election of the new session of the Board of Director, the above directors shall perform their duty in good faith. In addition, 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 are 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 51 to 54 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, while the President is responsible for the daily operation management of the Company and implementing the resolutions of the Board of Directors under the Chairman's leadership. Mr. Zhu Fushou, the former President of the Company was removed as the President of the Company on 25 November 2015, while Mr Zhu Yanfeng, the Chairman, was acting as a temporary replacement to perform relevant duties until the appointment of Mr. Li Shaozhu as the President of the Company on 26 August 2016. Details of the senior management of the Company are set out on pages 54 to 56 in this annual report.

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 other members of the Board of Directors of the Company is three years and shall be subject to re-election.

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	11 issues
Mr. Li Shaozhu	11 issues
Mr. Liu Weidong (re-designated as executive director on 28 March 2017)	11 issues
Non-executive directors	
Mr. Tong Dongcheng	11 issues
Mr. Ouyang Jie	11 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

6) *Securities Transactions by 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 2016.

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;
- 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.

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 five meetings, including four regular meetings and one extraordinary board meeting. In addition, one extraordinary board meeting was not held for some reasons. The attendance of Directors in person was set out below (Directors failed to attend had appointed their proxies):

	The Board	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive directors					
Mr. Zhu Yanfeng *(Chairman)*	5/5 (100%)	–	–	3/3 (100%)	1/1 (100%)
Mr. Li Shaozhu *(President)*	4/5 (80%)	–	1/2 (50%)	–	1/1 (100%)
Mr. Liu Weidong *(re-designated as executive director on 28 March 2017)*	4/5 (80%)	–	–	–	0/1 (0%)
Non-executive directors					
Mr. Tong Dongcheng	5/5 (100%)	–	–	–	0/1 (0%)
Mr. Ouyang Jie	5/5 (100%)	3/3 (100%)	–	–	1/1 (100%)
Independent non-executive directors					
Mr. Ma Zhigeng	5/5 (100%)	–	2/2 (100%)	3/3 (100%)	1/1 (100%)
Mr. Zhang Xiaotie	5/5 (100%)	3/3 (100%)	–	3/3 (100%)	1/1 (100%)
Mr. Cao Xinghe	4/5 (80%)	–	2/2 (100%)	–	1/1 (100%)
Mr. Chen Yunfei	5/5 (100%)	3/3 (100%)	–	–	1/1 (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 are held annually.

2) *Committees under the Board*

The Company has established three committees under the Board, including Audit and Risk Management 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.

Audit and Risk Management Committee

Committee members

The members of the Audit and Risk Management 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 advice 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.

The major works in 2016

The Audit and Risk Management Committee held three meetings in 2016 and the attendance of its members was set out in this report.

The major works of the Audit and Risk Management Committee in 2016 included:

- reviewing the annual financial report for 2015;

- reviewing the engagement of chief auditor for 2016;

- reviewing the interim financial report for 2016;

- receiving report on the conclusion of internal audit work for 2015 and report on audit work plan for 2016;

- considering and approving the work plan of Audit and Risk Management Committee of the Board for 2017;

- Meeting with the external auditors twice during the year.

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 it 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;

- 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 each senior management are set out in note 8 to the Financial Statement contained in this annual report.

The major works in 2016

The Remuneration Committee held two meetings in 2016 and the attendance of its members was set out in this report.

The major works of the Remuneration Committee in 2016 included:

- reviewing the remuneration scheme of the Directors and Supervisors of the Company for 2016;
- reviewing and considering the work plan of the Remuneration Committee of the Board for 2017.

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 qualifications 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;

- 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 2016

The Nomination Committee held three meetings in 2016 and the attendance of its members was set out in this report.

The major works of the Nomination Committee in 2016 included:

- assessing the independence of the independent non-executive directors;

- reviewing the composition of the Board;

- considering the appointment of the relevant senior management of the Company;

- considering and approving the work plan of the Nomination Committee of the Board for 2017.

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 currently comprises two Supervisors, namely, Mr. Ma Liangjie, the Chairman of the Supervision Committee and Mr. Zhao Jun, independent supervisor. Mr. Zhong Bing, the Supervisor representing employees was removed at the third joint meeting under the Eleventh Session of the Employee Representatives Meeting of the Company on 7 January 2017. The term of all current supervisors has expired on 9 October 2016. Prior to the re-election of new session of the Supervisory Committee, the above supervisors shall perform their duty in good faith.

(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 *(the chairman)*	2/2(100%)	3/4(75%)	1/1(100%)
Independent Supervisor			
Mr. Zhao Jun	2/2(100%)	4/4(100%)	1/1(100%)
Supervisor representing employees			
Mr. Zhong Bing (removed on 7 January 2017)	2/2(100%)	4/4(100%)	1/1(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 strictly in compliance with the Company Law, the Listing Rules, 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 2015 annual financial report, confirmed that 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 have also issued review opinion on the 2016 interim financial report, confirmed that the interim financial information was prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Report".

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 89 to 90 of this annual report.

(II) Auditors and their Remuneration

The Audit and Risk Management 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 RMB12.7 million (of which RMB100,000 was paid to Deloitte Touche Tohmatsu CPA Ltd. for the change from interim report inspection to interim report review of the Company since 2015, and therefore the fee of RMB 100,000 was payable to Deloitte Touche Tohmatsu CPA Ltd. for their interim report review of Dongfeng Peugeot Citroën Automobile Company Ltd. and Dongfeng Peugeot Citroën Automobile Sales Company Limited, the subsidiaries of the Company).

The Audit and Risk Management Committee has discussed and evaluated the professional qualification and the audit works of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP for 2016.

(III) Risk Management and Internal Control

The Board reviews the effectiveness of the risk management and internal control of the Group 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 and Risk Management Committee and other relevant units and branches with clear division of duties. The Audit and Risk Management Committee of the Board was established to supervise the financial reporting procedures, internal control and risk management. The Audit and Risk Management 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 and identified potential risks by reviewing the internal control process, so as to promote the risk control capabilities. Also, the Company bettered the risk 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 and Risk Management 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.

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

pwc

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)

OPINION

What we have audited

The consolidated financial statements of Dongfeng Motor Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 91 to 188, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to warranty provisions.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Warranty provisions	
Refer to note 3 "Significant Accounting Estimates", note 6 "Profit Before Income Tax", note 17 "Investment In Joint Ventures" and note 29 "Provisions" to the consolidated financial statements. As at 31 December 2016, the balance of warranty provisions of the Group amounted to RMB1,650 million, and warranty provisions made for the year of RMB1,471 million was recorded in the consolidated income statement of the Group. Provisions for warranties granted by the Group and its joint ventures ("JVs") for the passenger and commercial vehicles sold are recognised based on sales volume and past experience of the cost of repair and replacement. The key judgement adopted by management during the assessment process includes the determination of the estimated unit cost of warranty provisions of passenger and commercial vehicles sold. In addition, the Group's share of profits of the JVs which were accounted for using equity method amounted to RMB11,602 million. The warranty provisions made by JVs during the year were significant to the JVs' profit, therefore were significant to the consolidated income statement of the Group. We focused on this area because of the magnitude of the amount of warranty provisions and the significant involvement of management's judgement and assumptions applied in estimating of costs in respect of future warranty claims.	With regard to the warranty provisions of the Group and the JVs audited by us: • We understood, evaluated and validated the key controls over the estimation of the warranty provisions. In addition, we tested the information technology environments of the Group's system and the specific automatic controls related to the maintenance of data which was used to calculate the warranty provisions. • We assessed management's warranty provision models using our knowledge of the Group and experience of the passenger and commercial vehicles industry. We also tested the mathematical accuracy of calculations therein by re-performing the calculations. • We compared, on a sample basis, management's estimation on the warranty cost per unit with the historical actual claims, and checked the selected historical actual claims to supporting documents. • In addition, we assessed management's estimation on the warranty cost per unit by discussing with management and performing analysis on actual claims during the year and subsequent to the year-end to identify any indicators of significant quality defect, significant changes of labour and parts costs, and significant changes of expected occurrence of repair or replacement that would significantly affect the estimates of the year end warranty provisions.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter *(Continued)*	**How our audit addressed the Key Audit Matter** *(Continued)*
Warranty provisions *(Continued)*	

With regard to the warranty provisions made during the year of two significant JVs audited by non-PricewaterhouseCoopers auditors ("Other Auditors"):

- We communicated with Other Auditors to have an understanding of Other Auditors' compliance with the ethical requirements that are relevant to us and Other Auditors' professional competence.
- We sent instructions to Other Auditors and communicated with them to understand their risk assessment and audit responses to the risk identified on warranty provisions.
- We communicated with Other Auditors to understand their audit procedures performed and evaluated the Other auditors' work by reviewing the relevant audit documentation on their audits of warranty provisions.
- We obtained and evaluated Other Auditors' communications to us in accordance with our instructions.

We found that management's judgement and assumptions applied in estimating the Group's warranty provisions were supported by available evidence.

In the context of our audit of consolidated financial statements of the Group, the JVs' management's judgements and estimates associated with their respective warranty provisions noted in respect of the Group's share of the profit and net assets of JVs were supported by available evidence.

