東風汽車集團股份有限公司

DONGFENG MOTOR GROUP COMPANY LIMITED*

Stock Code: 489

2017 INTERIM REPORT

* For identification purposes only

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Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I hereby present the interim report of the Company for 2017 for your review.

In the first half of the year, China's GDP has grown by 6.9% year on year. The macro economy was generally stable with good momentum for growth. The overall automobile market was grim, showing a slowing-down growth and divergent tendencies. First of all, passenger vehicle market was generally weak and commercial vehicle market grew faster-than-expected. Second, the trend of consumption upgrade was prominent and the segment market of passenger vehicles was fragmented. Third, performance varied between joint-venture brands and self-owned brands developed relatively fast. Fourth, competition was intensified and terminal price was reduced remarkably, which had a relatively prominent impact on the enterprise revenue.

In the first half of 2017, production and sales of China's automobile industry were approximately 13,525,800 units and 13,353,900 units, representing a year-on-year increase of approximately 4.6% and 3.8%, which were approximately 1.9 percentage points and 4.3 percentage points slower than the corresponding period of the previous year respectively. Among them: production and sales of passenger vehicles stood at approximately 11,482,700 units and 11,253,000 units, representing a year-on-year increase of approximately 3.2% and 1.6%, which were approximately 4.2 percentage points and 7.6 percentage points slower than the corresponding period of the previous year respectively; those of commercial vehicles amounted to approximately 2,043,000 units and 2,100,900 units, representing a year-on-year increase of approximately 13.8% and 17.4%, which were approximately 12.3 percentage points and 15.5 percentage points faster than the corresponding period of the previous year.

In the first half of the year, Dongfeng Motor Group continued to seek improvement in stability, actively promoted supply-side structural reform and managed to sustain stable operation overall. In the first half of the year, the Company sold vehicles of approximately 1,471,300 units in total, up by approximately 3.5% year on year, registering a market share of about 11.0%. In the first half of the year, the Group's sales revenue reached approximately RMB57,685 million, representing a year-on-year increase of approximately 1.0%. Profit attributable to shareholders was approximately RMB7,037 million, up by approximately 4.2% as compared with the corresponding period last year.

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

1. Product structure was continuously optimized. As for passenger vehicles, sales share of SUVs increased by 3.6 percentage points, while sales of Dongfeng Honda's new vehicle URV performed beyond expectation and traditional best-seller vehicles such as CRV, XRV, Dongfeng Nissan New X-Trail and Dongfeng Nissan New Qashqai remained in hot sale. Commercial vehicle expanded its market share in the market segment, with a growth rate of 70.2% in heavy truck and 12.3% in light truck. Moreover, the launch of products such as the 520 HP Dongfeng Kingland Flagship (東風天龍旗艦版) led to a substantial sales growth of tractors.

2. Commercial vehicle outperformed the market. In the first half of the year, sales of commercial vehicles were approximately 221,400 units, up by 26.4% year on year and approximately 9.0 percentage points higher than the sales increase in the commercial vehicle industry, registering a market share increase of 0.6 percentage points. The operation quality was significantly improved.

3. The overall operation quality was basically sound. The Group adhered to the principle of delivery orientation and controlled and optimized its inventory. The Company's total retail volume was higher than the wholesale volume. Expenditure and cost were reduced effectively and the Company's overall operation quality was satisfying.

4. Core competitiveness was improved at an increased speed. Light-weighted, electric, intelligent and networked products were launched more quickly. Sharing platform was preliminarily set up. The platform of self-owned brand passenger vehicles was further improved. The development and upgrading of power assembly platform were accelerated and clean energy and intelligent-networked business were carried out in an orderly manner.

The development of automobile industry is facing and will still face profound changes. Firstly, the effect of policies and regulations will continue to release. For example, medium-term and long-term development planning of the automobile industry, automobile's sales regulations and the parallel regulations of CAFC and NEV credits will have a profound impact on the automobile market in the second half of the year and even the future. Besides, under the trend of light-weighted, electric, intelligent, networked and sharing vehicles, the design, production mode and business model of automobiles will go through in-depth transformation and new business models will emerge constantly. We believe that the automobile market in the second half of the year will remain stable generally, with neither large increases out of strong stimulus policies nor a major decline. But at the same time we also expect that the market is likely to perform better in the second half of the year than the first half as policies are taking effect in the recovery of the real economy, together with the gradual enhancement of mass consumer confidence, the traditional peak season of automobile purchasing coming in the second half of the year, and China's preferential policy to cut 25% of the purchase tax passenger of vehicles with displacement below 1.6L phasing out at the end of the year.

In light of the above, Dongfeng Motor Group will focus on the following areas during the second half of the year: 1. To strengthen targeted marketing and product planning of self-owned brand passenger vehicles to improve the efficiency of each vehicle; 2. To facilitate the Dongfeng Peugeot Citroën Automobile Company to get out of the tough period and back on track; 3. To speed up the re-shaping of its leading edge of commercial vehicles and maintain the position in the commercial vehicle industry; 4. To enhance the ability of marketing system, strengthen the maintenance of commodity power and the management of life cycle and maximize the products' value; 5. To accelerate the development of new energy undertaking and advance industrialization projects of "power batteries, electric engines and electronic control systems" (三電); 6. To focus on "light weight, electrification, intellectualization, network and sharing" (五化) while propelling innovation-driven development; 7. To promote the development of overseas business by following the "One Belt, One Road".

The development of automobile industry will still face profound changes. Dongfeng Motor Group will further enhance the sense of mission and responsibility, work hard to achieve the annual business objectives set at the beginning of the year and try to pay the shareholders back with better performances.

Zhu Yanfeng
Chairman

Wuhan, the PRC
27 August 2017

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 SAR
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

I. BUSINESS OVERVIEW

(I) Major Businesses

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

1. Commercial vehicles

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

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

2. Passenger vehicles

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

3. Auto parts and equipment business

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

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

Dongfeng Motor Group is also engaged in the production of vehicle manufacturing equipment through Dongfeng Motor Co., Ltd. The vehicle manufacturing equipment produced by Dongfeng Motor Co., Ltd. includes machine tools, coating equipment, stamping and forging moulds, and measuring and cutting tools. In addition, Dongfeng Motor Co., Ltd. also provides various equipment maintenance services.

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

4. Finance business

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

(II) Principal Business Operations during the First Half of 2017

For the six months ended 30 June 2017, the production and sales volumes for whole vehicles of Dongfeng Motor Group were 1,520,491 units and 1,471,291 units respectively. According to statistics published by the China Association of Automobile Manufacturers, Dongfeng Motor Group had a market share of approximately 11.0% in terms of sales volume of commercial and passenger vehicles made by domestic manufacturers in the first half of 2017. The following table sets out the production and sales volumes of commercial and passenger vehicles of Dongfeng Motor Group as well as their respective market shares in terms of sales volume in the first half of 2017:

	Production Volumes *(units)*	Sales Volumes *(units)*	Market Share *(%)*[1]
Commercial Vehicles	231,190	221,384	10.5
Trucks	213,752	204,344	10.9
Buses	17,438	17,040	7.7
Passenger Vehicles	1,289,301	1,249,907	11.1
Basic passenger cars	606,721	585,504	10.8
MPVs	93,986	90,695	9.0
SUVs	588,594	573,708	12.7
Total	1,520,491	1,471,291	11.0

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

Revenue of the Group for the six months ended 30 June 2017:

Business	**Sales revenue** *(RMB million)*	**Contribution to the Group's sales revenue** *(%)*
Passenger vehicles	26,160	45.4
Commercial vehicles	29,949	51.9
Auto Finance	1,445	2.5
Corporate and others	184	0.3
Elimination	(53)	(0.1)
Total	57,685	100

(III) Principal Business Achievements during the First Half of 2017

1. Overall operation remained stable and sound

The total sales of Dongfeng Motor Group for the first half of the year were approximately 1,471,300 vehicles, representing an increase of approximately 3.5% over the corresponding period of last year, and the market share was approximately 11.0%. Sales of passenger vehicles were approximately 1,249,900 units, representing an increase of 0.3% over the corresponding period of last year. Sales of commercial vehicles were approximately 221,400 units, representing an increase of approximately 26.4% over the corresponding period of last year. The sales revenue of the Group was RMB57,685 million, representing an increase of 1.0% as compared with the corresponding period of last year. Profit attributable to shareholders was approximately RMB7,037 million, representing an increase of 4.2% as compared with the corresponding period of last year.

2. Continuous optimization of product structure

In the first half of this year, the Company successively launched 14 new products of passenger vehicles, including 10 models of SUVs, of which Dongfeng Nissan Kicks, Dongfeng Fengshen AX4 and New CRV, etc. were well received by users; for sedans, the markets of vehicle models such as Dongfeng Honda New CIVIC (東風本田新思域) and Dongfeng Nissan New Sylphy (東風日產新軒逸) achieved outstanding performance with sales volumes surpassing those of the previous generations; regarding MPVs, the markets of vehicle models such as Dongfeng Liuzhou Motor S500 achieved another breakthrough. The structural adjustment of products has improved the market competitiveness. In terms of commercial vehicles, the Company launched over 20 new products of commercial vehicles. In terms of heavy-duty trucks, Dongfeng Kingland Flagship (東風天龍旗艦) with 520 HP and Chenglong (乘龍) brand-new medium-duty M3B series truck, etc. were launched. The continuous improvement made on the existing products gained full recognition of customers and brought soaring sales; as for light-duty trucks, such famous vehicle models as Dongfeng Captain ZD30 (東風凱普特) showed good market performance; further structural adjustment and optimization of products promoted the market competitiveness.

3. Market performance of commercial vehicles exceeded expectation

In the first half of the year, commercial vehicles registered a sales volume of 221,400 units, representing an increase of 26.4% over the corresponding period of last year and approximately 9.0% higher than that of the industry. The market share rose by 0.6%, and the operation was substantially improved.

4. The capability of stock control and marketing was enhanced

In the first half of the year, the Company stressed the guide by terminal delivery, which well guided the improvement of operation quality. Meanwhile, focus was also placed on the enhancement of the capability of marketing and stock control. In the first half of the year, the coefficient of the combined stock from the Company and distributors was 2.05 and was controlled within the target range, laying a solid foundation for long-term sound operation.

5. Great importance was attached to safe and green development, energy conservation and environmental protection

The first half of this year saw the Company's intensified inspection and supervision, strengthened implementation and effectiveness of the regulations on safety production and rectifications on safety problems and the aim to eliminate hidden hazards. At the same time, the Company pushed forward rectification work special for energy conservation and environmental protection, supervised and coordinated the concentrated treatment of waste water. The Action Plan of "Green Dongfeng 2020" was implemented to promote the framework of the green value chain and put an end to the occurrence of environmental pollution of all kinds.

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

In the first half of the year, in accordance with the 13th Five Year Plan, the Company steadily pushed forward such targeted poverty alleviation work such as providing assistance for Tibet, Xinjiang, Guangxi and Hubei with focus on improving people's wellbeing, poverty alleviation for industries and village-stationed support. The Company carried out multi-layered targeted poverty alleviation programs and activities in various forms, achieving an implementation ratio of 80% of all poverty alleviation programs. In addition, the Company formulated the Management Measures for Targeted Poverty Alleviation Programs for Dongfeng Motor Corporation in a bid to focus efforts on the development of work system for social responsibility, promote the management level of poverty alleviation programs and the standardized operation of programs.

(IV) Business Outlook

The first half of 2017 witnessed the slowdown of the growth of China's auto markets. With the dampened influence of the 1.6L policy for passenger vehicles, the market demand was on the gradual rise in the second half of 2017. It is predicted that the rise will follow the trend of going low at first and then high later and maintain the growth rate of 3–5% in the whole year. As for commercial vehicles, we hold the optimistic view for the whole year as the governance on the vehicle carrying capacity and size continues to be favourable to market demand.

In the 5–10 years to come, Dongfeng Motor Group will plan the development strategy with international vision and the notion of innovative development. The Company will continue to actively push forward the orderly implementation of work by following the strategy vision of "Triple Dongfeng" and based on the corporate positioning of "excellent corporate offering users all-round quality auto products and services" for the following development objectives:

(1) To strive to expand market share, and maintain the operation scale ranking at the second in the industry in China based on high-quality and sustainable development;

(2) To forerun the industry in terms of operation quality and continue to improve profit rate;

(3) To aim the annual sales volume of self-owned brand vehicles at 1.57 million units in 2020;

(4) To strive to reach international level in terms of independent R&D capacity, have command of the key technology and assembly resources of energy saving and new-energy automobiles and have the annual sales volume of new-energy automobiles in 2020 reaching 250,000 units;

(5) To complete the strategic network for overseas business and make breakthroughs in sales and form globalized business network and resource distribution;

(6) To continue to elevate the international influence of the brand and make Dongfeng commercial vehicles the world-famous brand.

II. CORPORATE GOVERNANCE

(I) Overview of Corporate Governance

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

(II) Corporate Governance Code

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

(III) Securities Transactions by the Directors

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

(IV) Independent Non-executive Directors

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

(V) Board Meeting

Four board meetings were held by the Company in the first half of 2017 and the major matters covered were as follows:

- To consider and approve the interim business plan for 2017 of the Company;
- To consider and approve the financial budget for 2017 of the Company;
- To consider and approve the annual investment plan for 2017 of the Company;
- To consider and approve the alternative for the policy loans from the Export-Import Bank of China;
- To consider and approve the equity transfer plan of Dongfeng Motors Engineering Co., Limited;
- To consider and confirm the independence of Independent Non-executive Directors;
- To consider and approve the remuneration packages of Directors and Supervisors;
- To consider and approve the issuance and allotment of shares;
- To consider and approve the annual report;
- To consider and approve lending limits for the year 2017;
- To consider and approve the convening of annual general meeting of the Company;
- To consider and approve the adjustments to relevant caps of the continuing connected transactions of the Company;
- To consider and approve the Company's additional capital contribution to Dongfeng Nissan Auto Finance Co., Ltd.;
- To consider and approve the adjustments to the Company's Board composition;
- To consider and approve the resignations of relevant senior management;
- To consider and approve the resignations of relevant Non-executive Directors;
- To consider and approve the adjustments to the composition of relevant committees;
- To consider and approve the Company's 2016 Environmental, Social and Governance Report;
- To appoint relevant senior management of the Company.

Meetings of Board of Directors allows effective discussion and prompt and prudent decision. As at 30 June 2017, the attendance of directors at meetings of Board of Directors is as follows:

Members	Meetings/Times The Board	Attendance	Note
Executive Directors			1. Mr. Liu Weidong was re-designated as the Company's Executive Director with effect from 28 March 2017;
Zhu Yanfeng	3/4	75%	
Li Shaozhu	3/4	75%	
Liu Weidong[1]	4/4	100%	
Non-executive Directors			
Tong Dongcheng[2]	3/3	100%	
Ouyang Jie[2]	3/3	100%	2. Mr. Ouyang Jie and Mr. Tong Dongcheng ceased to be the Company's Non-executive Directors with effect from 16 June 2017.
Independent Non-executive Directors			
Ma Zhigeng	4/4	100%	
Zhang Xiaotie	4/4	100%	
Cao Xinghe	2/4	50%	
Chen Yunfei	4/4	100%	

The management of the Company is responsible for providing the Board with relevant data and information necessary for the consideration of various resolutions and arranging officers to report on the progress of various tasks, especially updates on major projects of the Company, at the Board meetings.

(VI) Committees Under the Board

1. Audit and Risk Management Committee

The Company has established the Audit and Risk Management Committee in accordance with Rules 3.21 and 3.22 of the Listing Rules. The Audit and Risk Management Committee is mainly responsible for reviewing and monitoring the financial reporting process of the Company, evaluating and determining the nature and level of risks encountered by the Company, reviewing the financial supervision, risk management and internal control system, and making suggestions and advices to the Board. The Audit and Risk Management Committee is composed of three members, all of whom are Independent Non-executive Directors of the Company (among whom, the previous member Mr. Ouyang Jie resigned with effect from 16 June 2017 due to the reason of age, and Mr. Ma Zhigeng, an Independent Non-executive Director has been appointed as a member of the Audit and Risk Management Committee to fill the vacancy with effect from 16 June 2017). The chairman of the Audit and Risk Management Committee is Mr. Zhang Xiaotie, an Independent Non-executive Director who possesses the professional qualification as required under Rule 3.10(2) of the Listing Rules. The other two members are Mr. Chen Yunfei and Mr. Ma Zhigeng, the Independent Non-executive Directors.