Independent Auditor's Report (Continued)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang, Angel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2017

Consolidated Income Statement

For the year ended 31 December 2016

	Notes	Year ended 31 December 2016 RMB million	2015 RMB million
Revenue	4	**122,422**	126,566
Cost of sales		**(104,905)**	(109,637)
Gross profit		**17,517**	16,929
Other income	5	**2,186**	1,897
Selling and distribution expenses		**(7,629)**	(7,144)
Administrative expenses		**(3,754)**	(3,691)
Other expenses		**(5,698)**	(5,834)
Finance (expenses)/income – net	7	**(445)**	189
Share of profits and losses of:			
Joint ventures	17	**11,665**	10,422
Associates	18	**1,897**	1,297
PROFIT BEFORE INCOME TAX	6	**15,739**	14,065
Income tax expense	10	**(1,274)**	(1,353)
PROFIT FOR THE YEAR		**14,465**	12,712
Profit attributable to:			
Equity holders of the Company		**13,355**	11,550
Non-controlling interests		**1,110**	1,162
		14,465	12,712
Earnings per share attributable to ordinary equity holders of the Company:	12		
Basic for the year		**155.00 cents**	134.05 cents
Diluted for the year		**155.00 cents**	134.05 cents

The notes on pages 100 to 188 form an integral part of the consolidated financial information.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Year ended 31 December	
	2016	2015
	RMB million	*RMB million*
PROFIT FOR THE YEAR	**14,465**	12,712
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss		
Share of other comprehensive income of investments accounted for using the equity method	**43**	136
Others	**(33)**	(31)
	10	105
Items that may be reclassified to profit or loss		
Currency translation differences	**250**	(146)
Share of other comprehensive income of investments accounted for using the equity method	**(19)**	18
	231	(128)
Income tax effect		
Item that will not be reclassified subsequently to profit or loss	**14**	4
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**255**	(19)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**14,720**	12,693
Total comprehensive income attributable to:		
Equity holders of the Company	**13,621**	11,552
Non-controlling interests	**1,099**	1,141
	14,720	12,693

The notes on pages 100 to 188 form an integral part of the consolidated financial information.

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	31 December 2016 RMB million	2015 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	13	**13,871**	12,929
Lease prepayments		**1,296**	936
Intangible assets	14	**3,617**	2,798
Goodwill	15	**1,792**	1,792
Investments in joint ventures	17	**40,549**	39,166
Investments in associates	18	**12,598**	10,525
Available-for-sale financial assets	25	**174**	190
Other non-current assets	19	**14,377**	8,908
Deferred income tax assets	10	**2,133**	1,803
Total non-current assets		**90,407**	79,047
Current assets			
Inventories	20	**8,734**	8,665
Trade receivables	21	**4,162**	3,664
Bills receivable	22	**15,416**	13,015
Prepayments, deposits and other receivables	23	**20,195**	14,756
Due from joint ventures	24	**8,672**	6,073
Pledged bank balances and time deposits	26	**6,645**	3,760
Cash and cash equivalents	26	**30,728**	31,806
Total current assets		**94,552**	81,739
TOTAL ASSETS		**184,959**	160,786
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	27	**8,616**	8,616
Reserves		**12,653**	10,569
Retained profits		**75,381**	65,465
		96,650	84,650
Non-controlling interests		**6,908**	6,834
Total equity		**103,558**	91,484

The notes on pages 100 to 188 form an integral part of the consolidated financial information.

Consolidated Statement of Financial Position (Continued)

As at 31 December 2016

	Notes	31 December 2016 RMB million	2015 RMB million
Non-current liabilities			
Interest-bearing borrowings	28	**7,080**	7,559
Other long term liabilities		**1,320**	954
Government grants	30	**860**	543
Deferred income tax liabilities	10	**1,299**	1,032
Provisions	29	**674**	578
Total non-current liabilities		**11,233**	10,666
Current liabilities			
Trade payables	31	**21,519**	17,170
Bills payable	32	**14,867**	10,980
Other payables and accruals	33	**16,173**	13,981
Due to joint ventures	24	**8,529**	8,066
Interest-bearing borrowings	28	**7,309**	6,950
Income tax payable		**686**	541
Provisions	29	**1,085**	948
Total current liabilities		**70,168**	58,636
TOTAL LIABILITIES		**81,401**	69,302
TOTAL EQUITY AND LIABILITIES		**184,959**	160,786

The notes on pages 100 to 188 form an integral part of the consolidated financial information.

Ouyang Jie
Director

Liu Weidong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Issued capital	Capital reserve	Statutory reserves	Retained profits	Total		
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Year ended 31 December 2015							
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	8,616	2,378*	8,191*	65,465	84,650	6,834	91,484

The notes on pages 100 to 188 form an integral part of the consolidated financial information.

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2016

	Attributable to equity holders of the Company						
	Issued capital RMB million	Capital reserve RMB million	Statutory reserves RMB million	Retained profits RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Year ended 31 December 2016							
As at 1 January 2016	8,616	2,378	8,191	65,465	84,650	6,834	91,484
Profit for the year	–	–	–	13,355	13,355	1,110	14,465
Other comprehensive income for the year	–	266	–	–	266	(11)	255
Total comprehensive income for the year	–	266	–	13,355	13,621	1,099	14,720
Transfer to reserves	–	–	1,716	(1,716)	–	–	–
Capital contribution from non-controlling shareholders	–	–	–	–	–	98	98
Share of capital reserve of investments accounted for using the equity method	–	102	–	–	102	–	102
Final 2015 dividend declared and paid	–	–	–	(1,723)	(1,723)	(1,123)	(2,846)
As at 31 December 2016	8,616	2,746*	9,907*	75,381	96,650	6,908	103,558

* These reserve accounts comprise the consolidated reserves of RMB12,653 million (2015: RMB10,569 million) in the consolidated statement of financial position.

The notes on pages 100 to 188 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	Year ended 31 December 2016 RMB million	2015 RMB million
Cash flows from operating activities			
Profit before income tax		**15,739**	14,065
Adjustments for:			
Share of profits and losses of joint ventures and associates		**(13,562)**	(11,719)
Gain on disposal of items of property, plant and equipment and lease prepayments, net	6	**(3)**	(72)
Amortisation of lease prepayments	6	**66**	51
(Reversal of)/provision against inventories	6	**(64)**	127
Impairment of trade and other receivables	6	**533**	119
Exchange (gains)/losses, net	6	**(60)**	123
Depreciation	6	**1,672**	1,383
Impairment of items of property, plant and equipment	6	**2**	213
Amortisation of intangible assets	6	**320**	266
Finance expenses/(income) – net	7	**445**	(189)
Interest income	5	**(834)**	(902)
Government grants	30	**(90)**	(116)
Gain on other equity interest transaction		**(64)**	–
		4,100	3,349
(Increase)/decrease in trade and bills receivables and prepayments,deposits and other receivables		**(3,711)**	827
Decrease in inventories		**11**	1,039
Increase in amounts due from joint ventures		**(1,330)**	(3,610)
Increase in trade and bills payables, and other payables and accruals		**10,533**	1,176
Increase in loans and receivables from financing services		**(7,309)**	(3,246)
Increase in cash deposits received from financing services		**1,103**	72
(Increase)/decrease in a mandatory reserve with the People's Bank of China		**(329)**	1,426
Increase in amounts due to joint ventures		**1,696**	1,589
Increase in provisions		**252**	269
Cash generated from operations		**5,016**	2,891
Interest paid		**(236)**	(313)
Income tax paid		**(1,182)**	(2,020)
Net cash flows from operating activities		**3,598**	558

The notes on pages 100 to 188 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2016

	Notes	Year ended 31 December 2016 RMB million	2015 RMB million
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(2,379)**	(3,005)
Increase in lease prepayments and other long term assets		**(396)**	(127)
Purchases of intangible assets		**(1,141)**	(663)
Acquisition of subsidiaries	16	**(1,233)**	(1,265)
Investments in joint ventures		**–**	(45)
Proceeds from disposal of items of property, plant and equipment		**29**	300
Proceeds from disposal of intangible assets		**3**	36
Proceeds from disposal of available-for-sale financial assets		**15**	–
Dividends from joint ventures and associates		**9,192**	9,453
Government grants received		**407**	398
Interest received		**1,012**	487
Increase in pledged bank balances and time deposits	26	**(2,885)**	(135)
Decrease/(Increase) in non-pledged time deposits with original maturity of three months or more when acquired	26	**1,947**	(1,074)
Disposal of subsidiaries		**–**	(114)
Cash acquired relating to acquisition of subsidiaries		**30**	–
Cash paid relating to other investing activities		**(3,214)**	–
Net cash flows from investing activities		**1,387**	4,246

The notes on pages 100 to 188 form an integral part of the consolidated financial information.

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2016

	Notes	Year ended 31 December 2016 RMB million	2015 RMB million
Cash flows from financing activities			
Proceeds from borrowings		**4,939**	13,356
Repayment of borrowings		**(6,314)**	(16,057)
Changes in ownership interests in subsidiaries without change of control		**–**	5,501
Capital contribution from non-controlling shareholders		**98**	–
Dividends paid to non-controlling shareholders		**(1,116)**	(370)
Dividends paid to the equity holders of the Company		**(1,723)**	(1,723)
Other finance cash flows – net		**–**	(12)
Net cash flows (used in)/from financing activities		**(4,116)**	695
Net increase in cash and cash equivalents		**869**	5,499
Cash and cash equivalents at beginning of year		**28,732**	23,233
Cash and cash equivalents at end of year	26	**29,601**	28,732

The notes on pages 100 to 188 form an integral part of the consolidated financial information.

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") and the disclosure requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

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 2016. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

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

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets 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 2016:

- Amendment to IFRS 11 'Accounting for acquisitions of interests in joint operations'
- Amendment to IAS 27 'Equity method in separate financial statements'
- Amendments from annual improvements to IFRSs – 2012 – 2014 Cycle, on IFRS 7 'Financial instruments: Disclosures', IAS 19, 'Employee benefits' and IAS 34, 'Interim financial reporting'
- Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment entities: applying the consolidation exception'
- Amendments to IAS 1 'Disclosure initiative'

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.

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 2016 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 2016, 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 intents 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 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income (FVOCI), contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The group does not intend to adopt IFRS 9 before its mandatory date.

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 2016 and have not been early adopted *(Continued)*

IFRS 15, 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service – the application of IFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue;

- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under IFRS 15, and

- rights of return IFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the group is not able to estimate the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact over the next twelve months.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the group does not intend to adopt the standard before its effective date.

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 2016 and have not been early adopted *(Continued)*

IFRS 16, 'Leases'

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of RMB6,131 million, see note 34. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.

Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions', effective for annual periods beginning on or after 1 January 2018.

Amendments to IFRS 10 and IAS 28 'Sale or contribution of assets between an investor and its associate or joint venture', the amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

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.

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. 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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange of control of the acquiree. For each business combination, the Group elects whether 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.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

Where goodwill 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.

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.

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).

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

(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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

(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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

(ii) Subsequent measurement *(Continued)*

Available-for-sale financial investments (Continued)

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

(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.

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.

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.

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.

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(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.

(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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(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.

(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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Dividends

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

Foreign currencies

(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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

(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

- 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.

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) Warranty provisions

Provisions for warranties granted by the Group and its JVs for the passenger and commercial vehicles sold are recognised based on sales volume and past experience of the cost of repair and replacement. The calculation of the warranty provisions includes a number of variable factors and assumptions including: the expected time the free repair or replacement is expected to occur; and the changes of labour and parts costs.

(ii) 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.

(iii) 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.

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 is responsible for allocating resources and assessing performance of the operating segments.

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.

During the year ended 31 December 2016, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

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

Year ended 31 December 2016

	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	43,218	76,656	2,310	238	–	122,422
Sales to internal customers	80	–	28	–	(108)	–
	43,298	76,656	2,338	238	(108)	122,422
Results						
Segment results	266	1,384	1,279	(1,709)	568	1,788
Interest income	340	371	–	726	(603)	834
Finance expenses, net						(445)
Share of profits and losses of:						
Joint ventures	335	11,759	219	(648)	–	11,665
Associates	–	1,466	399	32	–	1,897
Profit before income tax						15,739
Income tax expense						(1,274)
Profit for the year						14,465
Other segment information						
Capital expenditure:						
– Property, plant and equipment	750	1,600	5	24	–	2,379
– Intangible assets	779	353	7	2	–	1,141
– Lease prepayments	115	188	–	–	–	303
Depreciation of property, plant and equipment	743	857	3	69	–	1,672
Amortisation of intangible assets	204	4	2	110	–	320
(Reversal of)/provision against inventories	(84)	18	–	2	–	(64)
Impairment losses	325	37	149	24	–	535
Warranty provisions	678	793	–	–	–	1,471

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

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)	–
	36,389	88,226	1,911	140	(100)	126,566
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
Profit before income tax						14,065
Income tax expense						(1,353)
Profit for the year						12,712
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 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	143	132	56	1	–	332
Warranty provisions	661	710	–	–	–	1,371

5. OTHER INCOME

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

	2016	2015
	RMB million	*RMB million*
Net income from disposal of other materials	**121**	103
Government grants and subsidies	**427**	309
Rendering of services	**122**	69
Interest income	**834**	902
Management dispatch fee received from joint ventures	**283**	209
Others	**399**	305
	2,186	1,897

6. PROFIT BEFORE INCOME TAX

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

	Notes	2016 RMB million	2015 RMB million
Cost of inventories recognised as expense		**103,317**	108,293
Interest expense for financing services (included in cost of sales)		**151**	150
(Reversal of)/provision against inventories		**(64)**	127
Depreciation	13	**1,672**	1,383
Amortisation of intangible assets	14	**320**	266
Amortisation of lease prepayments		**66**	51
Auditors' remuneration		**21**	23
Lease payments under operating leases in respect of land and buildings		**148**	141
Staff costs (excluding directors' and supervisors' remuneration (note 8)):			
– Wages and salaries		**5,283**	4,671
– Pension scheme costs	(a)	**618**	596
– Medical benefit costs	(b)	**346**	319
– Cash housing subsidy costs	(c)	**2**	3
– (Reversal of)/expense of stock appreciation rights	(e)	**(71)**	3
		6,178	5,592
Included in other expenses:			
Gain on disposal of items of property, plant and equipment, net		**(2)**	(41)
Gain on disposal of lease prepayments		**(1)**	(31)
Impairment of items of property, plant and equipment	13	**2**	213
Impairment of trade and other receivables		**533**	119
Warranty provisions	29	**1,471**	1,371
Research costs		**3,004**	2,894
Royalty fee		**1,051**	1,152
Other exchange (gains)/losses, net		**(60)**	123

6. PROFIT BEFORE INCOME TAX *(Continued)*

(a) Retirement benefits

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

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

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

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

(b) Medical benefits

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

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

6. PROFIT BEFORE INCOME TAX *(Continued)*

(b) Medical benefits *(Continued)*

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

(c) Cash housing subsidies

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

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

(d) Termination and early retirement benefits

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

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

6. PROFIT BEFORE INCOME TAX *(Continued)*

(e) Stock appreciation rights

The shareholders of the Company have adopted a plan of stock appreciation rights ("SAR") 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 SAR.

On 16 July 2013, the Company's board of directors approved a plan of SAR 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 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 SAR 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 2016, management assessed previous years' operating results of the Group and concluded the ROE (Rate of Return on Common Stockholders' Equity) of the period from year 2014 to year 2016 did not meet the non-market performance vesting conditions of the SAR. As a result, expenses and liabilities (amounted to RMB71 million) recognised during the previous years were reversed during the year ended 31 December 2016.

The movements of the outstanding SAR are analysed as follows:

	2016		2015	
	Weighted average exercise price	**Number of SAR**	Weighted average exercise price	Number of SAR
	HK$ per share	***units '000***	*HK$ per share*	*units '000*
At 1 January	**9.67**	**37,110**	9.67	37,110
Reversal during the year		**(37,110)**		–
At 31 December		**–**		37,110

7. FINANCE EXPENSES/(INCOME) – NET

	2016 RMB million	2015 RMB million
Interest on bank loans and other borrowings	**150**	163
Interest on short term notes and discounted bills	**95**	96
Exchange net losses/(gains) of financing activities	**200**	(448)
Net finance expenses/(income)	**445**	(189)

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of the directors' and supervisors' remuneration for the year, disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules, are as follows:

	Directors		Supervisors	
	2016 ***RMB'000***	2015 *RMB'000*	**2016** ***RMB'000***	2015 *RMB'000*
Fees	**650**	686	**54**	81
Other emoluments:				
– Salaries	**848**	769	**163**	358
– Discretionary bonuses	**2,531**	3,535	**595**	905
– Estimated money value of other benefits	**225**	228	**52**	96
– Employer's contribution to a retirement benefit scheme	**310**	355	**72**	149
	4,564	5,573	**936**	1,589
Stock appreciation right expenses recognised in the income statement	**–**	195	**–**	48
Total charged to the income statement	**4,564**	5,768	**936**	1,637

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

8. DIRECTORS' AND SUPERVISORS' REMUNERATION *(Continued)*

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

For the year ended 31 December 2016:

Name	Fees	Salary	Discretionary bonuses	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:						
Zhu Yanfeng	–	186	209	45	62	502
Li Shaozhu *(Chief Executive)*	–	173	588	45	62	868
	–	359	797	90	124	1,370
Non-executive directors:						
Tong Dongcheng	–	163	576	45	62	846
Ouyang Jie	–	163	563	45	62	833
Liu Weidong	–	163	595	45	62	865
	–	489	1,734	135	186	2,544
Independent non-executive directors:						
Ma Zhigeng	164	–	–	–	–	164
Zhang Xiaotie	166	–	–	–	–	166
Cao Xinghe	155	–	–	–	–	155
Chen Yunfei	165	–	–	–	–	165
	650	–	–	–	–	650
	650	848	2,531	225	310	4,564
Supervisors:						
Ma Liangjie	–	163	595	52	72	882
Independent supervisors:						
Zhao Jun	54	–	–	–	–	54
	54	163	595	52	72	936

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 2015:

Name	Fees	Salary	Discretionary bonuses	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Total	Stock appreciation right expenses recognised in the income statement
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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

8. DIRECTORS' AND SUPERVISORS' REMUNERATION *(Continued)*

No retirement benefits or termination benefits were paid to directors or supervisors during the year ended 31 December 2016. No considerations were provided to third parties for making available directors' services (2015: same).

During the year, no loans, quasi-loans or other dealings was entered into by the company in favour of directors or supervisors (2015: 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 (2015: nil directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the five (2015: five) highest paid employees who are neither a director nor a supervisor of the Company are as follows:

	2016	2015
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,366**	2,881
Bonuses	**7,545**	3,895
Pension scheme contributions	**449**	473
	11,360	7,249

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	
	2016	2015
Nil – RMB1,500,000	**–**	5
RMB1,500,001 – RMB2,000,000	**1**	–
RMB2,000,001– RMB2,500,000	**4**	–
	5	5

10. INCOME TAX EXPENSE

	2016 *RMB million*	2015 *RMB million*
Current income tax	**1,323**	1,181
Deferred income tax	**(49)**	172
Income tax expense for the year	**1,274**	1,353

(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.