The Audit and Risk Management Committee has reviewed the unaudited financial report of the Group for the six months ended 30 June 2017.

2. Remuneration Committee

The Company has established the Remuneration Committee in accordance with Rules 3.25 and 3.26 of the Listing Rules. The Remuneration Committee is mainly responsible for formulating the remuneration proposals of Directors, Supervisors and senior management and medium and long-term incentive schemes and submitting the same to the Board for approval. The committee is composed of three members a majority of whom are Independent Non-executive Directors. The chairman of the committee is Mr. Ma Zhigeng, an Independent Non-executive Director, and the other two members are Mr. Cao Xinghe, an Independent Non-executive Director, and Mr. Li Shaozhu, an Executive Director.

3. Nomination Committee

The Company has established the Nomination Committee in accordance with Rules A.5.1 to A.5.4 of the Corporate Governance Code. The Nomination Committee is mainly responsible for nominating candidates of Directors, studying and reviewing the criteria and procedures for the nomination and selection of Director candidates, and making recommendations. The committee is composed of three members, a majority of whom are Independent Non-executive Directors. Mr. Zhu Yanfeng, the chairman of the Company, is the chairman of the Nomination Committee. The other two members of the committee are Mr. Ma Zhigeng and Mr. Zhang Xiaotie, both of whom are Independent Non-executive Directors of the Company.

(VII) Internal Control

In the first half of 2017, the Board has fully evaluated the effectiveness of the internal control system of the Company through the Audit and Risk Management Committee and the audit department of the Company with focuses on the control environment, risk assessment, control activity, information and communication as well as supervision. According to the evaluation, the Board believes that, during the first half of the year, the Company had a complete and fully effective internal control system covering various aspects including corporate governance, operation, investment, finance, administration and human resources.

The Board also believes that the internal control system aims to manage potential risks instead of eliminating risks. Therefore, the internal control system of the Company provides reasonable protection, rather than absolute guarantee, for the Company to realize its operation goals.

III. MAJOR MATTERS

Interim Results and Dividends

The results for the six months ended 30 June 2017 of the Group and the financial position of the Group as at that date are set out in the unaudited condensed consolidated financial statements on page 30 to 36 of this interim report.

The Board of Directors declared an interim dividend of RMB0.10 per share (2016: Nil) to the shareholders whose names appear on the register of members of the Company on Wednesday, 20 September 2017. The interim dividend will be paid on Monday, 16 October 2017.

Major Acquisitions and Disposals of Subsidiaries, Joint Ventures and Associates

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

Material Legal Proceedings

As at 30 June 2017, 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 Dongfeng Motor Group as far as the Company was aware.

Share Capital

As at 30 June 2017, the total share capital of the Company was RMB8,616,120,000 divided into 8,616,120,000 ordinary shares of RMB1 each, of which 5,760,388,000 shares were Domestic Shares, representing approximately 66.86% of the total number of shares in issue, and 2,855,732,000 shares were H Shares, representing approximately 33.14% of the total number of shares in issue.

Interests of Substantial Shareholders

As at 30 June 2017, the interest and short positions of the persons who hold 5% or more of the class shares in the issued share capital of the Company (other than directors and supervisors of the Company), as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance are set out below:

Long Position, Short Position and Lending Pool

Name	Class of Shares	Number of shares held	Percentage in the class of issued share capital (%)	Percentage in the total share capital (%)
Dongfeng Motor Corporation	Domestic shares	5,760,388,000(L)	100	66.86
SCMB Overseas Limited	H shares	242,282,000(L)	8.48(L)	2.81
Standard Chartered Asia Limited	H shares	242,282,000(L)	8.48(L)	2.81
Standard Chartered Bank	H shares	242,282,000(L)	8.48(L)	2.81
Standard Chartered Holding Limited	H shares	242,282,000(L)	8.48(L)	2.81
Standard Chartered Holdings (International) B.V.	H shares	242,282,000(L)	8.48(L)	2.81
Standard Chartered MB Holdings B.V.	H shares	242,282,000(L)	8.48(L)	2.81
Standard Chartered Private Equity Limited	H shares	242,282,000(L)	8.48(L)	2.81
Allan & Gill Gray Foundation	H shares	171,508,000(L)	6.01(L)	1.99
Orbis Allan Gray Limited	H shares	171,508,000(L)	6.01(L)	1.99
Orbis Holdings Limited	H shares	171,508,000(L)	6.01(L)	1.99
Orbis Investment Management Limited	H shares	171,508,000(L)	6.01(L)	1.99
Prudential plc	H shares	170,806,000(L)	5.98(L)	1.98
Edinburgh Partners Limited	H shares	153,514,000(L)	5.38(L)	1.78
Citigroup Inc.	H shares	147,854,687(L)	5.18(L)	1.71
		300,000(S)	0.01(S)	0.00
		142,150,130(P)	4.98(P)	1.64
JPMorgan Chase & Co.	H shares	142,843,852(L)	5.00(L)	1.65
		1,310,000(S)	0.04(S)	0.01
		104,333,208(P)	3.65(P)	1.21

Notes:

The percentage is calculated based on the number of issued ordinary shares as at 30 June 2017.

L – Long Position

S – Short Position

P – Lending Pool

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

As at 30 June 2017, the Company is not aware of any interests in the share capital of the Company held by the directors or supervisors of the Company or any dealings in the equity interests of our Company conducted by them during the six months ended 30 June 2017.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor its subsidiaries and joint ventures purchased, sold or redeemed any of the securities of the Company during the reporting period.

During the reporting period, Dongfeng Asset Management Co., Ltd., a wholly-owned subsidiary of Dongfeng Motor Corporation, the Company's Controlling Shareholder, acquired additional 6,592,000 H Shares of the Company through the Southbound Trading Link, resulting its total shareholding to 106,592,000 Shares. After the acquisition, the Company's Controlling Shareholder holds 5,866,980,000 Shares of the Company directly or indirectly, representing approximately 68.09% of the total number of the Company's Shares.

Management Discussion and Analysis

I. ANALYSIS OF THE MAJOR BUSINESSES

1. Revenue

In the first half of 2017, the production and sales of vehicles increased steadily to 13,525,800 units and 13,353,900 units respectively, representing an increase of 4.6% and 3.8% over the corresponding period of last year respectively.

With respect to the passenger vehicle market, an accumulative sales volume of approximately 11,253,000 units was achieved in the first half of 2017, representing a year-on-year increase of 1.6% and a decrease of 7.6 percentage points from the growth rate of 9.2% in the corresponding period of last year. The sales volume of basic sedans recorded a year-on-year decrease of 3.2%. The sales volume of MPVs dropped year-on-year by 15.8%, and that of SUVs increased year-on-year by 16.8%, maintaining a continuation of rapid growth momentum; the sales volume of cross passenger vehicles fell year-on-year by 25.3%, representing continued market shrinkage.

As for the commercial vehicle market, the sales volume accumulated to 2,100,900 units in the first half of 2017, representing a year-on-year increase of 17.4%. Among them, heavy-duty trucks increased by 71.5% year on year; medium-duty trucks increased by 8.7% year on year; light-duty trucks increased by 9.7% year on year; mini trucks increased by 6.3% year on year; and buses decreased by 14.0% year on year.

In the first half of 2017, Dongfeng Group managed to overcome various risks and challenges and its operation remained steady growth. The total sales volume of the Group for the period was approximately 1,471,300 units, representing an increase of approximately 3.5% over the corresponding period of last year. Sales volume of passenger vehicles was approximately 1,249,900 units, representing an increase of approximately 0.3% over the corresponding period of last year. Sales volume of commercial vehicles was approximately 221,400 units, representing an increase of 26.4% over the corresponding period of last year. The domestic market share of the Group in terms of sales volume was approximately 11.0%, representing a decrease of approximately 0.1 percentage points over the corresponding period of last year. The market share of its passenger vehicles was approximately 11.1%, representing a decrease of approximately 0.2 percentage points over the corresponding period of last year. The market share of its commercial vehicles was 10.5%, representing an increase of approximately 0.6 percentage points over the corresponding period of last year.