10. INCOME TAX EXPENSE *(Continued)*

A reconciliation of the income tax expense applicable to profit before income 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:

	2016		2015	
	RMB million	**%**	*RMB million*	%
Profit before income tax	**15,739**		14,065	
At the PRC statutory corporate income tax rate of 25% (2015: 25%)	**3,935**	**25.0**	3,516	25.0
Tax concessions and lower tax rates for specific provinces or locations	**(238)**	**(1.5)**	(172)	(1.2)
Associates and joint ventures' results reported net of tax	**(2,999)**	**(19.1)**	(2,686)	(19.1)
Income not subject to corporate income tax	**(60)**	**(0.4)**	(16)	(0.1)
Expenses not deductible for corporate income tax	**29**	**0.2**	5	–
Tax losses not recognised	**607**	**3.9**	706	5.0
Income tax expense at the Group's effective income tax rate	**1,274**	**8.1**	1,353	9.6

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	
	2016	2015	**2016**	2015
	RMB million	*RMB million*	***RMB million***	*RMB million*
Deferred tax assets:				
Assets impairment	**197**	123	**(74)**	(37)
Accrued expenses	**1,248**	1,096	**(152)**	14
Warranty provisions	**288**	244	**(44)**	(108)
Wages payable	**179**	153	**(26)**	124
Tax losses carry-forwards	**–**	118	**118**	(118)
Interest received in advance	**163**	–	**(163)**	–
Others	**58**	69	**11**	25
Gross deferred tax assets	**2,133**	1,803	**(330)**	(100)
Deferred tax liabilities:				
Fair value adjustments arising from gain of controls in subsidiaries	**(106)**	(119)	**(13)**	(15)
Unremitted earnings of oversea businesses	**(1,193)**	(913)	**280**	283
Gross deferred tax liabilities	**(1,299)**	(1,032)	**267**	268
			(63)	168
Represented by:				
Deferred tax (credited)/charged to consolidated income statement			**(49)**	172
Deferred tax credited to consolidated other comprehensive income			**(14)**	(4)
			(63)	168

10. INCOME TAX EXPENSE *(Continued)*

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

	2016	2015
	RMB million	*RMB million*
Deferred income tax assets:		
– Deferred income tax assets collected over 12 months	**310**	533
– Deferred income tax assets collected within 12 months	**1,823**	1,270
	2,133	1,803
Deferred income tax liabilities:		
– Deferred income tax liabilities collected over 12 months	**(1,282)**	(1,014)
– Deferred income tax liabilities collected within 12 months	**(17)**	(18)
	(1,299)	(1,032)
	834	771

11. DIVIDEND

	2016	2015
	RMB million	*RMB million*
Proposed final-RMB0.23 (2015: RMB0.20) per ordinary share	**1,982**	1,723

The proposed final dividend for year 2016 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The dividends paid in 2016 amounted to RMB1,723 million, being RMB0.20 per share (2015: RMB1,723 million, being RMB0.20 per share).

11. DIVIDEND *(Continued)*

In accordance with the articles of association of the Company, the net profit after income 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 COMPANY

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

The calculation of basic earnings per share is based on:

	2016	2015
	RMB million	*RMB million*
Earnings:		
Profit for the year attributable to ordinary equity holders of the Company	**13,355**	11,550
	Number of shares	
	million	*million*
Shares:		
Weighted average number of ordinary shares in issue during the year	**8,616**	8,616
Earnings per share	**155.00 cents**	134.05 cents

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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB million*	Plant and equipment *RMB million*	Construction in progress *RMB million*	Total *RMB million*
At 31 December 2015 and 1 January 2016				
Cost	1,077	17,749	2,436	21,262
Accumulated depreciation and impairment	(328)	(8,005)	–	(8,333)
Net carrying amount	749	9,744	2,436	12,929
At 1 January 2016				
Net of accumulated depreciation and impairment	749	9,744	2,436	12,929
Additions	11	463	2,100	2,574
Gain of control in subsidiaries	5	64	–	69
Disposals	(16)	(8)	(3)	(27)
Reclassification	45	2,278	(2,323)	–
Impairment	–	(2)	–	(2)
Depreciation during the year	(55)	(1,617)	–	(1,672)
At 31 December 2016				
Net of accumulated depreciation and impairment	739	10,922	2,210	13,871
At 31 December 2016				
Cost	1,027	20,312	2,210	23,549
Accumulated depreciation and impairment	(288)	(9,390)	–	(9,678)
Net carrying amount	739	10,922	2,210	13,871

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings *RMB million*	Plant and equipment *RMB million*	Construction in progress *RMB million*	Total *RMB million*
At 31 December 2014 and 1 January 2015				
Cost	1,052	15,957	2,211	19,220
Accumulated depreciation and impairment	(379)	(6,976)	(3)	(7,358)
Net carrying amount	673	8,981	2,208	11,862
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 during the year	(73)	(1,310)	–	(1,383)
At 31 December 2015				
Net of accumulated depreciation and impairment	749	9,744	2,436	12,929
At 31 December 2015				
Cost	1,077	17,749	2,436	21,262
Accumulated depreciation and impairment	(328)	(8,005)	–	(8,333)
Net carrying amount	749	9,744	2,436	12,929

14. INTANGIBLE ASSETS

	Patents and licences *RMB million*	Customer relationships *RMB million*	Research and development costs *RMB million*	Others *RMB million*	Total *RMB million*
For the year ended 31 December 2016					
Cost:					
At 1 January 2016	844	1,336	1,060	674	3,914
Additions	380	–	593	164	1,137
Gain of control in subsidiaries	–	–	–	4	4
Reclassification	473	–	(473)	–	–
At 31 December 2016	1,697	1,336	1,180	842	5,055
Accumulated amortisation:					
At 1 January 2016	294	197	–	513	1,004
Amortisation	173	78	–	69	320
Gain of control in subsidiaries	–	–	–	2	2
At 31 December 2016	467	275	–	584	1,326
Impairment:					
At 1 January 2016	112	–	–	–	112
Additions	–	–	–	–	–
At 31 December 2016	112	–	–	–	112
Net book value:					
At 1 January 2016	438	1,139	1,060	161	2,798
At 31 December 2016	1,118	1,061	1,180	258	3,617

14. INTANGIBLE ASSETS *(Continued)*

	Patents and licences *RMB million*	Customer relationships *RMB million*	Research and development costs *RMB million*	Others *RMB million*	Total *RMB million*
For the year ended 31 December 2015					
Cost:					
At 1 January 2015	501	1,336	1,060	576	3,473
Additions	95	–	248	99	442
Disposals	–	–	–	(1)	(1)
Reclassification	248	–	(248)	–	–
At 31 December 2015	844	1,336	1,060	674	3,914
Accumulated amortisation:					
At 1 January 2015	158	118	–	463	739
Amortisation	136	79	–	51	266
Disposals	–	–	–	(1)	(1)
At 31 December 2015	294	197	–	513	1,004
Impairment:					
At 1 January 2015	112	–	–	–	112
Additions	–	–	–	–	–
At 31 December 2015	112	–	–	–	112
Net book value:					
At 1 January 2015	231	1,218	1,060	113	2,622
At 31 December 2015	438	1,139	1,060	161	2,798

15. GOODWILL

	2016 RMB million	2015 RMB million
At 1 January	**1,792**	1,792
Additions	**–**	–
At 31 December	**1,792**	1,792

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% (2015: 13%–15%).

16. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2016 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. ("DFF")	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 (Shiyan) Special Commericial Vehicle Co., Ltd.	PRC	RMB343,314,200	75.08	–	Manufacturing and sale of special commercial vehicles, parts and components
Dongfeng Peugeot Citroen Automobile Sales Co.,Ltd.	PRC	RMB100,000,000	50	–	Marketing and sale of automobiles
Dongvo (Hangzhou) Truck Co., Ltd.	PRC	RMB289,900,700	50	50	Manufacture and sale of automotive parts and components

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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.

Summarised financial information on subsidiaries with non-controlling interests:

There is no subsidiary with individually material non-controlling interest within the Group. Considering all the subsdiaries with non-controlling interest 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

	2016	2015
	RMB million	*RMB million*
Current assets	**53,474**	43,134
Current liabilities	**51,597**	40,417
Net current assets	**1,877**	2,717
Non-current assets	**18,673**	16,475
Non-current liabilities	**2,602**	1,779
Net non-current assets	**16,071**	14,696
Net assets	**17,948**	17,413

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Summarised statement of comprehensive income

	2016	2015
	RMB million	*RMB million*
Revenue	**115,443**	118,134
Profit before income tax	**3,224**	3,438
Income tax expense	**(654)**	(839)
Profit for the year	**2,570**	2,599
Other comprehensive income	**(28)**	(45)
Total comprehensive income for the year	**2,542**	2,554
Total comprehensive income attributable to non-controlling interests	**11**	5

17. INVESTMENTS IN JOINT VENTURES

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

	2016	2015
	RMB million	*RMB million*
Joint ventures, at carrying value	**40,549**	39,166

17. INVESTMENTS IN JOINT VENTURES *(Continued)*

The movements in investments in joint ventures are as follows:

	2016	2015
	RMB million	*RMB million*
At 1 January	**39,166**	40,145
Additional investments	**1,518**	184
Share of profits	**11,602**	10,432
Other comprehensive income	**(8)**	(5)
Other changes in equity	**92**	1
Disposals	**–**	(139)
Dividends received	**(11,823)**	(11,452)
Translation reserve	**2**	–
At 31 December	**40,549**	39,166

The additional investments in 2016 amounted to RMB1,518 million, of which RMB1,422 million was further capital injection by the Company through profit distribution, RMB54 million was transferred from an associate and RMB42 million was from acquisition of a subsidiary.