The revenue of the Group was approximately RMB57,685 million, representing an increase of approximately RMB549 million, or 1.0%, as compared with approximately RMB57,136 million of the corresponding period of last year. The increase in revenue on one hand was mainly due to the commercial vehicle market exceeded expectation, the sales revenue from Dongfeng Commercial Vehicle Co., Ltd. and Dongfeng Liuzhou Motor Co., Ltd. increased. On the other hand, the sales revenue from Dongfeng Peugeot Citroën Automobiles Sales Co., Ltd. decreased.

	The first half of 2017 Sales revenue ***RMB million***	The first half of 2016 Sales revenue *RMB million*
Passenger vehicles	**26,160**	35,790
Commercial vehicles	**29,949**	20,135
Auto finance	**1,445**	1,094
Corporate and others	**184**	165
Elimination between segments	**(53)**	(48)
Total	**57,685**	57,136

1.1 Passenger Vehicle Business

Sales revenue of passenger vehicles of the Group decreased by approximately RMB9,630 million, or 26.9%, to approximately RMB26,160 million from approximately RMB35,790 million in the corresponding period of last year. The decrease in revenue was mainly due to Dongfeng Peugeot Citroën Automobiles Sales Co., Ltd..

1.2 Commercial Vehicle Business

The sales revenue of commercial vehicles of the Group increased by approximately RMB9,814 million, or 48.7%, to approximately RMB29,949 million from approximately RMB20,135 million in the corresponding period 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 RMB351 million, or 32.1%, to approximately RMB1,445 million from approximately RMB1,094 million in the corresponding period of last year. The financial business of the Group maintained its steady growth.

2. Cost of Sales and Gross Profit

The total cost of sales of the Group for the first half of 2017 was approximately RMB49,689 million, representing an increase of approximately RMB332 million, or 0.7%, as compared with approximately RMB49,357 million in the corresponding period of last year. The total gross profit was approximately RMB7,996 million, representing an increase of approximately RMB217 million, or 2.8%, as compared with approximately RMB7,779 million in the corresponding period of last year. The comprehensive gross margin increased by approximately 0.3 percentage point to approximately 13.9% from approximately 13.6% in the corresponding period of last year.

3. Other Income

The total other income of the Group for the first half of 2017 amounted to approximately RMB1,026 million, representing an increase of approximately RMB84 million as compared with approximately RMB942 million in the corresponding period of last year.

The increase in other incomes was mainly due to the interest income increased by RMB45 million generated by the cash inflow of Dongfeng Commercial Vehicles Co., Ltd..

4. Selling and Distribution Costs

The selling and distribution costs of the Group for the first half of 2017 increased by approximately RMB389 million to approximately RMB3,593 million from approximately RMB3,204 million in the corresponding period of last year.

The increase in selling and distribution costs was mainly due to the increase in marketing expenses arising from sales growth.

5. Administrative Expenses

The administrative expenses of the Group for the first half of 2017 increased by approximately RMB268 million to approximately RMB1,951 million from approximately RMB1,683 million in the corresponding period of last year.

The increase in administrative expenses was mainly due to an increase of RMB290 million in staff cost arising from sales growth of Dongfeng Commercial Vehicles Co., Ltd..

6. Other Expenses, Net

The net other expenses of the Group for the first half of 2017 amounted to approximately RMB2,459 million, representing a decrease of approximately RMB82 million as compared with approximately RMB2,541 million in the corresponding period of last year.

The decrease in net 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 the first half of 2017 amounted to approximately RMB3,416 million, representing an increase of approximately RMB657 million as compared with approximately RMB2,759 million in the corresponding period 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 volumes of vehicles. The increase in staff costs was also due to the regular wages adjustment.

8. Finance Costs, Net

The net finance costs of the Group for the first half of 2017 amounted to approximately RMB467 million, representing an increase of approximately RMB108 million as compared with net finance costs of approximately RMB359 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 the first half of 2017 amounted to approximately RMB6,101 million, representing an increase of approximately RMB585 million as compared with that of approximately RMB5,516 million of the corresponding period of last year, mainly due to the facts that: 1. the profit attributable to shareholders of Dongfeng Honda Automobile Co., Ltd. increased by RMB1,748 million due to significant increase of sales volume, enhancement of competitiveness of models of high-revenue vehicles such as CRV, XRV and CIVIC, steady sales price, contraction of business policy on new model of vehicles and fixed expense decreasing notably due to tooling compensation; 2. the profit attributable to shareholders of Dongfeng Motor Co., Ltd. decreased by RMB284 million mainly due to significant decrease in government subsidies. However, the operating profit increased by RMB82 million compared with corresponding period of last year; 3. the profit attributable to shareholders of Dongfeng Peugeot Citroën Automobiles Co., Ltd. decreased by RMB966 million, mainly due to the decrease of sales volume of 138,100 units in models such as C3-XR, New 408, 3008, 2008 and c-Elysee as compared with corresponding period of last year.

10. Share of Profits and Losses of Associates

Share of profits and losses of associates of the Group for the first half of 2017 amounted to approximately RMB1,218 million, representing a decrease of approximately RMB225 million as compared with that of approximately RMB1,443 million of the corresponding period of last year, mainly due to the decrease in investment gain of RMB283 million generated from the dilution of investment in PSA.

11. Income Tax

The income tax expense of the Group for the first half of 2017 amounted to approximately RMB527 million, representing a decrease of approximately RMB155 million as compared with approximately RMB682 million of the corresponding period of last year. The effective tax rate for the period was approximately 6.7%, representing a decrease of approximately 1.9 percentage points as compared with approximately 8.6% in the corresponding period of last year.

12. Profit for the Year

The profit attributable to shareholders of the Group for the first half of 2017 was approximately RMB7,037 million, representing an increase of approximately RMB285 million, or 4.2% as compared with that of approximately RMB6,752 million for the corresponding period of last year. The net profit margin (a percentage of profit attributable to shareholders to total revenue) was approximately 12.2%, representing an increase of approximately 0.4 percentage point as compared with approximately 11.8% 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 14.1%, representing a decrease of approximately 0.9 percentage point as compared with approximately 15.0% of the corresponding period of last year.

13. Total Assets

As at 30 June 2017, total assets of the Group amounted to approximately RMB195,056 million, representing an increase of approximately RMB9,977 million as compared with approximately RMB185,079 million as at the end 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

As at 30 June 2017, total liabilities of the Group amounted to approximately RMB86,247 million, representing an increase of approximately RMB4,806 million as compared with approximately RMB81,441 million as at the end of last year. The increase was mainly due to the increase in bills payables of approximately RMB6,143 million, while trade payables decreased approximately RMB2,153 million. Meanwhile, Dongfeng Motor (Hong Kong) International Co., Ltd., being a subsidiary, repaid the principal of EUR95 million in the period, which had been borrowed from the Export-Import Bank of China, and borrowed EUR90 million from Bank of China (Hong Kong) Limited for one year in the period.

15. Total Equity

As at 30 June 2017, total equity of the Group amounted to approximately RMB108,809 million, representing an increase of approximately RMB5,171 million as compared with approximately RMB103,638 million as at the end of last year. Equity attributable to equity holders of the parent amounted to approximately RMB102,291 million, representing an increase of approximately RMB5,565 million as compared with approximately RMB96,726 million as at the end of last year.

16. Sources of Capital

	Six month ended 30 June 2017 ***(RMB million)***	Six month ended 30 June 2016 *(RMB million)*
Net cash flows used in operating activities	**(2,916)**	(371)
Net cash flows (used in)/generated from investing activities	**(620)**	1,024
Net cash flows used in financing activities	**(1,450)**	(864)
Net decrease in cash and cash equivalents	**(4,986)**	(211)

Net cash outflows from operating activities of the Group amounted to approximately RMB2,916 million, mainly reflecting: (1) profit before taxation of approximately RMB1,938 million, net of depreciation, impairment and other non-cash items; (2) increase of approximately RMB2,413 million generated from cash inflow due to changes in bills payable, trade payables; (3) increase of loans and receivables generated from financial business decreasing by approximately RMB5,401 million; (4) increase in inventory balance deceasing by approximately RMB1,141 million; (5) income tax payment of approximately RMB782 million;

Net cash outflows from investing activities of the Group amounted to approximately RMB620 million, mainly reflecting: (1) spending approximately RMB1,793 million on property, plant and equipment and intangible assets to increase productivity and develop new products; (2) receipt of dividend from joint ventures and associated companies, representing an increase of approximately RMB6,499 million; (3) increase in pledged bank balances and time deposits, representing a decrease of approximately RMB5,251 million;

Net cash outflows used in financing activities of the Group amounted to approximately RMB1,450 million, mainly reflecting: (1) cash inflow of approximately RMB1,077 million due to net proceeds from bank borrowings increasing; (2) cash outflow of approximately RMB1,806 million as the net amount decreased due to repayment of bank borrowings; (3) approximately RMB796 million dividend to shareholders.

As a result of the above, the Group's cash and cash equivalents (excluding time deposits with a maturity of three months or more) amounted to approximately RMB27,200 million as at 30 June 2017, representing a decrease of approximately RMB3,651 million as compared with approximately RMB30,851 million as at 31 December 2016. Cash and bank balances (including time deposits with a maturity of three months or more) amounted to approximately RMB37,762 million, representing an increase of approximately RMB266 million as compared with approximately RMB37,496 million as at 31 December 2016. Net cash (cash and bank balances less borrowings) of the Group amounted to approximately RMB24,065 million, representing an increase of approximately RMB966 million when compared with approximately RMB23,099 million as at 31 December 2016.

As at 30 June 2017, the Group's equity ratio, as a percentage of total borrowings to total shareholders' equity, was approximately 13.4%, representing a decrease of approximately 1.5 percentage points as compared with approximately 14.9% as at 31 December 2016. The Group's liquidity ratio was approximately 1.33 times, representing a decrease of approximately 0.02 times from approximately 1.35 times as at 31 December 2016. The Group's quick ratio was approximately 1.20 times, representing a decrease of 0.02 times from approximately 1.22 times as at 31 December 2016.

The inventory turnover days of the Group as at 30 June 2017 increased by approximately 6 days to approximately 36 days from approximately 30 days as at 31 December 2016. The Group's turnover days of receivables (including bills receivable) increased by approximately 7 days to approximately 65 days as at 30 June 2017 from approximately 58 days as at 31 December 2016. Among them, the turnover days of receivables (excluding bills receivable) increased by approximately 3 days to approximately 15 days from approximately 12 days as at 31 December 2016. The turnover days of bills receivable increased by approximately 4 days to approximately 50 days from approximately 46 days as at 31 December 2016. 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 the first half of 2017 was approximately RMB121,178 million, representing an increase of approximately RMB10,380 million, or 9.4%, as compared with approximately RMB110,798 million of the corresponding period of last year. Profit before income tax was approximately RMB10,518 million, representing an increase of approximately RMB236 million, or 2.3%, as compared with approximately RMB10,282 million of the corresponding period of last year. Total assets was approximately RMB268,062 million, representing an increase of approximately RMB6,200 million, or 2.4%, as compared with approximately RMB261,862 million as at the end of last year.

II. ANALYSIS OF CORE COMPETITIVENESS

As an auto corporate in the leading position in China's auto industry and with continued growth, Dongfeng Motor Group maintained stable operation as a whole in the first half of the year. Its core competitive edge is mainly reflected in the following aspects:

1. Leading position in the commercial vehicles market

Dongfeng Motor Group is the most competitive manufacturer of commercial vehicles in China and has set up the 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 sales services. The 3rd generation commercial vehicles of Dongfeng has been forerunning the development of the commercial vehicle market in China. Dongfeng Motor Group successively launched Kingland Heavy Lorry (天龍重卡載貨車), Kingrun Medium Truck (天錦中卡), 3G light trucks, whose technological level is in leading edge in China and first rate in the world. Therefore, Dongfeng Kingland Heavy Lorry has the sales volume outperforming the other heavy trucks in China. The medium and heavy trucks of Dongfeng have been in the leading position for successive years in China, and the market share of Dongfeng medium and heavy trucks reached 19.5% in the first half of the year. The commercial vehicles of Dongfeng ranked the fourth in terms of export volume in the overseas market, which are well received by overseas users in some regions.

Dongfeng commercial vehicle business takes an important position in Dongfeng self-owned business currently. 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. 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. Internally speaking, Dongfeng Nissan has reached a sales scale of 1.1 million units, and besides this, Dongfeng Peugeot Citroën Automobiles and Dongfeng Honda has reached a scale ranging from 600,000 units to 800,000 units, Dongfeng Liuzhou Motor 300,000 units to 400,000 units and DFAC 200,000 units to 300,000 units. The combined scale of Dongfeng Nissan, Dongfeng Peugeot Citroën Automobiles and Dongfeng Honda accounts for approximately 58.4% of Dongfeng Group.

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.

3. Global vision and management philosophy

Although being a central enterprise directly affiliated to State-owned Assets Supervision and Administration Commission of the State Council, Dongfeng Motor Group is in the auto industry full of fierce competition. Since the beginning of 21st Century, Dongfeng Motor Group has been adopting a 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 on maintaining 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.

4. Satisfactory development of joint venture business

All joint venture 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.

5. The enterprise culture and professional teams featuring independent innovation

In the course of the development of over 40 years, Dongfeng Motor Group has been keeping in mind the mission to vitalize China’s auto industry with independent innovation and development running through the development course. The development and expansion history of Dongfeng is characterized by Dongfeng’s independent innovation, keeping abreast with time and transformation and adjustment. Both the innovation in commercial vehicles and the innovation breakthroughs in passenger vehicles and new-energy vehicles are the manifestations of the excellent innovation culture of Dongfeng Motor Group. To learn to innovate and transcend is the corporate philosophy of Dongfeng Motor Group.

Directors, Supervisors and Senior Management

As at the date of the disclosure of the 2017 interim report, the directors, supervisors and senior management of the Company include:

DIRECTORS

Zhu Yanfeng (竺延風)	Executive Director and Chairman of the Board of Directors
Li Shaozhu (李紹燭)	Executive Director
Liu Weidong (劉衛東)	Executive Director (re-designated from Non-executive Director on 28 March 2017)
Ma Zhigeng (馬之庚)	Independent Non-executive Director
Zhang Xiaotie (張曉鐵)	Independent Non-executive Director
Cao Xinghe (曹興和)	Independent Non-executive Director
Chen Yunfei (陳雲飛)	Independent Non-executive Director

SENIOR MANAGEMENT

Chen Daoran（程道然）	Vice President
Yang Qing（楊青）	Vice President
Cai Wei (蔡瑋)	Vice President and the Secretary of the Board
QiaoYang（喬陽）	Vice President
Lei Ping（雷平）	Vice President
Lu Feng（盧鋒）	Joint Company Secretary
Susan Lo（盧綺霞）	Joint Company Secretary

SUPERVISORS

Wen Shuzhong（溫樹忠）	Chairman of the Supervisory Committee (appointed on 16 June 2017)
Zhao Jun (趙軍)	Independent Supervisor
He Wei（何偉）	Employee Supervisor (appointed on 12 May 2017)

HEADS OF DEPARTMENTS

The head of the President's Office (party committee office) of the Company is Mr. Wang Binbin

The head of the Strategic Planning Department of the Company is Mr. Huang Gang

The head of the Operation Management Department of the Company is Mr. Wei Wenqing

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

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

The head of the Organization and Information Department of the Company is Mr. Yu Jun

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

The head of the Technical Development Department of the Company is Mr. Liu Guoyuan