Particulars of the principal joint ventures of the Group as at 31 December 2016 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 Citroen Automobile8 Co., 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	USD62,500,000	44.00	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 Citroen Finance Co., Ltd.	PRC	RMB1,000,000,000	50.00	Provision of Finance services

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	
	2016	2015	**2016**	2015	**2016**	2015
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Cash and cash equivalents	**21,066**	16,244	**8,941**	13,254	**17,438**	7,356
Other current assets (excluding cash)	**63,075**	59,223	**6,212**	5,864	**18,316**	17,542
Total current assets	**84,141**	75,467	**15,153**	19,118	**35,754**	24,898
Non-current assets	**42,404**	41,841	**23,728**	22,196	**8,923**	8,782
Total assets	**126,545**	117,308	**38,881**	41,314	**44,677**	33,680
Current financial liabilities (excluding account payable)	**(481)**	(608)	**–**	(325)	**–**	–
Other current liabilities (including account payable)	**(69,708)**	(62,440)	**(22,668)**	(25,662)	**(31,713)**	(21,835)
Total current liabilities	**(70,189)**	(63,048)	**(22,668)**	(25,987)	**(31,713)**	(21,835)
Non-current financial liabilities (excluding account payable)	**(58)**	(71)	**(360)**	(491)	**–**	–
Other non-current liabilities (including account payable)	**(4,565)**	(3,783)	**(1,743)**	(860)	**(1,667)**	(1,304)
Total non-current liabilities	**(4,623)**	(3,854)	**(2,103)**	(1,351)	**(1,667)**	(1,304)
Total liabilities	**(74,812)**	(66,902)	**(24,771)**	(27,338)	**(33,380)**	(23,139)
Non-controlling interests	**(8,226)**	(8,274)	**–**	–	**–**	–
Net assets	**43,507**	42,132	**14,110**	13,976	**11,297**	10,541

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	
	2016	2015	**2016**	2015	**2016**	2015
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Revenue	**160,118**	131,980	**47,397**	56,713	**79,622**	53,086
Depreciation and amortisation	**(4,207)**	(4,176)	**(2,130)**	(1,876)	**(1,065)**	(937)
Interest income	**638**	694	**496**	610	**228**	123
Interest expenses	**(44)**	(33)	**(38)**	(61)	**–**	–
Profit before income tax	**18,880**	17,345	**2,276**	3,828	**9,830**	6,252
Income tax expenses	**(4,762)**	(4,187)	**(449)**	(914)	**(2,600)**	(1,568)
Profit after tax	**14,118**	13,158	**1,827**	2,914	**7,230**	4,684
Non-controlling interests	**(1,557)**	(1,548)	**–**	–	**–**	–
Other comprehensive income	**–**	3	**–**	–	**–**	–
Total comprehensive income	**12,561**	11,613	**1,827**	2,914	**7,230**	4,684
Dividend received	**5,593**	5,012	**847**	1,940	**4,586**	3,806

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	
	2016	2015	**2016**	2015	**2016**	2015
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Opening net assets at 1 January	**42,132**	40,543	**13,976**	14,941	**10,541**	13,468
Profit after tax	**14,118**	13,158	**1,827**	2,914	**7,230**	4,684
Other comprehensive income	**–**	3	**–**	–	**–**	–
Dividend received	**(11,186)**	(10,024)	**(1,693)**	(3,879)	**(9,171)**	(7,611)
Non-controlling interests	**(1,557)**	(1,548)	**–**	–	**–**	–
Capital contribution from non-controlling shareholders	**–**	–	**–**	–	**2,697**	–
Closing net assets at 31 December	**43,507**	42,132	**14,110**	13,976	**11,297**	10,541
Interest in joint ventures (50%)	**21,754**	21,066	**7,055**	6,988	**5,649**	5,271
Goodwill	**–**	–	**277**	277	**–**	–
Carrying amount of investmetns in material joint ventures	**21,754**	21,066	**7,332**	7,265	**5,649**	5,271

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

	2016	2015
	RMB million	*RMB million*
Share of joint ventures' results		
Profit after tax	**793**	828
Other comprehensive income	**(6)**	(10)
Total comprehensive income	**787**	818
Aggregate carrying amount of the Group's investments in the joint ventures	**5,814**	5,564

18. INVESTMENTS IN ASSOCIATES

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

	2016 **RMB million**	2015 RMB million
Associates, at carrying value	**12,598**	10,525

Particulars of the principal associates as at 31 December 2016 are 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	35.00%	Provision of finance services
Wuhan Lear-DFM Auto Electric Co. Ltd.#	PRC	25.00%	Manufacture and sale of automotive parts and components
PSA Peugeot Citroën Group ("PSA")	France	12.86%	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 Group acquired 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.

18. INVESTMENTS IN ASSOCIATES *(Continued)*

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

	2016	2015
	RMB million	*RMB million*
Associates-Share of profits	**1,897**	1,297

The movements in investments in associates are as follows:

	2016	2015
	RMB million	*RMB million*
1 January	**10,525**	9,360
Share of profits	**1,897**	1,297
Other comprehensive income	**32**	159
Other changes in equity	**10**	(88)
Disposal	**(54)**	–
Dividend received	**(60)**	(57)
Translation reserve	**248**	(146)
31 December	**12,598**	10,525

19. OTHER NON-CURRENT ASSETS

	Note	2016 RMB million	2015 RMB million
Loans and receivables from financing services	23(b)	**9,050**	6,939
Mandatory reserve deposits with the People's Bank of China (the "PBOC")	(a)	**2,135**	1,806
Fixed term deposits	(b) 26	**3,000**	–
Others		**192**	163
		14,377	8,908

(a) 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.

(b) Fixed term deposits included RMB2,000 million (2015: nil) placed by the Company in an associate which is involved in the provision of financing services and RMB1,000 million (2015: nil) placed by the Company in a joint venture which is involved in the provision of financing services.

20. INVENTORIES

	2016 RMB million	2015 RMB million
Raw materials	**1,272**	1,319
Work in progress	**446**	420
Finished goods	**7,016**	6,926
	8,734	8,665

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. 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:

	2016	2015
	RMB million	*RMB million*
Within three months	**2,095**	2,661
More than three months but within one year	**1,844**	813
More than one year	**223**	190
	4,162	3,664

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

	2016	2015
	RMB million	*RMB million*
At 1 January	**229**	203
Net impairment loss recognised	**360**	46
Amount written off as uncollectible	**(6)**	(20)
At 31 December	**583**	229

As at 31 December 2016, trade receivables of the Group with an aggregate nominal value of RMB54 million (2015: RMB41 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.

As at 31 December 2016, the Group held collateral and other credit enhancements, which mainly included property, plant and equipment, lease prepayments and inventories, amounted to RMB660 million (2015: RMB239 million) over trade receivables amounted to RMB536 million (2015: RMB33 million).

21. TRADE RECEIVABLES *(Continued)*

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

	2016	2015
	RMB million	*RMB million*
Neither past due nor impaired	**2,095**	2,661
Less than three months past due	**615**	271
	2,710	2,932

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:

	2016	2015
	RMB million	*RMB million*
DMC, its subsidiaries, associates and joint ventures	**299**	645
Non-controlling shareholders of a subsidiary and their subsidiaries	**74**	21
Associates	**14**	19
	387	685

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

22. BILLS RECEIVABLE

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

	2016	2015
	RMB million	*RMB million*
Within one year	**15,416**	13,015

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2016 RMB million	2015 RMB million
Prepayments		**2,150**	2,172
Deposits and other receivables	(a)	**1,317**	905
Loans and receivables from financing services	(b)	**16,728**	11,679
		20,195	14,756

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

	2016 RMB million	2015 RMB million
At 1 January	**63**	52
Net impairment loss recognised	**24**	17
Amount written off as uncollectible	**–**	(6)
At 31 December	**87**	63

(b) 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 4.20%-15.00% per annum. These loans and receivables from financing services were secured by the vehicle licenses together with guarantees provided by these dealers.

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

	Note	2016 RMB million	2015 RMB million
Gross loans and receivables from financing services		**26,085**	18,878
Less: impairment allowances		**(307)**	(260)
		25,778	18,618
Less: current portion		**(16,728)**	(11,679)
Non-current portion	19	**9,050**	6,939

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

(b) Movements of impairment allowances are as follows:

	2016	2015
	RMB million	*RMB million*
At 1 January	**260**	258
Impairment allowances charged	**149**	56
Amount written off as uncollectible	**(102)**	(54)
At 31 December	**307**	260

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

	2016	2015
	RMB million	*RMB million*
DMC, its subsidiaries, associates and joint ventures	**805**	354
Non-controlling shareholders of a subsidiary and their subsidiaries	**10**	3
Associates	**24**	37
	839	394

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

24. BALANCES WITH JOINT VENTURES

	Notes	2016 RMB million	2015 RMB million
Due from joint ventures, amount			
Interest-bearing loans to joint ventures		**111**	235
Dividends receivable from joint ventures		**3,875**	2,606
Others	(a)	**4,686**	3,232
		8,672	6,073
Less: current portion		**(8,672)**	(6,073)
Non-current portion		**–**	–
Due to joint ventures			
Cash deposits in DFF	(b)	**2,783**	2,164
Arising from acquisition of CV businesses		**–**	1,233
Others	(a)	**5,746**	4,669
		8,529	8,066
Less: current portion		**(8,529)**	(8,066)
Non-current portion		**–**	–

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.