The head of the Audit Department of the Company is Mr. Hu Weidong

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

The head of the Corporate Culture Department of the Company is Mr. Li Pingan

The head of the Staff Relation Department of the Company is Mr. Yuan Gang

The head of the Military Business Management of the Company is Mr. Xu Tiansheng

The head of the Comprehensively Deepening Reform Office of the Company is Ms. Tan Wei

The representative at Beijing Office of the Company is Mr. Xu Yaosheng

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

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF DONGFENG MOTOR GROUP COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 55, which comprises the interim condensed consolidated statement of financial position of Dongfeng Motor Group Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 August 2017

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 RMB million (Unaudited)	2016 RMB million (Unaudited and Restated)
Revenue	2	**57,685**	57,136
Cost of sales		**(49,689)**	(49,357)
Gross profit		**7,996**	7,779
Other income	3	**1,026**	942
Selling and distribution expenses		**(3,593)**	(3,204)
Administrative expenses		**(1,951)**	(1,683)
Other expenses		**(2,459)**	(2,541)
Finance expenses-net	5	**(467)**	(359)
Share of profits and losses of:			
Joint ventures		**6,101**	5,516
Associates		**1,218**	1,443
PROFIT BEFORE INCOME TAX	4	**7,871**	7,893
Income tax expense	6	**(527)**	(682)
PROFIT FOR THE PERIOD		**7,344**	7,211
Profit attributable to:			
Equity holders of the company		**7,037**	6,752
Non-controlling interests		**307**	459
		7,344	7,211
Earnings per share attributable to ordinary equity holders of the Company	8		
Basic and diluted for the period		**81.67 cents**	78.37 cents

The notes on pages 37 to 55 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB million	*RMB million*
	(Unaudited)	(Unaudited and Restated)
PROFIT FOR THE PERIOD	**7,344**	7,211
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss		
Share of other comprehensive income/(expense) of investments accounted for using the equity method	**70**	(52)
Others	**61**	–
	131	(52)
Items that may be reclassified to profit or loss		
Currency translation differences	**641**	358
Share of other comprehensive expense of investments accounted for using the equity method	**(169)**	(40)
	472	318
Income tax effect		
Item that will not be reclassified subsequently to profit or loss	**(15)**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**588**	266
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**7,932**	7,477
Total comprehensive income attributable to:		
Equity holders of the Company	**7,601**	7,018
Non-controlling interests	**331**	459
	7,932	7,477

The notes on pages 37 to 55 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position

For the six months ended 30 June 2017

	Notes	30 June 2017 RMB million (Unaudited)	31 December 2016 RMB million (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	9	14,182	13,873
Lease prepayments		1,253	1,296
Intangible assets		3,905	3,618
Goodwill		1,798	1,798
Investments in joint ventures		43,712	40,549
Investments in associates		13,941	12,598
Available-for-sale financial assets		175	174
Other non-current assets		13,114	14,377
Deferred income tax assets		2,328	2,134
Total non-current assets		94,408	90,417
Current assets			
Inventories		9,737	8,735
Trade receivables	10	4,938	4,138
Bills receivable		15,758	15,416
Prepayments, deposits and other receivables		27,956	20,205
Due from joint ventures		4,497	8,672
Pledged bank balances and time deposits	11	10,562	6,645
Cash and cash equivalents	11	27,200	30,851
Total current assets		100,648	94,662
TOTAL ASSETS		195,056	185,079
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital		8,616	8,616
Reserves		14,416	12,716
Retained profits		79,259	75,394
Non-controlling interests		6,518	6,912
TOTAL EQUITY		108,809	103,638

The notes on pages 37 to 55 form an integral part of this interim consolidated financial information.

	Notes	30 June 2017 RMB million (Unaudited)	31 December 2016 RMB million (Restated)
Non-current liabilities			
Interest-bearing borrowings	13	**6,648**	7,087
Other long term liabilities		**1,201**	1,320
Government grants		**817**	872
Deferred income tax liabilities		**1,437**	1,302
Provisions		**649**	674
Total non-current liabilities		**10,752**	11,255
Current liabilities			
Trade payables	12	**19,348**	21,501
Bills payable		**21,010**	14,867
Other payables and accruals		**16,595**	16,206
Due to joint ventures		**9,872**	8,529
Interest-bearing borrowings	13	**7,049**	7,310
Income tax payables		**507**	688
Provisions		**1,114**	1,085
Total current liabilities		**75,495**	70,186
TOTAL LIABILITIES		**86,247**	81,441
TOTAL EQUITY AND LIABILITIES		**195,056**	185,079

The notes on pages 37 to 55 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the company					Non-controlling interests	Total equity
	Issued capital	Capital reserves	Statutory reserves	Retained profits	Total		
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
For the six months ended 30 June 2017							
As at 1 January 2017							
As previously reported	8,616	2,746	9,907	75,381	96,650	6,908	103,558
Restatement for business combination under common control (Note 1.3)	–	63	–	13	76	4	80
As restated	8,616	2,809	9,907	75,394	96,726	6,912	103,638
2016 final dividend	–	–	–	(1,982)	(1,982)	–	(1,982)
Total comprehensive income for the period	–	564	–	7,037	7,601	331	7,932
Transfer to reserves	–	–	1,190	(1,190)	–	–	–
Contributions from non-controlling shareholders	–	–	–	–	–	75	75
Share of Associates' other equity changes	–	9	–	–	9	–	9
Dividends paid to non-controlling shareholders	–	–	–	–	–	(797)	(797)
Consideration for business combination under common control (Note 1.3)	–	(63)	–	–	(63)	(3)	(66)
As at 30 June 2017	8,616	3,319	11,097	79,259	102,291	6,518	108,809

The notes on pages 37 to 55 form an integral part of this interim consolidated financial information.

	Attributable to owners of the company					Non-controlling interests	Total equity
	Issued capital	Capital reserves	Statutory reserves	Retained profits	Total		
	RMB million (Unaudited and Restated)	*RMB million* (Unaudited and Restated)	*RMB million* (Unaudited and Restated)	*RMB million* (Unaudited and Restated)	*RMB million* (Unaudited and Restated)	*RMB million* (Unaudited and Restated)	*RMB million* (Unaudited and Restated)
For the six months ended 30 June 2016							
As at 1 January 2016							
As previously reported	8,616	2,378	8,191	65,465	84,650	6,834	91,484
Restatement for business combination under common control (Note 1.3)	–	55	–	37	92	5	97
As restated	8,616	2,433	8,191	65,502	84,742	6,839	91,581
2015 final dividend	–	–	–	(1,723)	(1,723)	–	(1,723)
Total comprehensive income for the period	–	266	–	6,752	7,018	459	7,477
Transfer to reserves	–	–	1,299	(1,299)	–	–	–
Contributions from non-controlling shareholders	–	–	–	–	–	92	92
Share of Associates' other equity changes	–	(15)	–	–	(15)	–	(15)
Dividends paid to non-controlling shareholders	–	–	–	–	–	(1,091)	(1,091)
As at 30 June 2016	8,616	2,684	9,490	69,232	90,022	6,299	96,321

The notes on pages 37 to 55 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 RMB million (Unaudited)	2016 RMB million (Unaudited and Restated)
Cash flows from operating activities			
Cash flows (used in)/generated from operating activities		**(2,134)**	302
Income tax paid		**(782)**	(673)
Cash flows used in operating activities – net		**(2,916)**	(371)
Cash flows from investing activities			
Acquisition of subsidiaries		**(66)**	(1,233)
Dividends from joint ventures and associates		**6,499**	5,003
Other investing cash flow – net		**(7,053)**	(2,746)
Cash flows (used in)/generated from investing activities – net		**(620)**	1,024
Cash flows from financing activities			
Proceeds from borrowings and bonds		**1,077**	3,725
Repayments of borrowings and bonds		**(1,806)**	(3,583)
Dividends paid to minority shareholders		**(796)**	(1,098)
Other finance cash flows – net		**75**	92
Cash flows used in financing activities – net		**(1,450)**	(864)
Net decrease in cash and cash equivalents		**(4,986)**	(211)
Cash and cash equivalents at beginning of the period		**29,724**	28,838
Cash and cash equivalents at end of the period	11	**24,738**	28,627

The notes on pages 37 to 55 form an integral part of this interim consolidated financial information.