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 RMB million	2015 RMB million
Unlisted investments at cost less impairment:		
Non-current	**174**	190

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

	Notes	2016 RMB million	2015 RMB million
Cash and bank balances		**17,875**	26,395
Time deposits		**19,498**	9,171
Fixed term deposits	19(b)	**3,000**	–
		40,373	35,566
Less: Pledged bank balances and time deposits for securing general banking facilities		**(6,645)**	(3,760)
Less: Fixed term deposits	19(b)	**(3,000)**	–
Cash and cash equivalents as stated in the consolidated statement of financial position		**30,728**	31,806
Less: Non-pledged time deposits with original maturity of three months or more when acquired		**(1,127)**	(3,074)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**29,601**	28,732

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

Time deposits included RMB200 million (2015: RMB2,000 million) placed by the Company in an associate which is involved in the provision of financing services and RMB500 million (2015: RMB1,000 million) placed by the Company in a joint venture which is involved in the provision of financing services.

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

27. SHARE CAPITAL

	2016	2015
	RMB million	*RMB million*
Registered, issued and fully paid:		
– 5,760,388,000 (2015: 5,760,388,000) Domestic Shares of RMB1.00 each	**5,760**	5,760
– 2,855,732,000 (2015: 2,855,732,000) H shares of RMB1.00 each	**2,856**	2,856
	8,616	8,616

28. INTEREST-BEARING BORROWINGS

	2016			2015		
	Effective interest rate (%)	**Maturity**	***RMB million***	Effective interest rate (%)	Maturity	*RMB million*
Current						
Bank loans – unsecured	**2.20–4.35**	**2017**	**1,089**	0.87–5.35	2016	1,833
Other loans – unsecured			**6,220**			5,117
			7,309			6,950
Non-Current						
Bank loans – secured	**1.76**	**2022**	**2,850**	1.6–4.61	2017–2022	3,548
Bank loans – unsecured	**1.66–4.75**	**2018–2019**	**586**	2.9	2018	477
Guaranteed notes	**1.6**	**2018**	**3,644**	1.6	2018	3,534
			7,080			7,559
			14,389			14,509

Other loans represented cash deposits placed by DMC, its subsidiaries, associates and joint ventures amounting to RMB3,620 million (2015: RMB2,552 million) and other unrelated third parties in DFF, 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.

The Guaranteed notes (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 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.

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:

	2016 *RMB million*	2015 *RMB million*
Time deposits and bank balances	2,957	1,770

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

	2016 *RMB million*	2015 *RMB million*
Bank loan repayable:		
Within one year or on demand	1,089	1,833
One year to two years	387	94
Two years to three years	199	383
More than five years	2,850	3,548
	4,525	5,858
Notes repayable:		
One year to two years	3,644	–
Two years to three years	–	3,534
	3,644	3,534
Other loans repayable:		
Within one year or on demand	6,220	5,117
	14,389	14,509

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

28. INTEREST-BEARING BORROWINGS *(Continued)*

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

	2016	2015
	RMB million	*RMB million*
RMB	**7,758**	7,197
Euro dollar	**6,631**	7,247
US dollar	**–**	65
	14,389	14,509

29. PROVISIONS

	2016	2015
	RMB million	*RMB million*
Non-current	**674**	578
Current	**1,085**	948
	1,759	1,526

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

	Environmental restoration costs	**Warranty provisions**	**Total**
	RMB million	*RMB million*	*RMB million*
At 1 January 2015	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
Provision during the year	**–**	**1,471**	**1,471**
Utilised	**(4)**	**(1,234)**	**(1,238)**
At 31 December 2016	**109**	**1,650**	**1,759**

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

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 provisions

The Group provides warranties for certain automotive products and undertakes the obligation to repair or replace items that fail to perform satisfactorily. The amount of provisions 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 related to assets are analysed as follows:

	RMB million
At 1 January 2015	261
Received during the year	398
Recognised as other income during the year	(116)
At 31 December 2015 and 1 January 2016	543
Received during the year	**407**
Recognised as other income during the year	**(90)**
At 31 December 2016	**860**

31. TRADE PAYABLES

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

	2016 RMB million	2015 RMB million
Within three months	**19,874**	15,425
More than three months but within one year	**1,219**	1,197
More than one year	**426**	548
	21,519	17,170

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

	2016 RMB million	2015 RMB million
DMC, its subsidiaries, associates and joint ventures	**307**	260
Non-controlling shareholders of a subsidiary and their subsidiaries	**8**	55
Associates	**49**	27
	364	342

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:

	2016 RMB million	2015 RMB million
Within one year	**14,867**	10,980

33. OTHER PAYABLES AND ACCRUALS

	2016	2015
	RMB million	*RMB million*
Advances from customers	**3,939**	4,381
Accrued salaries, wages and benefits	**1,690**	1,443
Other payables	**10,544**	8,157
	16,173	13,981

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

	2016	2015
	RMB million	*RMB million*
DMC, its subsidiaries, associates and joint ventures	**142**	195
Non-controlling shareholders of a subsidiary and their subsidiaries	**234**	23
	376	218

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

Non-controlling shareholders of a subsidiary and their subsidiaries included payable related to acquisition of intangible assets amounting to RMB89 million, which is expected to be settled within one year since the balance sheet date. The payable amounting to RMB192 million expected to be settled over one year since the balance sheet date are classified as other long term liabilities.

34. COMMITMENTS

(a) Operating lease commitments as lessee

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

	2016 RMB million	2015 RMB million
Within one year	165	179
After one year but not more than five years	672	722
More than five years	5,294	5,706
	6,131	6,607

(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:

	2016 RMB million	2015 RMB million
Contracted, but not provided for:		
– Property, plant and equipment	1,929	1,882

35. RELATED PARTY TRANSACTIONS

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

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

	Note	2016 RMB million	2015 RMB million
Purchases of automotive parts/raw materials from and payment of royalty fee to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**658**	590
– Joint ventures		**13,197**	12,421
– Associates		**178**	99
– Subsidiaries' joint ventures		**2,389**	2,024
– Non-controlling shareholders of a subsidiary and their subsidiaries		**14**	6
		16,436	15,140
Purchases of automobiles from joint ventures	(i)	**41,997**	56,962
Purchases of water, steam and electricity from DMC	(i)	**519**	494

35. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Note	2016 RMB million	2015 RMB million
Purchases of items of property, plant and equipment and intangible assets from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		42	103
– Joint ventures		213	85
– Non-controlling shareholders of a subsidiary and their subsidiaries		380	77
		635	265
Rental expenses to DMC		156	164
Purchases of services from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		356	459
– Joint ventures		272	149
– Non-controlling shareholders of a subsidiary and their subsidiaries		171	78
		799	686
Payments of technology services fee and other expenses to DMC's subsidiaries	(i)	59	48

35. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Note	2016 RMB million	2015 RMB million
Sales of automotive parts/raw materials to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**346**	258
– Joint ventures		**2,737**	2,454
– Subsidiaries' joint ventures		**92**	103
– Non-controlling shareholders of a subsidiary and their subsidiaries		**14**	4
		3,189	2,819
Sales of automobiles to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**3,682**	4,679
– Joint ventures		**1,027**	692
– Subsidiaries' joint ventures		**48**	9
– Non-controlling shareholders of a subsidiary and their subsidiaries		**574**	656
		5,331	6,036
Provisions of services to:	(i)		
– Joint ventures		**172**	114
– Subsidiaries' joint ventures		**3**	3
		175	117
Interest expense paid to:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**54**	50
– Joint ventures		**30**	27
		84	77

35. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Note	2016 RMB million	2015 RMB million
Interest incomes from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**9**	10
– Joint ventures		**12**	22
		21	32
Fee and commission incomes from:	(i)		
– DMC, its subsidiaries, associates and joint ventures		**3**	–
– Joint ventures		**9**	9
		12	9

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.

35. RELATED PARTY TRANSACTIONS *(Continued)*

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

	2016	2015
	RMB'000	*RMB'000*
Short term employee benefits	**5,118**	6,658
Post-employment benefits	**382**	504
Stock appreciation right expenses recognised in the income statement	**–**	243
Total compensation paid to key management personnel	**5,500**	7,405

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

36. 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:

2016

Financial assets

	Loans and receivables *RMB million*	Available-for-sale financial assets *RMB million*	Total *RMB million*
Available-for-sale financial assets	–	174	174
Other non-current assets	14,185	–	14,185
Trade receivables	4,162	–	4,162
Bills receivable	15,416	–	15,416
Financial assets included in prepayments, deposits and other receivables	17,541	–	17,541
Due from joint ventures	7,182	–	7,182
Pledged bank balances and time deposits	6,645	–	6,645
Cash and cash equivalents	30,728	–	30,728
	95,859	174	96,033

Financial liabilities

	Financial liabilities at amortised cost *RMB million*
Trade payables	21,519
Bills payable	14,867
Financial liabilities included in other payables and accruals	9,629
Due to joint ventures	8,005
Interest-bearing borrowings	14,389
Other long term liabilities	580
	68,989

36. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2015

Financial assets

	Loans and receivables *RMB million*	Available-for-sale financial assets *RMB million*	Total *RMB million*
Available-for-sale financial assets	–	190	190
Other non-current assets	8,745	–	8,745
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	31,806	–	31,806
	79,647	190	79,837

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
Other long term liabilities	226
	59,108

37. 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 2016, all the Group's interest-bearing borrowings bear fixed interest rate and not subject to interest rate risk.

(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 2016 and 31 December 2015, the carrying amounts in RMB equivalent of the Group's liabilities denominated in foreign currencies are summarised below:

	2016	2015
	RMB million	*RMB million*
Interest-bearing borrowings	**6,631**	7,247

Fluctuations in the exchange rates of RMB against these foreign currencies can affect the Group's results of operations.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Foreign currency risk *(Continued)*

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).

	Increase/(decrease) in post tax profit	
	2016	2015
	RMB million	*RMB million*
If RMB strengthens against EUR by 5%	**249**	272
If RMB weakens against EUR by 5%	**(249)**	(272)

(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.

37. 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:

	2016				
	Within one year or on demand	**In the second year**	**In the third to fifth years**	**Beyond five years**	**Total**
	RMB million	***RMB million***	***RMB million***	***RMB million***	***RMB million***
Interest-bearing borrowings	**7,309**	**4,031**	**199**	**2,850**	**14,389**
Trade payables	**21,519**	**–**	**–**	**–**	**21,519**
Bills payable	**14,867**	**–**	**–**	**–**	**14,867**
Other payables	**10,662**	**115**	**177**	**42**	**10,996**
Due to joint ventures	**8,529**	**–**	**–**	**–**	**8,529**
	62,886	**4,146**	**376**	**2,892**	**70,300**

	2015				
	Within one year or on demand	In the second year	In the third to fifth years	Beyond five years	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*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	8,323	139	300	136	8,898
Due to joint ventures	8,066	–	–	–	8,066
Guarantees given to banks in connection with facilities granted to joint ventures	7	–	–	–	7
	51,496	139	4,311	3,684	59,630

37. 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 2016 and 2015.

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 Company. The net debt to equity ratio as at the end of the reporting period was as follows:

	2016	2015
	RMB million	*RMB million*
Interest-bearing borrowings	**14,389**	14,509
Less: Cash and cash equivalents	**(30,728)**	(31,806)
Net debt	**(16,339)**	(17,297)
Equity attributable to equity holders of the Company	**96,650**	84,650
Net debt to equity ratio	**-16.91%**	-20.43%

38. EVENTS AFTER THE REPORTING PERIOD

A final dividend in respect of the year ended 31 December 2016 of RMB0.23 per share, amounting to a total dividend of RMB1,982 million, was proposed by the Board of Directors at a meeting held on 28 March 2017, 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.

39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2016	2015
	RMB million	*RMB million*
ASSETS		
Non-current assets		
Property, plant and equipment	**3,346**	3,222
Lease prepayments	**295**	302
Intangible assets	**884**	781
Investments in subsidiaries	**12,337**	12,288
Investments in joint ventures	**16,268**	14,991
Investments in associates	**595**	595
Available-for-sale financial assets	**68**	68
Other non-current assets	**3,000**	–
Total non-current assets	**36,793**	32,247
Current assets		
Inventories	**1,446**	1,126
Trade receivables	**1,021**	555
Bills receivable	**869**	1,634
Prepayments, deposits and other receivables	**1,479**	1,765
Due from joint ventures	**4,464**	2,647
Pledged bank balances	**2,497**	2,079
Cash and cash equivalents	**25,885**	22,846
Total current assets	**37,661**	32,652
TOTAL ASSETS	**74,454**	64,899

39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Balance sheet of the Company *(Continued)*

	As at 31 December	
	2016	2015
	RMB million	*RMB million*
EQUITY AND LIABILITIES		
Equity		
Issued capital	**8,616**	8,616
Reserves	**9,517**	8,339
Retained profits	**45,728**	37,309
TOTAL EQUITY	**63,861**	54,264
Non-current liabilities		
Interest-bearing borrowings	**250**	270
Other non-current liabilities	**57**	57
Provisions	**262**	176
Government grants	**86**	59
Total non-current liabilities	**655**	562
Current liabilities		
Trade payables	**5,034**	3,530
Bills payable	**1,069**	714
Other payables and accruals	**2,467**	2,788
Due to joint ventures	**663**	1,743
Interest-bearing borrowings	**370**	1,000
Income tax payable	**211**	211
Provisions	**124**	87
Total current liabilities	**9,938**	10,073
TOTAL LIABILITIES	**10,593**	10,635
TOTAL EQUITY AND LIABILITIES	**74,454**	64,899

The balance sheet of the Company was approved by the Board of Directors on 28 March 2017 and was signed on its behalf.

Ouyang Jie	**Liu Weidong**
Director	*Director*

39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Reserve movement of the Company

	Capital reserve	Statutory reserves	Retained profits	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*
At 1 January 2015	1,363	6,976	26,576	34,915
Final 2014 dividend declared and paid	–	–	(1,723)	(1,723)
Total comprehensive income for the year	–	–	12,456	12,456
At 31 December 2015 and 1 January 2016	**1,363**	**6,976**	**37,309**	**45,648**
Total comprehensive income for the year	**–**	**–**	**11,320**	**11,320**
Transfer to reserve	**1,178**	**–**	**(1,178)**	**–**
Final 2015 dividend declared and paid	**–**	**–**	**(1,723)**	**(1,723)**
At 31 December 2016	**2,541**	**6,976**	**45,728**	**55,245**

(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.

39. 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.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2017.

Five Year Financial Summary

For the year ended 31 December 2016

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				
	2016	2015	2014	2013	2012
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
RESULTS					
Revenue	**122,422**	126,566	83,114	37,263	6,090
Cost of sales	**(104,905)**	(109,637)	(72,297)	(32,582)	(5,736)
Gross profit	**17,517**	16,929	10,817	4,681	354
Other income	**2,186**	1,897	1,565	1,281	1,123
Selling and distribution expenses	**(7,629)**	(7,144)	(4,168)	(2,268)	(812)
Administrative expenses	**(3,754)**	(3,691)	(3,359)	(2,179)	(706)
Other expenses	**(5,698)**	(5,834)	(3,490)	(2,062)	(693)
Finance (costs)/income – net	**(445)**	189	503	(170)	(178)
Share of profits and losses of:					
Joint ventures	**11,665**	10,422	10,664	11,176	9,873
Associates	**1,897**	1,297	2,089	253	191
PROFIT BEFORE TAX	**15,739**	14,065	14,621	10,712	9,152
Income tax expense	**(1,274)**	(1,353)	(1,364)	(109)	(45)
PROFIT FOR THE YEAR	**14,465**	12,712	13,257	10,603	9,107
Profit attributable to:					
Equity holders of the parent	**13,355**	11,550	12,797	10,528	9,092
Non-controlling interests	**1,110**	1,162	460	75	15
	14,465	12,712	13,257	10,603	9,107

Five Year Financial Summary (Continued)

For the year ended 31 December 2016

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**184,959**	160,786	146,977	115,998	62,366
Total liabilities	**(81,401)**	(69,302)	(71,541)	(51,964)	(8,363)
Non-controlling interests	**(6,908)**	(6,834)	(1,621)	(899)	(85)
	96,650	84,650	73,815	63,135	53,918

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 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 two 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

COMPANY WEBSITE

www.dfmg.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 2016

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 2016 will be held at 9:00 a.m. on Friday, 16 June 2017 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 2016.

2. To consider and approve the report of the supervisory committee for the year ended 31 December 2016.

3. To consider and approve the international auditor's report and audited financial statements for the year ended 31 December 2016.

4. To consider and approve the profit distribution proposal of the Company for the year ended 31 December 2016, and authorize the Board to deal with all issues in relation to the Company's distribution of final dividend for the year 2016.

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 2017 at its absolute discretion (including, but not limited to determining whether to distribute interim dividend for the year 2017).

6. To consider and approve the appointments of PricewaterhouseCoopers as the international auditor of the Company, and PricewaterhouseCoopers Zhong Tian LLP as the domestic auditor of the Company for the year 2017 to hold office until the conclusion of annual general meeting for the year 2017, 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 2017.

8. To consider and approve the application of adjustment of the cap of continuing connected transaction.

9. To consider and approve the resignation of Ma Liangjie as supervisor.

10. To elect Wen Shuzhong as supervisor.

11. To consider and approve the resignation of Tong Dongcheng as Non-Executive Director.

12. To consider and approve the resignation of Ouyang Jie as Non-Executive Director.

Mr. Tong and Mr. Ouyang have tendered their resignation as the Non-Executive Directors of the Company due to their age. Mr. Tong and Mr. Ouyang confirmed that they have no disagreement with the Company and the Board, and there is no other matter that should be brought to the attention of the shareholders of the Company and The Stock Exchange of Hong Kong Limited in respect of the foregoing resignation. The Board wishes to express its appreciation for Mr. Tong and Mr. Ouyang 's contributions and leadership during their term of office.

Mr. Ma has tendered his resignation as the Chairman of the Supervisor Committee of the Company due to his age. Mr. Ma confirmed that he has no disagreement with the Company, the Board and Supervisor Committee, and there is no other matter that should be brought to the attention of the shareholders of the Company and The Stock Exchange of Hong Kong Limited in respect of the foregoing resignation. The Company wishes to express its appreciation for Mr. Ma's contributions and leadership during his term of office.

Wen Shuzhong, male, a member of the Communist Party of China, was born in June 1962. Holding a master's degree in public administration, he started his career in July 1984. He was a cadre of the human resources office of education department of Inner Mongolia Autonomous Region and the secretary of Youth League Committee of the department. At the party committee of Inner Mongolia Autonomous Region, Wen served as a cadre of the university working committee office, and a principal staff member and assistant investigator of the supervisory office of the party committee general office (during his term, he also assumed the role of deputy county committee secretary of Guyang County, Inner Mongolia Autonomous Region). Furthermore, he worked as a full-time secretary of the general office secretariat of the party committee of Tibet Autonomous Region. Back in the Inner Mongolian authority, Wen served as the head of the general affairs section of the reception office, a cadre and deputy chief of the conduct improvement office at the supervisory department of the commission for discipline inspection, and the deputy chief of the supervisory department, standing committee member, secretary general and office head of the same commission. In December 2016, Wen became a standing committee member and secretary of the commission for discipline inspection of Dongfeng Motor Corporation.