1.1 CORPORATE INFORMATION

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

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

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

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

1.2 BASIS OF PRESENTATION

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

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial information, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

1.3 BUSINESS COMBINATION UNDER COMMON CONTROL

In January 2017, the Group acquired 100% equity interest of Dongfeng Motor Engineering Co., Ltd. ("Dongfeng Engineering") from a subsidiary of DMC. For this business combination under common control, the financial information of the Group and that of Dongfeng Engineering have been combined, by using the pooling of interests method, as if the Group acquired Dongfeng Engineering from the beginning of the earliest financial period presented. The net assets of the Group and Dongfeng Engineering are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of the Group's interest in the net fair value of Dongfeng Engineering's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. The difference between the consolidation and book value of Dongfeng Engineering at the time of common control combination is taken to the reserves of the Group. Accordingly, the comparative figures of this condensed consolidated interim financial information have been restated.

1.4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial information of the Group for the year ended 31 December 2016 (referring to the annual financial statements in the relevant year), as described in those annual financial information except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to IFRSs effective for the financial year ending 31 December 2017.

(i) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2017:

- Amendments to IAS 12 'Income taxes' on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

- Amendments to IAS 7 'Statement of cash flows' introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

- Amendment to IFRS 12 'Disclosure of interest in other entities' is part of the annual improvements to IFRSs 2014–2016 cycle. It clarifies that the disclosure requirement of IFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12).

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

(ii) New and amended standards that might be relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted

A number of new standards and amendments to standards and interpretations are not effective for periods beginning after 1 January 2017, and have not been early adopted in preparing these condensed consolidated interim financial information. 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'

IFRS 9 'Financial Instruments' 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 has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

1.4 SIGNIFICANT ACCOUNTING POLICIES (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 2017 and have not been early adopted (Continued)

IFRS 9, 'Financial instruments' (Continued)

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

- A fair value through other comprehensive income (FVOCI) election is available for the equity instruments which are currently classified as available-for-sale (AFS).

- Equity investments currently measured at fair value through profit or loss (FVPL) will likely continue to be measured on the same basis under IFRS 9.

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 FVOCI, contract assets under IFRS 15 'Revenue from Contracts with Customers', lease receivables, loan commitments and certain financial guarantee contracts.

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.

1.4 SIGNIFICANT ACCOUNTING POLICIES (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 2017 and have not been early adopted (Continued)

IFRS 15, 'Revenue from contracts with customers'

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of 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. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The group will adopt the new standard from 1 January 2018.

Management has identified the following areas that are likely to be affected:

- Bundle sales – 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 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.

IFRS 16, 'Leases'

IFRS 16 was issued in January 2016. It will results in almost all leases being recognized 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 recognized. 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 the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of RMB6,123 million. 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.

1.4 SIGNIFICANT ACCOUNTING POLICIES (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 2017 and have not been early adopted (Continued)

IFRS 16, 'Leases' (Continued)

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 standard is mandatory for first interim periods within annual reporting periods beginning 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 4 'Insurance Contracts', applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts', effective for annual periods beginning on or after 1 January 2018.

Amendment to IFRS 1 'First time adoption of IFRS', effective for annual periods beginning on or after 1 January 2018.

Amendment to IAS 28 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2018.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration', effective for annual reporting periods beginning on or after 1 January 2018.

IFRIC 23 'Uncertainty over Income Tax Treatments', effective for annual reporting periods beginning on or after 1 January 2019.

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

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations. According to the preliminary assessment, other than the assessment results of IFRS 9, 15 and 16 stated above, none of these is expected to have a significant effect on the condensed consolidated interim financial information of the Group.

1.5 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

2. REVENUE AND SEGMENT INFORMATION

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

– The commercial vehicles segment mainly manufactures and sells commercial vehicles, and its related engines and other automotive parts;

– The passenger vehicles segment mainly manufactures and sells passenger vehicles, and its related engines and other automotive parts;

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

– The corporate and others segment mainly manufactures and sells other automobile related products.

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

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

During the six months ended 30 June 2016 and 2017, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

2. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2017

	Commercial vehicles *RMB million* (Unaudited)	Passenger vehicles *RMB million* (Unaudited)	Financing service *RMB million* (Unaudited)	Corporate and others *RMB million* (Unaudited)	Elimination *RMB million* (Unaudited)	Total *RMB million* (Unaudited)
Revenue						
Sales to external customers	29,917	26,156	1,428	184	–	57,685
Sales to internal customers	32	4	17	–	(53)	–
	29,949	26,160	1,445	184	(53)	57,685
Results						
Segment results	922	(857)	817	(635)	337	584
Interest income	240	176	1	370	(352)	435
Finance expenses-net						(467)
Share of profits and losses of:						
Joint ventures	222	6,185	145	(451)	–	6,101
Associates	–	938	264	16	–	1,218
Profit before income tax						7,871
Income tax expense						(527)
Profit for the period						7,344

2. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2016

	Commercial vehicles *RMB million* (Unaudited and Restated)	Passenger vehicles *RMB million* (Unaudited and Restated)	Financing service *RMB million* (Unaudited and Restated)	Corporate and others *RMB million* (Unaudited and Restated)	Elimination *RMB million* (Unaudited and Restated)	Total *RMB million* (Unaudited and Restated)
Revenue						
Sales to external customers	20,116	35,777	1,078	165	–	57,136
Sales to internal customers	19	13	16	–	(48)	–
	20,135	35,790	1,094	165	(48)	57,136
Results						
Segment results	307	290	628	(554)	286	957
Interest income	146	180	–	366	(356)	336
Finance expenses-net						(359)
Share of profits and losses of:						
Joint ventures	118	6,066	106	(774)	–	5,516
Associates	–	1,234	195	14	–	1,443
Profit before income tax						7,893
Income tax expense						(682)
Profit for the period						7,211

3. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB million	*RMB million*
	(Unaudited)	(Unaudited and Restated)
Interest income	**435**	336
Government grants and subsidies	**135**	146
Rendering of other services	**110**	33
Others	**346**	427
	1,026	942

4. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2017	2016
	RMB million	*RMB million*
	(Unaudited)	(Unaudited and Restated)
Cost of inventories recognized as expense	**47,431**	47,343
Interest expense for financing services (included in cost of sales)	**108**	68
Provision/(Reversal of provision) against inventories	**139**	(60)
Depreciation	**869**	760
Amortisation of intangible assets	**205**	131
Amortisation of lease prepayment	**43**	29
Impairment of trade and other receivables	**96**	135

5. FINANCE EXPENSES-NET

	Six months ended 30 June	
	2017	2016
	RMB million	*RMB million*
	(Unaudited)	(Unaudited and Restated)
Interest on bank loans and other borrowings	**46**	75
Interest on short term notes and discounted bills	**29**	22
Exchange losses from financing activities, net	**392**	262
Net finance expenses	**467**	359

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB million	*RMB million*
	(Unaudited)	(Unaudited and Restated)
Current income tax	**601**	425
Deferred income tax	**(74)**	257
Income tax expense for the period	**527**	682

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2017 and 30 June 2016.

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

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

7. DIVIDEND

	Six months ended 30 June	
	2017	2016
	RMB million	*RMB million*
	(Unaudited)	(Unaudited and Restated)
Proposed interim-RMB0.10 (2016: nil) per ordinary share	**862**	–

On 27 August 2017, the Board of Directors has declared an interim dividend of RMB0.10 per share (2016: nil), amounting to RMB862 million (2016: nil). The interim financial information does not reflect the liability.

A dividend of RMB1,982 million that relates to the period to 31 December 2016 was paid in August 2017.