Save as disclosed in this notice, to the knowledge of the Directors, Mr. Wen did not hold any directorship/supervisorship in other public companies, the securities of which are listed on any securities market in Mainland China, Hong Kong or overseas in the last three years, nor does he have any relationship with any Director, other supervisors, the substantial shareholder or the senior management of the Company. Mr. Wen does not have any interest in the shares of the Company or its associated companies within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance.

Save as disclosed above, there is no other information in relation to the appointment of Mr. Wen that needs to be disclosed pursuant to any of the requirements set out in Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules, nor are there any other matters that need to be brought to the attention of the shareholders of the Company. Mr. Wen has not been penalized by the China Securities Regulatory Commission or other relevant departments or stock exchanges.

The term of the above proposed appointment shall be until the election of the new session of the supervisory committee.

II. AS SPECIAL RESOLUTIONS:

13. 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

(d) for the purposes of this resolution:

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

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

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

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

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

(B) The Board shall be authorized to make corresponding amendments to the Articles of Association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares as provided in subparagraph (a) of paragraph (A) of this resolution."

By order of the Board
Zhu Yanfeng
Chairman

Wuhan, the PRC, 27 April 2017

As at the date of this notice, Mr. Zhu Yanfeng, Mr. Li Shaozhu and Mr. Liu Weidong are the executive directors of the Company; Mr. Tong Dongcheng and Mr. Ouyang Jie are the non-executive directors of the Company and Mr. Ma Zhigeng, Mr. Zhang Xiaotie, Mr. Cao Xinghe and Mr. Chen Yunfei are the independent non-executive directors of the Company.

Notes:

1. Eligibility for attending the general meeting and closure of register of members for H shares

   In order to determine the shareholders who are entitled to attend the AGM, the register of members of the Company will be closed from Wednesday, 17 May 2017 to Friday, 16 June 2017, 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. (Hong Kong time) on Tuesday, 16 May 2017.

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. The register of members of the Company will be closed from Thursday, 29 June 2017 to Friday, 7 July 2017 (both days inclusive). In order to be entitled to the final dividend, H shares shareholders who have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on Wednesday 28 June 2017 (Hong Kong time), being the last share registration date.

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. (Hong Kong time) on Thursday, 15 June 2017.

(4) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointer, or the revocation of the proxy or the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the AGM.

4. Registration for attending the AGM

(1) A shareholder or his proxy shall produce proof of identity when attending the AGM. If a shareholder is a corporation, its legal representative or other person authorized by the board of directors or other competent body of such shareholder may attend the AGM by producing a copy of the resolution of the Board of Directors or other competent body of such shareholder appointing such person to attend the meeting.

(2) In accordance with the Articles of Association of the Company, where two or more persons are registered as the joint holders of any share, only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting rights attached to such share at the AGM, and this notice shall be deemed to be given to all joint holders of such share.

(3) For information purpose only, shareholders who intend to attend the AGM in person or by proxy shall return the reply slip to the Secretariat of the Board at the Company's principal place of business in the PRC for the holders of the Domestic Shares or to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, for the holders of the H Shares on or before Friday, 26 May 2017 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

The 28th 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 28th 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

28 March 2017

The 28th Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited

Resolution on Adjustment of the Relevant Cap of Continuing Connected Transaction

To: Annual General Meeting

According to the resolution on adjustment of the relevant cap of continuing connected transaction passed by the 28th 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 approval the adjustment of the cap of the continuing connected transactions of the Company and its subsidiaries in relation to placing deposit with Dongfeng Nissan Auto Finance Co., Ltd. by adjusting the annual caps for 2017 (from 1 January to 31 December), 2018 and 2019 from RMB2,800 million to RMB5,000 million.

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

The Board of Directors
Dongfeng Motor Group Company Limited

28 March 2017

The 28th Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited

Resolution on the Supervisorship of Wen Shuzhong and Ma Liangjie

To: Annual General Meeting

Dongfeng Motor Group Company Limited (the "Company") has received the Letter in Respect of the appointment of Wen Shuzhong and Removal of Ma Liangjie, which recommended the Company to remove Ma Liangjie from his supervisor in accordance with the relevant procedures, and to elect Wen Shuzhong as a supervisor. Therefore, the Company has proposed the resignation of Ma Liangjie from his supervisor and appointment of Wen Shuzhong as a supervisor 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.

Attachment: Biography of Wen Shuzhong

The Board of Directors
Dongfeng Motor Group Company Limited

28 March 2017

Biography of Wen Shuzhong

Wen Shuzhong, male, a member of the Communist Party of China, was born in June 1962. Holding a master's degree in public administration, he started his career in July 1984. He was a cadre of the human resources office of education department of Inner Mongolia Autonomous Region and the secretary of Youth League Committee of the department. At the party committee of Inner Mongolia Autonomous Region, Wen served as a cadre of the university working committee office, and a principal staff member and assistant investigator of the supervisory office of the party committee general office (during his term, he also assumed the role of deputy county committee secretary of Guyang County, Inner Mongolia Autonomous Region). Furthermore, he worked as a full-time secretary of the general office secretariat of the party committee of Tibet Autonomous Region. Back in the Inner Mongolian authority, Wen served as the head of the general affairs section of the reception office, a cadre and deputy chief of the conduct improvement office at the supervisory department of the commission for discipline inspection, and the deputy chief of the supervisory department, standing committee member, secretary general and office head of the same commission. In December 2016, Wen became a standing committee member and secretary of the commission for discipline inspection of Dongfeng Motor Corporation.

Save as disclosed in this notice, to the knowledge of the Directors, Mr. Wen did not hold any directorship/supervisorship in other public companies, the securities of which are listed on any securities market in Mainland China, Hong Kong or overseas in the last three years, nor does he have any relationship with any Director, other supervisors, the substantial shareholder or the senior management of the Company. Mr. Wen does not have any interest in the shares of the Company or its associated companies within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance.

Save as disclosed above, there is no other information in relation to the appointment of Mr. Wen that needs to be disclosed pursuant to any of the requirements set out in Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules, nor are there any other matters that need to be brought to the attention of the shareholders of the Company. Mr. Wen has not been penalized by the China Securities Regulatory Commission or other relevant departments or stock exchanges.

The term of the above proposed appointment shall be until the election of the new session of the supervisory committee.

The 28th 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 2017 passed by the 28th 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 2017 to the Annual General Meeting of the Company:

I. To consider and approve the proposed remuneration of Directors and Supervisors for 2017 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	Held by head of state-owned enterprise who quit his/her position	Allowance of RMB60,000, before tax	Nil
	Held by head of state-owned enterprise who did not quit his/her position	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.

2. ***Allowance of Meetings***

Positions		**Allowance of Board meetings**	**Allowance of meetings of special committees**	**Allowance of meetings of Supervisory Committee**
Executive Directors		Nil	Nil	Nil
Non-executive Directors		Nil	Nil	Nil
Independent Non-executive Directors	Held by head of state-owned enterprise who quit his/her position	Nil	Nil	Nil
	Held by head of state-owned enterprise who did not quit his/her position	RMB3,000/meeting, before tax	RMB2,000/meeting, before tax	Nil
Supervisors		Nil	Nil	Nil
Independent Supervisors		Nil	Nil	RMB3,000/meeting, before tax

II. To agree and submit the above remuneration of the directors and supervisors of the Company for the year 2017 determined by the Board to the Annual General Meeting for approval.

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

The Board of Directors
Dongfeng Motor Group Company Limited

28 March 2017

The 28th 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

According to the resolutions in relation to annual report passed by the 28th 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 consider and approve the 2016 financial report audited by PricewaterhouseCoopers Zhong Tian LLP and the 2016 auditors' report audited by PricewaterhouseCoopers.

2. To consider and approve the report of the Board of Directors of the Company of 2016.

3. To consider and approve the results announcement of the Company of 2016.

4. To approve the distribution of dividend payments of RMB1,982 million by the Company for the year 2016 to the shareholders, amounting to RMB0.23 per ordinary share.

5. To authorize the Board of Directors to deal with any matters in relation to the distribution of the interim dividends for 2017 as they think fit, including but not limited to the determination of distribution of interim dividends for 2017.

6. 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 2017 to hold office until the conclusion of Annual General Meeting for 2017, 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

28 March 2017

The 29th Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited

Resolution on the Resignation of Mr. Tong Dongcheng as Non-executive Director

To: Annual General Meeting

According to the resolution on the resignation of relevant Non-executive Director of the Company passed by the 29th 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 resignation of Mr. Tong Dongcheng as Non-executive Director of the Company to the Annual General Meeting of the Company.

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

The Board of Directors
Dongfeng Motor Group Company Limited

18 April 2017

The 29th Meeting of the Fourth Session of the Board of Directors of Dongfeng Motor Group Company Limited

Resolution on the Resignation of Mr. Ouyang Jie as Non-executive Director

To: Annual General Meeting

According to the resolution on the resignation of relevant Non-executive Director of the Company passed by the 29th 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 resignation of Mr. Ouyang Jie as Non-executive Director of the Company to the Annual General Meeting of the Company.

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

The Board of Directors
Dongfeng Motor Group Company Limited

18 April 2017

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 2016
"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
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Joint Venture Company"	A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control, is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Macau""	the Macau Special Administrative Region of the PRC
"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
"Parent Group"	Dongfeng Motor Corporation and its subsidiaries (excluding the Group)