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

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2017	2016
	RMB million	*RMB million*
	(Unaudited)	(Unaudited and Restated)
Earnings:		
Profit for the period attributable to ordinary equity holders of the Company	**7,037**	6,752
	Number of shares	
	million	*million*
Shares:		
Weighted average number of ordinary shares in issue during the period	**8,616**	8,616
Earnings per share	**81.67 cents**	78.37 cents

Diluted earnings per share equals basic earnings per share as the Company has no dilutive potential ordinary shares for the six months ended 30 June 2017 and 30 June 2016.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment in an aggregate amount of approximately RMB1,251 million (for the six months ended 30 June 2016: RMB1,178 million) and disposed of property, plant and equipment with an aggregate net book value of approximately RMB73 million (for the six months ended 30 June 2016: RMB27 million), resulting in a net gain on disposal of approximately RMB7 million (for the six months ended 30 June 2016: a net loss 5 million). Depreciation is approximately RMB869 million (for the six months ended 30 June 2016: RMB760 million). No impairment is accrued for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB3 million).

10. TRADE RECEIVABLES

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

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

	30 June 2017 ***RMB million*** **(Unaudited)**	31 December 2016 *RMB million* (Restated)
Within three months	**3,009**	2,066
More than three months but within one year	**1,490**	1,844
More than one year	**439**	228
	4,938	4,138

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

	Notes	30 June 2017 RMB million (Unaudited)	31 December 2016 RMB million (Restated)
Cash and bank balances		**17,747**	17,998
Time deposits	(a)	**20,015**	19,498
Fixed term deposits (within one year)	(b)	**2,300**	–
Fixed term deposits (more than one year)	(c)	**700**	3,000
		40,762	40,496
Less: Pledged bank balances and time deposits for securing general banking facilities		**(10,562)**	(6,645)
Less: Fixed term deposits (within one year)	(b)	**(2,300)**	–
Less: Fixed term deposits (more than one year)	(c)	**(700)**	(3,000)
Cash and cash equivalents in the interim condensed consolidated statement of financial position		**27,200**	30,851
Less: Non-pledged time deposits with original maturity of three months or more when acquired		**(2,462)**	(1,127)
Cash and cash equivalents in the interim condensed consolidated statement of cash flow		**24,738**	29,724

(a) As at 30 June 2017, time deposits included RMB200 million (31 December 2016: RMB200 million) placed by the Company in an associate which is involved in the provision of financing services and RMB1,200 million (31 December 2016: RMB500 million) placed by the Company in a joint venture which is involved in the provision of financing services.

(b) As at 30 June 2017, fixed term deposits (within one year) include RMB1,300 million (31 December 2016: nil) placed by the Company in an associate which is involved in the provision of financing services and RMB1,000 million (31 December 2016: nil) placed by the Company in a joint venture.

(c) As at 30 June 2017, fixed term deposits (more than one year) include RMB700 million (31 December 2016: RMB2,000 million) placed by the Company in an associate which is involved in the provision of financing services and no deposit (31 December 2016: RMB1,000 million) placed by the Company in a joint venture.

12. TRADE PAYABLES

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

	30 June 2017 *RMB million* (Unaudited)	31 December 2016 *RMB million* (Restated)
Within three months	17,326	19,856
More than three months but within one year	1,610	1,219
More than one year	412	426
	19,348	21,501

13. INTEREST-BEARING BORROWINGS

Interest expense on borrowings and loans for the six months ended 30 June 2017 is RMB75 million (for the six months ended 30 June 2016: RMB97 million).

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 and to be expired in 3 years. 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.

14. COMMITMENTS

(a) Operating lease commitments as lessee

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

	30 June 2017 *RMB million* (Unaudited)	31 December 2016 *RMB million* (Restated)
Within one year	179	166
After one year but not more than five years	699	674
More than five years	5,245	5,294
	6,123	6,134

14. COMMITMENTS (Continued)

(b) Capital Commitments

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

	30 June 2017	31 December 2016
	RMB million	*RMB million*
	(Unaudited)	(Restated)
Contracted, but not provided for:		
Property, plant and equipment	**1,820**	1,929

15. RELATED PARTY TRANSACTIONS

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

Save as disclosed elsewhere in this condensed interim financial information, during the six months ended 30 June 2017, the Group had the following significant transactions with its related parties:

	Six months ended 30 June	
	2017	2016
	RMB million	*RMB million*
	(Unaudited)	(Unaudited and Restated)
Purchases of automotive parts/raw materials from and the payment of royalty fee to:		
DMC, its subsidiaries, associates and joint ventures	**370**	281
Joint ventures	**7,144**	6,110
	7,514	6,391
Purchases of automobiles from joint ventures	**14,780**	20,620
Purchases of water, steam and electricity from DMC	**327**	261

15. RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended 30 June	
	2017	2016
	RMB million	*RMB million*
	(Unaudited)	(Unaudited and Restated)
Purchases of items of property, plant and equipment and intangible assets from:		
DMC, its subsidiaries, associates and joint ventures	**5**	23
Joint ventures	**131**	90
Non-controlling shareholders of a subsidiary and their subsidiaries	**20**	399
	156	512
Rental expenses to DMC	**58**	55
Purchases of services from:		
DMC, its subsidiaries, associates and joint ventures	**231**	151
Joint ventures	**144**	65
Non-controlling shareholders of a subsidiary and their subsidiaries	**153**	40
	528	256
Sales of automotive parts/raw materials to:		
DMC, its subsidiaries, associates and joint ventures	**172**	131
Joint ventures	**1,869**	1,247
	2,041	1,378
Sales of automobiles to:		
DMC, its subsidiaries, associates and joint ventures	**2,287**	1,219
Joint ventures	**158**	290
Non-controlling shareholder of a subsidiary and their subsidiaries	**694**	423
	3,139	1,932
Provision of services to joint ventures	**71**	63

15. RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended 30 June	
	2017	2016
	RMB million	*RMB million*
	(Unaudited)	(Unaudited and Restated)
Interest expense paid to:		
DMC, its subsidiaries, associates and joint ventures	**17**	23
Joint ventures	**49**	14
	66	37
Interest incomes from:		
DMC, its subsidiaries, associates and joint ventures	**38**	4
Joint ventures	**9**	7
	47	11
Fee and commission incomes from:		
DMC, its subsidiaries, associates and joint ventures	**1**	1
Joint ventures	**4**	5
	5	6

15. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

	30 June 2017 *RMB million* (Unaudited)	31 December 2016 *RMB million* (Restated)
Receivables from related parties included in trade receivables:		
DMC, its subsidiaries, associates and joint ventures	**289**	271
Associates	**12**	14
Non-controlling shareholders of a subsidiary and their subsidiaries	**91**	74
	392	359
Receivables from related parties included in prepayments, deposits and other receivables:		
DMC, its subsidiaries, associates and joint ventures	**984**	805
Associates	**23**	24
Non-controlling shareholders of a subsidiary and their subsidiaries	**7**	10
	1,014	839
Payables to related parties included in trade payables:		
DMC, its subsidiaries, associates and joint ventures	**307**	278
Associates	**37**	49
Non-controlling shareholders of a subsidiary and their subsidiaries	**7**	8
	351	335
Payables to related parties included in other payables, deposit taking and accruals:		
DMC, its subsidiaries, associates and joint ventures	**140**	142
Non-controlling shareholders of a subsidiary and their subsidiaries	**251**	234
	391	376

15. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2017	2016
	RMB thousand	*RMB thousand*
	(Unaudited)	(Unaudited and Restated)
Short-term employee benefits	**2,624**	3,790
Post-employment benefits	**136**	230
Total compensation to key management personnel	**2,760**	4,020

Definitions

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

“Company”	東風汽車集團股份有限公司 (Dongfeng Motor Group Company Limited), a joint stock limited company registered in the PRC on 12 October 2004 in accordance with the laws of the PRC or where the context refers to any time prior to the date of incorporation, those entities and businesses which were contributed to and conducted by the Company upon its establishment;
“Dongfeng Joint Venture Companies”	Joint Venture Companies in which the Company, its subsidiaries or Joint Venture Companies (including their respective subsidiaries and Joint Venture Companies) have equity interests as at 30 June 2017;
“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;
“Group” or “Dongfeng Motor Group”	The Company, its subsidiaries, jointly-controlled entities and their respective subsidiaries and jointly-controlled entities;
"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;
“PRC” or “China”	The People’s Republic of China. Except where the context requires, geographical references in this interim report to the PRC or China exclude Hong Kong, Macau or Taiwan;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time;
"Macau"	The Macau Special Administrative Region of the PRC;
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time.